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Vocational education and training in the UK: strategies to overcome skill gaps in the workforce

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WZB

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Vocational Education and Training in the UK

Strategies to overcome skill gaps in the workforce

discussion paper

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Abstract

This paper presents an overview of recent literature concerning skill gaps and vocational training in the UK. There is considerable employer influence in the market-led UK training system and the government typically encourages employer-funded training via policy and through the institutional and qualification frameworks. This approach is in contrast to much of the training policy across Europe. Employers in the UK train for a variety of reasons, primarily led by business needs. There are distinct patterns of who receives employer-funded training, and how intensive any training received is. This is linked to the prioritisation of the training, within a limited budget, to best meet business needs and which is likely to lead to the largest return on investment via benefits such as increased productivity. The UK training system faces a number of challenges in the future, including an ageing workforce, trying to increase the take-up and quality of vocational training and breaking the low skills, low quality cycle resulting from businesses competing on cost.

Zusammenfassung

Der Beitrag gibt einen Überblick über aktuelle Forschungsarbeiten zu Qualifikationsbedarf und beruflicher Weiterbildung im Vereinigten Königreich. Der Einfluss von Unternehmen auf das marktorientierte britische Weiterbildungssystem ist erheblich. Die britische Regierung fördert betriebliche Weiterbildung durch direkte politische Maßnahmen und die Gestaltung institutioneller Rahmenbedingungen sowie durch Zertifizierungssysteme. Der unternehmensorientierte britische Ansatz stellt einen Gegensatz zu den meisten staatlichen Weiterbildungsstrategien in Europa dar. Die Bestimmungsgründe für betriebliche Weiterbildung im Vereinigten Königreich sind primär durch die jeweiligen betrieblichen Anforderungen geprägt. Es gibt deutliche Muster, welche Gruppen von Mitarbeitern wie viel Weiterbildung erhalten. Diese Muster können auf Prioritäten bei Weiterbildungsentscheidungen – vor dem Hintergrund begrenzter Budgets, spezifischer unternehmerischer Ziele und notwendiger Rentabilität der Weiterbildungsinvestitionen – zurückgeführt werden. Für das britische Weiterbildungssystem gibt es einige zukünftige Herausforderungen, z.B. eine alternde Erwerbsbevölkerung, das Ziel der Erhöhung der Teilnahme und der Verbesserung der Qualität beruflicher Weiterbildung und die Überwindung des Gleichgewichts zwischen geringer Qualität und starkem Preiswettbewerb.

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1. Introduction and Summary[1]

The Continuing Vocational Training Survey (CVTS) is the only comparable European-wide survey investigating the issue of the participation and intensity of firm-sponsored training in Europe and was carried out in 1999. The survey highlighted significant differences in the statistics about overall training participation and intensity of firm-sponsored training across Europe as well as within countries.

The WZB Social Science Research Centre in Berlin has commissioned a series of discussion papers from a number of researchers throughout Europe to examine employer-sponsored training in their own country in order to aid interpretation, comparison and analysis of the CVTS and to help understand the causes of differences in the data.

This paper examines employer-sponsored training for adults in the UK, excluding higher education, and focuses discussion around the:

- UK agencies involved in developing skills policy and how they work together
- reasons for the magnitude and intensity of employer-sponsored training in the UK
- beneficiaries of employer funded training in the UK and the types of firm most likely to train their employees
- factors likely to influence employer and employee training decisions in future.

For consistency across the studies, employer-sponsored training has been defined as wholly or partly financed by the employer and is treated separately from training for the unemployed, financed by work agencies.

For ease of comparison of this paper with those produced in other countries and for interpretation of the CVTS, this study highlights the factors that were influential for the training situation in 1999,

[1] The authors would like to thank Gill Howd and Denise Hassany at IES for their assistance in preparing this report. Our thanks also go to Ralf Mytzek-Zühlke and reviewers at WZB Social Science Research Centre who provided helpful comments and suggestions on draft material.

many of which had been implemented prior to that date, and also the current situation.

After summarising the main issues emerging from the paper, the discussion paper is constructed of four further main sections.

- **Section 2** examines the political and institutional framework under which UK vocational training takes place.
- **Section 3** outlines the motivations for employer-funded training.
- **Section 4** discusses the company and individual factors that affect the likelihood of financing training, or of receiving training.
- **Section 5** outlines some of the challenges for the UK and the factors that are likely to affect future employer and employee demand for vocational training.

1.1 Main findings

There is currently a voluntarist system of employer training in the UK under which it is largely left to individual employers whether or not they train staff, with few minimum legal requirements. There has been increasing employer influence on institutions and training structures and changes have been made to incorporate employer engagement so that the state-influenced training system best meets what businesses say they need. This market-led approach is in contrast to much of the training policy across Europe.

The UK system has led to a range of different actions being undertaken, including a levy system in some sectors. The system is flexible and there are no ideological or political constraints on policies.

The Investors in People standard encourages employers to identify skills needs and to link them to business objectives in order to enhance organisational performance when staff are trained. However, this may restrict activity overall, particularly if low-cost business strategies are pursued and it may restrict the extent of developmental training that employers undertake.

Employers' demand for training is usually informed by the business context and the implications flowing from their business strategy. UK businesses train for a variety of reasons which include increasing productivity and providing staff with skills and knowledge to work competently.

One in five UK firms report that their employees are not fully proficient to do their jobs effectively. These 'skills gaps' are most frequently reported to be in 'soft skills', which include skills such as communication, customer-service skills and teamworking.

Employers report that semi or unskilled staff are most likely to have skills gaps, but these are the staff they are least likely to train.

The UK market-driven training culture is likely to be an influential factor in deciding who receives training. Those workers for whom training will result in the greatest increase in productivity, and therefore business benefit, are those most likely to be trained as businesses seek to maximise a return on their training investment.

There are distinct patterns of who receives training and among employers that train. Larger businesses, and those in sectors with high levels of competition or with specific legal requirements are most likely to train. Whether or not staff receive training is also related to their age, gender and working status, such as whether they work part-time hours. The demographic and socio-economic patterns of who receives training are likely to be explained to some extent by wider segregation in the labour market between the types of people most likely to be doing jobs that receive training.

The UK faces several challenges, including continuing changes in technology, which will shape the nature and demand for skills. The change in the population structure, with an increasing proportion of older workers also presents a challenge as these workers are less likely to receive employer-funded training.

Some sectors of the UK economy are locked in a cycle of low-skills, low-cost and low-quality products. In order to overcome this and try to increase the competitiveness of the UK economy overall, government policy on work-based training, via level 2 entitlement and the Employer Training Pilots (ETPs), has been primarily aimed at low-skilled workers. Policy targeted at people who do not receive employer-funded training as a matter of course is likely to be important, not only to try to increase UK competitiveness and productivity, but also to meet wider social objectives.

2. Policy and Institutional Framework

2.1 A market-led era

In the United Kingdom, over the past two decades, there has been a shift in the general perceptions among policymakers of the purpose of education and training, from education for education's sake, towards education's contribution to underpinning global competitiveness and economic success, and more recently to its part in social inclusion (Gleeson and Keep, 2004).

Between 1964 and 1982 a levy and grant scheme for employer training was in operation and was administered by the Industrial Training Boards in 28 separate industries (Ok and Tergeist, 2003). The interventionist approach, such as the levy and grant system, has since been judged to be overly bureaucratic for an enterprise economy, and since 1982 a voluntarist approach, where it is left to employers whether or not they train staff, has been the main way that the UK government has encouraged employers to undertake staff training and development (Hughes *et al.*, 2002). The UK's market-led approach is in contrast to much of the training policy across Europe, which has generally been more interventionist (Greenhalgh, 1999).

The voluntarist system of employer-funded training has been followed alongside a programme of greater employer influence in education and training and change to institutional structures so that they try to meet what businesses need and want. The structure of funding, planning and control of vocational educational training in the UK has considerable employer influence. For example, local Learning and Skills Councils (LSC)[2] are expected to engage with employers and employer representatives, such as local Chambers of Commerce. Employers have also been given 40 per cent of the seats on the boards of local LSCs, making employers the largest interest group with the highest representation. LSCs are also tasked with trying to match the output of the education system, *ie* the number

[2] **Learning and Skills Council** (LSC). The LSCs are responsible for all education and training of young people and adults (outside higher education). They aim to be an 'information-clearing organisation', where changes in employer demand for skills are identified and communicated to the supply side (colleges and training providers), who then arrange provision to meet demand.

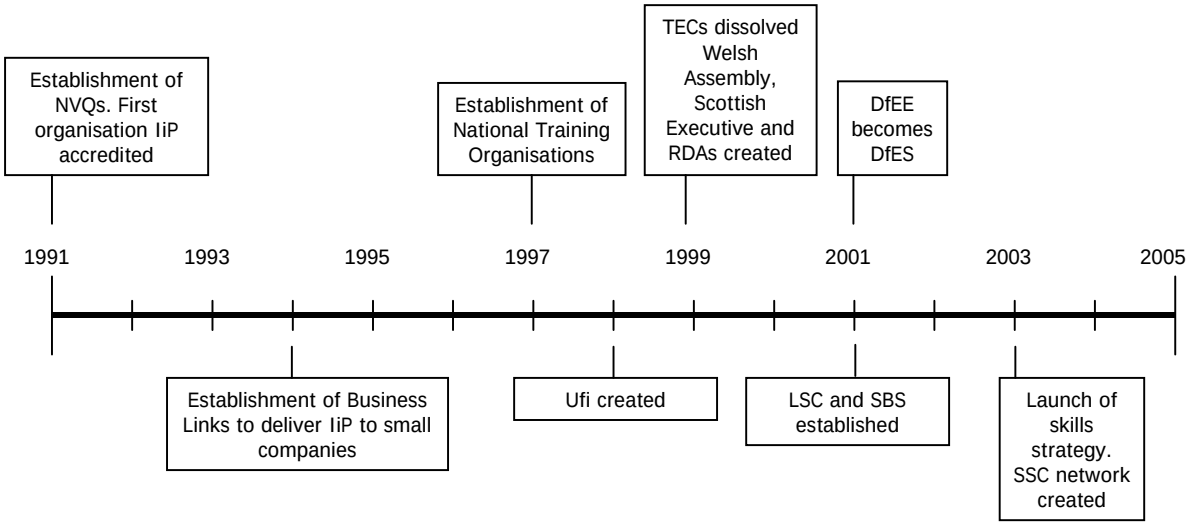
of people with qualifications and the nature of the qualifications they hold, with the skills employers demand on a local, sectoral and national basis (Gleeson and Keep, 2004). LSCs aim to engage with employers in order that they gain an understanding of employers' skill demands and can therefore pre-empt future skills needs in order to ensure there is appropriate training provision on offer. The focus of UK training policy and its institutional structures is centrally on education and training to meet employer and employment needs.

As there is no compulsion to engage in training activity, and no penalty for lack of provision, there is some evidence of a fear among organisations that trained staff will be poached by 'free-riders' — other firms that do not train staff and so who may gain the benefits of a trained workforce through recruitment. This risk can discourage firms from training and lead to a sub-optimal amount of training overall (Hoque *et al.*, 2005). However, a survey of UK employers with less than 250 employees found that only one per cent of employers said they did not provide training for the fear of poaching and there were many more frequently mentioned reasons why employers do not train staff, such as a perceived lack of any need to train (Kitching and Blackburn, 2002).

2.2 Changes in government structures since 1999

The employer-funded training and vocational training structures which formulate, oversee and implement training policy have changed in several ways over the past 20 or so years, with new organisations being created and others being dissolved. Figure 2.1 outlines the major programme and organisational changes that have occurred in the UK since the early 1990s and that still affect the employer training environment today, and the changes that have been implemented since 1999. These form the background

Figure 2.1: Timeline of organisational change in vocational training in the UK



Source: IES, 2005

against which employer-sponsored training occurs.

The following section discusses what the changes outlined in Figure 2.1 have meant in practice for training in the UK.

2.2.1 National level changes

At a national level the Department for Education and Employment was restructured in 2001. Part of its responsibilities were merged with the Department for Social Security to become the **Department for Work and Pensions**, which has a primary focus on those adults out of work. Its other responsibilities are now undertaken by the **Department for Education and Skills** which has a strong focus on skills development and people in work as well as on initial education.

In 1999 the **Scottish Executive** and the **Welsh Assembly** were created and they have the same statutory responsibilities as the Department for Education and Skills in England. Devolution in Northern Ireland is currently suspended for political reasons.

The **National Training Organisations** were established in 1997 to work at a strategic level within their sectors and with employers and with government across education and training in order to help ensure that the needs of businesses were taken into account in developing policy. Their remit also included developing occupational standards, identifying skills shortages and the training needs of the sectors and advising on training arrangements and solutions. However, they were short-lived and have since been superseded (in 2003) by a smaller network of **Sector Skills Councils** (SSCs).

The SSCs are overseen by the **Sector Skills Development Agency** (SSDA), which together make the *'Skills for Business Network'*. Each SSC is tasked with creating a Sector Skills Agreement (SSA) to deliver action to meet the priority skill needs that will drive business performance in the sector and also to outline the collaborative action needed between employers in the sector, providers of education and training and government in order to meet employers' needs.

For example, LANTRA, the SSC for the Environmental and Land based sector has identified, in consultation with employers in the sector, that the demand for literacy, numeracy and communication skills among environmental and land businesses is likely to increase from a medium level of skill requirement currently, to a high level of skill requirement over the next three years, making these skills a priority need for development (LANTRA, 2005).

In response to a shortage of apprenticeship placements with employers the recent Construction Skills SSA outlines a

'commitment to working with others to develop workable arrangements for taking on and supporting apprenticeships/ trainees on a collaborative project by project or regional basis'. It sets out what industry say it needs from government to enable this to happen and aims to achieve a 10,000 increase in the number of apprentice framework completions by 2010 (Construction Skills, 2005).

Skillset, the SSC for the film industry, has negotiated agreement amongst employers for the introduction of a collective training levy (DfES, 2005a). The film-industry predominantly consists of a free-lance and mobile workforce, employed on short-term contracts, which can mean that training is not part of a production budget. Therefore Skillset have created the Skills Investment Fund, which is made up of contributions from all film productions, either based in the UK or in receipt of UK public funding. The contributions amount to 0.5 per cent of the total production budget, with a ceiling of £39,500 (Skillset, 2005). The fund is also added to by contributions from public organisations such as the UK Film Council to create a total fund over approximately £10 million (Skillset, 2003). There is a similar levy in the construction industry, where contract-based, self-employed and free-lance workers are also common.

The return to the pre-1982 position within the film industry seems to suggest that there is diversity within the employer-led SSC system for a range of different employer-actions to be undertaken and also that there is no ideological or political constraint on policies if they are proposed by employers as the most appropriate solution for their sector. The first SSAs have recently been formulated; the agreements are national, although delivery is expected to devolve regionally and locally.

2.2.2 Regional level changes

In recent years, the regions of England have become an increasingly important axis of policy on economic and skills development. Regional Development Agencies (RDAs) were formally launched in eight English regions in April 1999 and the ninth, in London, followed in 2000. They aim to provide co-ordinated regional economic development and regeneration and have statutory interests in economic development and regeneration, business support, investment and competitiveness, sustainable development and skills, training and employment (Hillage *et al.*, 2000).

In the skills, training and employment field, RDAs are charged with improving the skills base of the region. The RDAs have led an increasing process of regionalisation to the planning, co-ordination and intervention of skills policy, and since their formation other organisations such as local Business Links and the local LSCs have been drawn into regional working.

As regional structures and partnerships become more cemented, '*Regional Skills Partnerships*' have been developed. These are led by the RDAs, with the LSC, Jobcentre Plus, Small Business Service (who oversee Business Link) and the Sector Skills Development Agency. The partnerships meet to integrate action on skills, training, business support and labour market services at a regional level and have a strong employer and business focus.

One example of RDA working is outlined in the National Skills Strategy. The East Midlands Development Agency have developed a programme called '*Get On With Graduates*' which aims to match the skills and aptitudes of recent graduates in the area to the specific requirements of small and medium enterprises in the region. The dual aims of the project are to help firms increase productivity and also to retain graduates in the regions' labour market (DfES, 2003).

2.2.3 Local level changes

In the Learning and Skills Act 2000, the government addressed the previous split in funding provision for adult (*ie* post-16 skill development [other than higher education]). Prior to 2001, the Further Education Funding Council (a government and student demand-led system) had funded further education and the Training and Enterprise Councils (a government and employer demand-led system) were responsible for ensuring that employers' workforce development needs were met.

Since 2001 the requirements of government, employers and learners, have been channelled through the **Learning and Skills Council** who aim to be an 'information-clearing organisation', where changes in employer demand for skills are rapidly identified and communicated, and the supply side (colleges and training providers) are alerted to respond to them (Winch and Clarke, 2003). The LSCs are responsible for all education and training of young people and adults (outside higher education), and therefore have a focus on level 2 and level 3 qualifications (Hillage *et al.*, 2000). As previously noted the 'employer voice' has considerable influence on their agendas as they are the largest single group on the board of LSCs (Winch and Clarke, 2003).

Since the devolution of some power to the Welsh Assembly in Wales and the Scottish Executive in Scotland, aspects of education and training policy have been dealt with by different organisations in the devolved nations of the UK. Education and Learning Wales (ELWa), and Scottish Enterprise and Highlands and Islands Enterprise have the same statutory responsibilities in Wales and Scotland respectively as the LSC in England.

Part of the local LSC programme is the development of **Centres of Vocational Excellence** (CoVE). CoVEs provide training in specialist areas of vocational provision, usually up to level 3 on

the qualifications framework (see Table 2.1), and have close links with business partners and other employment interests and communities. CoVE aim to provide appropriately qualified and skilled workers to meet the needs of the economy.

As outlined in the National Skills Strategy a CoVE for Construction has been developed in Cambridgeshire in order to address skills shortages in the construction industry in the East of England. At the time of the strategy, the CoVE ran 42 courses offering a range of flexible attendance patterns as well as a range of programmes tailored to individual construction sector employers' needs (DfES, 2003).

2.3 Qualifications framework

The UK has a broad qualification framework consisting of nine levels. It starts with 'entry level qualifications', where people have basic knowledge and skills and the ability to apply learning to everyday situations, through to 'level 8 qualifications' where the holder is a recognised expert or practitioner in a particular field (see Table 2.1). In theory qualifications within levels are comparable across vocational and academic subjects and between fields. This section focuses on the UK's main vocational qualifications, and their take-up.

2.3.1 National vocational qualifications

Historically, the UK vocational qualification system was characterised by the existence of a vast number of job and industry specific qualifications, from an array of awarding bodies about whose certificates little was known. This meant that skills which might have had a general market value were most often seen as particular to a trade (Greenhalgh, 1999).

National Vocational Qualifications (NVQs), and Scottish vocational qualifications (SVQs) in Scotland, started in 1991 and were designed to be employer focused qualifications, to rationalise vocational qualifications, to be a consistent, comparable and a recognised standard between industries, and to be competency-based, so that candidates would produce work-based evidence of skills. As a result, they are more likely than other qualifications to be obtained by individuals at their place of work (Dearden *et al.*, 2004).

Table 2.1: Understanding qualification levels

Framework level	Level indicators
Entry	Entry level qualifications recognise basic knowledge and skills and the ability to apply learning in everyday situations under direct guidance or supervision. Learning at this level involves building basic knowledge and skills and is not geared towards specific occupations.
Level 1	Level 1 qualifications recognise basic knowledge and skills and the ability to apply learning with guidance or supervision. Learning at this level is about activities which mostly relate to everyday situations and may be linked to job competence.
Level 2	Level 2 qualifications recognise the ability to gain a good knowledge and understanding of a subject area of work or study, and to perform varied tasks with some guidance or supervision. Learning at this level involves building knowledge and/or skills in relation to an area of work or a subject area and is appropriate for many job roles.
Level 3	Level 3 qualifications recognise the ability to gain, and where relevant apply a range of knowledge, skills and understanding. Learning at this level involves obtaining detailed knowledge and skills. It is appropriate for people wishing to go to university, people working independently, or in some areas supervising and training others in their field of work.
Level 4	Level 4 qualifications recognise specialist learning and involve detailed analysis of a high level of information and knowledge in an area of work or study. Learning at this level is appropriate for people working in technical and professional jobs, and/or managing and developing others. Level 4 qualifications are at a level equivalent to Certificates of Higher Education.
Level 5	Level 5 qualifications recognise the ability to increase the depth of knowledge and understanding of an area of work or study to enable the formulation of solutions and responses to complex problems and situations. Learning at this level involves the demonstration of high levels of knowledge, a high level of work expertise in job roles and competence in managing and training others. Qualifications at this level are appropriate for people working as higher grade technicians, professionals or managers. Level 5 qualifications are at a level equivalent to intermediate Higher Education qualifications such as Diplomas of Higher Education, Foundation and other degrees that do not typically provide access to postgraduate programmes.
Level 6	Level 6 qualifications recognise a specialist high level knowledge of an area of work or study to enable the use of an individual's own ideas and research in response to complex problems and situations. Learning at this level involves the achievement of a high level of professional knowledge and is appropriate for people working as knowledge-based professionals or in professional management positions. Level 6 qualifications are at a level equivalent to Bachelors degrees with honours, graduate certificates and graduate diplomas.
Level 7	Level 7 qualifications recognise highly developed and complex levels of knowledge which enable the development of in-depth and original responses to complicated and unpredictable problems and situations. Learning at this level involves the demonstration of high level specialist professional knowledge and is appropriate for senior professionals and managers. Level 7 qualifications are at a level equivalent to Masters degrees, postgraduate certificates and postgraduate diplomas.
Level 8	Level 8 qualifications recognise leading experts or practitioners in a particular field. Learning at this level involves the development of new and creative approaches that extend or redefine existing knowledge or professional practice.

Source: National Qualifications Framework, Qualifications and Curriculum Authority (QCA)

Evidence shows that NVQs are usually held with other qualifications — those with NVQ1 have an average of 2.6 other qualifications (Dearden *et al.*, 2004). This is not particularly surprising as the goal of NVQ system is to certify existing skills, which may have been obtained through a more traditional course. NVQs are particularly prevalent in certain industrial sectors, especially public administration, education and health (Dearden *et al*, 2004).

There is some evidence that employers see the NVQ process as cumbersome and bureaucratic, with little relevance to 'real' work (Beaumont, 1995, cited in Grugulis, 2003). Other work by Matlay, also cited in Grugulis (2003) reports that the volume and extent of paperwork associated with the qualifications may help to explain the reluctance of businesses, and particularly small and medium sized enterprises, to deliver NVQs.

Also, the quality, validity and transferability of competency assessed via NVQs may vary according to individual circumstances; such as terms of employment, age and current work experience (Tolley *et al*, 2003). Tolley *et al.,* also questioned the validity of the competencies which NVQ candidates develop as they can sometimes be collected under simulated conditions.

2.3.2 Apprenticeships

Apprenticeships were developed as a means of addressing skill deficiencies at an intermediate level. There are currently over 180 types of apprenticeships on offer across 80 industrial sectors, with more than 250,000 young people undertaking them, although only 100,000 are training at level 3 (DfES, 2005b). As well as training to NVQ level 2 or 3, the programme was designed to include 'key skills' — the essential skills that are needed to succeed in everyday life and in work, such as communication, literacy and numeracy. However, key skills are not perceived to by employers to be relevant in all sectors, *eg* IT skills for the retail sector (Kodz *et al.,* 2000).

The Apprenticeship programmes work best where training is both relevant to, and supported by, the employer, but also develop a broader range of transferable skills to support the progression of the employee both internally and externally (Kodz *et al.*, 2000).

Research by Anderson and Metcalf, (2003), has shown that companies which had implemented apprenticeships had done so to give staff a chance to gain a qualification, to improve retention and to provide staff with opportunities for career progression and development. Training an apprentice was also found to have wider benefits to employers, with over half of employers training an apprenticeship introducing new training within the rest of the company (Anderson and Metcalf, 2003).

There is, however, a concern with the low completion rate of apprenticeships, only 46 per cent of apprentices studying for the advanced level completed their training in 2004/05 and only 43 per cent of level 2 apprenticeships completed in the same period. Completion rates were lowest in the retail and hospitality sectors (DfES, 2005b).

Generally completion is important to employers, but is least so in retail, IT and accountancy. With the exception of accountancy, the

importance of completion seems to be related to the traditional importance of vocational qualifications or training for the occupation (Anderson and Metcalf, 2003). The Modern Apprenticeship Advisory Committee created a three year action plan for the development, promotion and delivery of apprenticeships, and criticised them for being *'inconsistently delivered; poorly managed; poorly known about and understood'*, (MAAC, 2001). Although since then issues about apprenticeships have been addressed, for example development and utilisation of a national framework for apprenticeships.

The largest single group of organisations involved in the provision of apprenticeships are private training providers, who in 2001 accounted for nearly 50 per cent of apprenticeship places. These companies do not employ apprenticeships themselves, but provide a range of services to employers that do take on apprenticeships (MAAC, 2001). The provision of these services by the private sector mean that it is not possible to generalise about the services that employers of apprentices will receive, or whether or not an employer will receive a grant. There is also a risk that within the funding system there are financial incentives for providers to limit off-the-job training, which is relatively expensive compared to in-work training. As long as inspectors do not pick up quality problems, providers will gain the full payment from the LSC whether or not they provide extensive off-site training (MAAC, 2001).

There have been a declining number of people taking Advanced Modern Apprenticeships (a level 3 qualification) since 1999, which indicates that the UK pattern of lower levels of people qualified to level 3 than other EU countries shows little sign of reversing by this measure (DfES, 2005b). Indeed, there has been a long-term secular decline in the use of work-based learning more generally as a component of immediate post-16 learning in the UK (MAAC, 2001).

2.3.3 Vocationally related qualifications

Accredited vocational qualifications other than NVQs are increasingly important. However, data collection is still being developed and therefore estimates and comparison of Vocationally Related Qualifications (VRQs) are difficult. However, it is likely that there are more VRQs than NVQs and that they have grown substantially in 2003/04 (National Statistics, 2005a).

While the Higher Education sector overall has expanded in recent years, with the number of students entering rising by about 13 per cent between 1997/98 and 2003/04, the number of students involved in vocational sub-degree programmes, such as Higher National Certificates and Higher National Diplomas has fallen. Take-up of the new vocationally-oriented (two-year) Foundation

Degrees has also been fairly low. Other EU countries, such as France and Germany, tend to have a higher proportion of students working towards vocational qualifications at this level and the data shows no sign that technical related skills shortages in the UK will ease in the near future or that the difficulties the UK faces with a lack of people qualified to level 3 will be reversed. This will be discussed further in Section 5.

2.3.4 Quality control

The education and training framework is developed and maintained by the Qualifications and Curriculum Authority (QCA). The QCA is the regulatory body that looks after what people are taught, how they are assessed and how they are recognised for what they have learnt. For example, the QCA has developed a framework of nine 'levels' of qualifications under which academic and vocational qualifications are comparable, see Table 2.1. The quality of qualifications from official awarding bodies, such as City and Guilds, are also vetted by the QCA.

The Scottish Qualifications Authority, the Curriculum and Assessment Authority in Wales, and the Council for the Curriculum, Examinations and Assessment in Northern Ireland are responsible for the corresponding authorities in their countries.

Inspection is at the heart of the government's drive to ensure high quality in public services. Within the field of vocational and work-based learning the Office for Standards in Education (Ofsted) and the Adult Learning Inspectorate (ALI) carry out inspections using the Common Inspection Framework. ALI conducts inspections for a vast range of learning provision, including work-based learning for people aged over 16. This provision includes, for example, apprenticeships and NVQs, University for Industry based provision, training provided under the New Deal and publicly and privately funded training provision by private training providers. Ofsted's main role in the area of vocational training and learning is the inspection of providers of vocational courses for 16-19 year olds, primarily taught in a class-room setting, such as BTEC National Diplomas.

ALI work-based learning inspections began in April 2001 and raised some concerns over the quality of work-based learning provision. In 2001/02, 58 per cent of work-based learning was described as inadequate. By 2004/05 this had fallen to 29 per cent. However, this still represents just under one in three work-based learning providers (ALI, 2005).

Improving the quality of training provision and coherence across the range of providers is a government priority. In June 2004 the government announced that a Quality Improvement Agency would be set up to simplify and bring coherence to quality

improvement in the learning and skills sector. The agency is due to be launched in April 2006, but preliminary work has already begun and its aims include speeding up the pace of improvement in the lifelong learning sector, creating a strong strategic focus on continuous improvement and leading the creation of a national quality improvement strategy. It is expected that the strategy will be presented to Ministers in June 2006 (QIA, 2005).

2.4 Government strategy

Public training policies and intervention can be justified on either efficiency or on equity grounds (Bassanini *et al.,* 2005). In the UK, the primary focus of training policy is on efficiency and economic competitiveness. There is some evidence to suggest that there is a lack of investment in vocational skills training in the UK, which has resulted in a legacy of a workforce less skilled than its competitors, and without the capacity to develop their skills further or to transfer learning to new contexts (Hughes *et al.*, 2002).

In a fast-changing world of work and a global economy, the ability to adapt and develop new learning and skills is a crucial ingredient in a successful economy, and one which heightens the need to up skill the workforce (Hughes *et al.*, 2002). To solve the perceived 'market failure' of under-investment in skills and training, the UK government have formulated a range of skills and training policy, including a national quality framework and an entitlement for lower-skilled employees to undertake level 2 training and certification.

2.4.1 National quality framework – IiP

Introduced in 1991 Investors in People (IiP) provides a benchmark for good training practice and is a central feature of the UK government's vocational education and training policy. It was one of a number of initiatives developed in response to extensive criticism during the 1980s of the UK's comparatively poor industrial performance and the contribution to this problem of employee training and skill deficiencies (Hoque *et al.*, 2005). Whether an employer undertakes IiP is optional and the 'carrot' approach of IiP distinguishes it from most other UK training policy initiatives.

Investors in People sets out a level of good practice for training and development and is based on four key principles; top-level commitment to develop all employees, regular review of employees training and development, action to train and develop individuals on recruitment and throughout their employment, and evaluation of the outcomes of training and development (Hillage *et al.*, 2000). IiP requires employers to identify skills gaps among their workforce and encourages them to train staff in order to enhance organisational performance (Hoque *et al.*, 2005).

The IiP standard was introduced to help firms integrate training and human resource development with business performance objectives (Stevens, 1999). The standard requires that training is linked to the aims and objectives of the organisation. This may mean that training activity is restricted to meeting current business aims rather than long-term development of staff, particularly if business aims and objectives are defined in relation to short-term profit maximisation (Hoque *et al.*, 2005).

The business impacts of IiP have been found to include better personnel systems, more effective training, increased staff retention, and staff attitude and behaviour change (Tamkin *et al.*, 2000). This may mean that the standard does not increase absolute demand for training, but increases the effectiveness of any training undertaken. Research into the benefits of IiP concluded that it is unclear whether IiP leads to an increased amount of training, but found that it did have a positive impact on firm's attitudes towards training and development and the systems for articulating skills needs (Cox and Spires, 2002).

The 2003 National Employer Skills Survey reported that approximately 16 per cent of establishments had attained the Investors in People standard (Bates *et al.*, 2005). There are currently 38,000 organisations recognised as Investors in People and 30,000 more committed to achieving the standard. Despite some overall success, recognition rates differ between sectors and types of businesses and recognition rates in the small business sector are particularly low (Hoque *et al.*, 2005). *'It is clear that IiP has not yet penetrated all areas of the British economy. This is symptomatic of a voluntarist system where there is no compulsion to engage in training'* (Hoque *et al.*, 2005, p.140). Levels of IiP recognition may therefore be a cause or effect of the patterns of employer-training found in the UK as a whole, where smaller businesses are less likely to train than larger firms, see Section 3.

Government funding for IiP has been confirmed until 2007 and it is hoped that by then 45 per cent of the UK workforce will be in organisations that are IiP recognised or who are working towards the standard (Hoque *et al.*, 2005).

2.4.2 University for Industry

The University for Industry (Ufi) was established in 1998 to encourage wider participation in learning through the use of information and communication technology. Ufi is responsible for **learndirect,** a government supported e-learning initiative, which aims to boost the employability of individuals, and the productivity and competitiveness of organisations by providing easy access to learning in order to reduce the barriers to learning, such as travel time and cost.

Ufi operates a network of more than 2,000 **learndirect** centres, 6,000 UK Online centres providing access to a range of e-learning opportunities, and a National Learning Advice Service which offers impartial information, advice and guidance on courses, careers, funding and childcare, either over the phone or via its website.

In 2003/04 there were 511,000 learners enrolled with Ufi **learndirect,** with these learners enrolled on over one million courses (DfES, 2005a). Compared with the overall population of learners, **learndirect** learners are more likely to be female, older and less qualified (Tamkin *et al.*, 2003). Tamkin *et al.,* (2003) also found that a quarter of **learndirect** learners were retired, and a further 15 per cent were economically inactive. Overall **learndirect** is successfully having an impact in engaging those people who do not typically engage in learning (Tamkin *et al.*, 2003).

Evaluation of the Ufi initiative to date finds that it is successful at engaging new learners and widening participation by reaching traditionally disadvantaged groups. The same study found that **learndirect** learners become more confident about taking-up further learning opportunities (Tamkin *et al.*, 2003).

2.4.3 Social partners — union learning

The Union Learning Fund was also set up in 1998 and involves trade unions in developing their capacity as learning organisations, and in increasing learning at work within their membership. To date many different models of provision have been set up with a variety of learning providers.

Evidence suggests that Union learning has had positive outcomes for both the unions and employers involved and for workplace industrial relations. Unions that have successfully attracted Union Learning Fund monies are more likely to have engaged with the issue of workplace learning and are more likely to have developed policy or strategy on it than those that have not (Wood and Moore, 2005).

The Union Learning Fund has also been successful in engaging non-traditional learners, including older males, shift workers, lower qualified workers and people in minority ethnic groups (Antil *et al.*, 2001). It has also reached those within no set work environment, such as construction workers, who often work on a self-employed basis (DfES, 2005a). The types of industry most likely to be unionised and the make-up of their workforce will, at least to some extent, affect the overall impact working with social partners, such as trade unions, can have (Hughes *et al.*, 2002).

Under the Union Learning Fund a network of Union Learning Representatives was established and trained. In 2005 there were over 8,000 trained Union Learning Representatives in the UK who

had helped over 60,000 workers back into learning in the year previously, at all levels of skills and qualifications from basic skills through to higher education (DfES, 2005a). To date evaluation has focused on the success towards targets of the number of learners engaged rather than on the impact and additionality that Union Learning Representatives provide and assessing the extent of training that would have occurred without them (for example, Shaw *et al.*, 2002).

Union membership has been in decline in the UK. In 2004, 26 per cent of the workforce was 'unionised', down from around 30 per cent in 1999 (National Statistics, 2005b). Union members have been found to participate in training more than non-union workers (Blundell *et al.*, 1999). This finding holds for both an increased incidence of training and an increased duration of training (Almeida-Santos and Mumford, 2004). However, to some extent the intensity and duration of union members training is likely to be determined by other factors and firm characteristics, such as size, industry and product market competition.

2.4.4 Level 2 entitlement

Despite some recent improvements, a relatively large proportion of the UK workforce is not qualified to NVQ level 2 (equivalent to five GCSEs A*-C), compared to the main competitor countries (Hillage, 2005). The specific focus on NVQ level 2 is due to a perception that this is the minimum level of attainment needed to ensure access to employment and long-term employability (DfES, 2004) and because of 'market failure' and weak signals of the economic and employment benefits of gaining a level 2 qualification (DfES, 2005a, Dearden *et al.*, 2004).

The 'level 2 entitlement', outlined in the Skills Strategy in 2003, is an entitlement to fee remission for tuition to study for a first full level 2 qualification, or in some cases a level 3 qualification (equivalent to two 'A' levels) for eligible adults of 19 years and over.

2.4.5 Skills for Life

In 2002 the Department for Education and Skills and the Learning and Skills Council set the target to improve the basic skill level of 1.5 million adults between the launch of Skills for Life in April 2001 and July 2007. When the strategy was launched in 2001, seven million UK adults had poor basic skills which were impacting on their ability to find, stay in, and perform well in work and to participate fully in society (DfES, 2001).

2.4.6 License to practice

In contrast to the 'carrot' approach of IiP the government has recently implemented legislation — 'License to practice' — that sets quality standards for the provision of certain services which explicitly insist on (or imply a requirement for) certain occupational qualifications and which are enforced through some kind of inspection regime. Recent examples of this in the UK include care providers, door security officers and the incoming EU legislation on Heavy Goods Vehicle drivers.

There is some evidence that the new regulatory framework is changing UK employers' attitudes and behaviours towards training and skills both directly and indirectly and increasing the number of qualified staff and the importance of training in the workplace (Gospel and Thompson, 2003).

2.4.7 Employer Training Pilots

Employer Training Pilots (ETPs) were piloted in the UK from September 2002 testing various models of an adult learning entitlement for workers without a level 2 qualification. In some cases the pilots cover all the training costs plus up to 150 per cent of the replacement labour costs generate by cover for workers while they receive off-the-job training (Gleeson and Keep, 2004).

In the ETP, employers decide on which type of vocational or basic skills training workers require to improve business performance. Training provision is demand-led and work-based. It is designed to benefit both employers, who can reduce skills gaps, and employees, who can improve their skill level.

The service is aimed primarily at small and medium enterprises, although all organisations, except government departments are eligible. There is also an opportunity to discuss company training needs with a Business Broker or Training Adviser, who then sources the training.

The experience of the pilots has fed into the development of the National Employer Training Programme (NETP), which is being implemented throughout the country from April 2006. We will return to the implications of this development for future training demand in Section 5.

3. Motivations for Employer-funded Training

The participation rate of work-based training depends on two factors. First, on how many firms offer vocational training to their employees, and second, on how many people within those companies that do provide training are trained (Mytzek-Zühlke and Nitsche, 2005). Therefore it is both the intensity and inclusivity of employer-sponsored training that determines the density and reach of firm-sponsored training overall. This section looks at the factors that affect whether or not a UK company trains their employees, and Section 4 investigates how inclusive that training is.

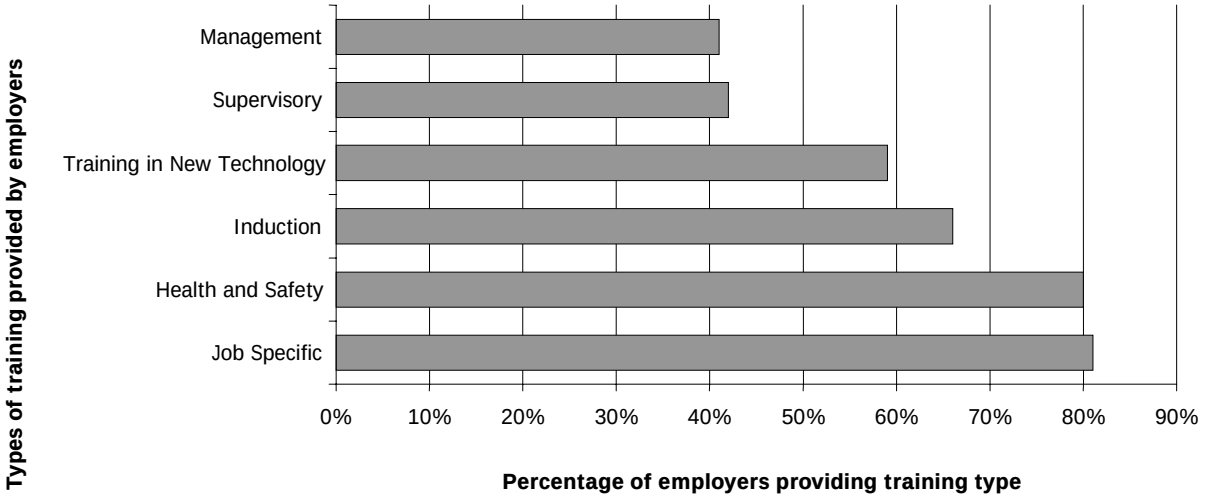
3.1 Why train?

Outside of the education system, organisations do not exist with the primary purpose of either creating or using skills. These activities derive from the ways in which an organisation seeks to fulfil its primary purpose, which in the private sector is normally the creation of profit and in the public sector, the delivery of a service. Therefore organisations will develop their staff because they believe it will help them to achieve business objectives. Although this means that skills might be important, they are often incidental to the achievement of organisational goals (Gleeson and Keep, 2004). So therefore learning and workforce development is not a primary concern for most employers, rather it is a means to an end (Bates *et al.*, 2005).

The 2004 National Employers Skills Survey (NESS) undertaken with over 27,000 employers found that approaching two in three (64 per cent) had provided any training to staff in the 12 months prior to the survey. This is slightly lower than the participation rate indicated in the CVTS data (49 per cent), although the CVTS does not capture initial training activities or non-formal and self-directed training. The NESS suggests that in the 12 months prior to the survey around 13 million workers received training through their employer, equivalent to 61 per cent of the workforce (LSC, 2005).

The types of training that employers were most likely to fund are illustrated in Figure 3.1. Job specific, health and safety and induction training are funded by employers most frequently.

Figure 3.1: Types of training provided by employers



Source: National Employers Skills Survey 2004

In general, employees' skills and development needs are derived from business strategy, as promoted by IiP, and from models of work organisation and job design. It should be noted at this stage that skills are not important to the success of all employers; many employers are able to generate the profits they desire with a relatively low-skilled workforce (Gleeson and Keep, 2004).

Employers' demand for skills is a derived demand and flows from the implications of the organisations' business strategy. Evidence outlined in Kitching and Blackburn, 2002, suggests that most small firms in the UK provide or undertake training to achieve short-term business objectives. Consequently employers will provide or undertake training only where they wish to achieve one or more business objective and where they perceive training as a feasible and desirable way of doing this. As will be discussed in Section 5, the nature of UK business strategies may limit skill demand and is a challenge for the future of the UK economy.

Employers who provide training for their staff do so for a variety of reasons which include providing staff with the skills and knowledge they need to work competently and safely, increasing productivity, facilitating the introduction of new products or working processes, and complying with legal requirements. Other motivations include producing a multi-skilled and flexible workforce, to prepare employees for promotion, and to attract good recruits (Hillage *et al.*, 2000).

There may also be 'social' motivations for employer-sponsored training, for example to secure employee co-operation with the firm's working practices, to enhance worker commitment to the enterprise and to reward employees. Employer-sponsored training is intended to produce a labour force which is both *willing*

and *able* to work in accordance with employers' expectations (Kitching and Blackburn, 2002).

The main reasons for training in medium sized firms, defined for the research as those with between 50-250 employees, were found to be the same as in small and micro firms (Hughes, *et al.*, 2002). The study was confined to the motivations for training among small and medium enterprises and therefore does not contain any results for large firms.

3.1.1 Developing existing employees — skills gaps[3]

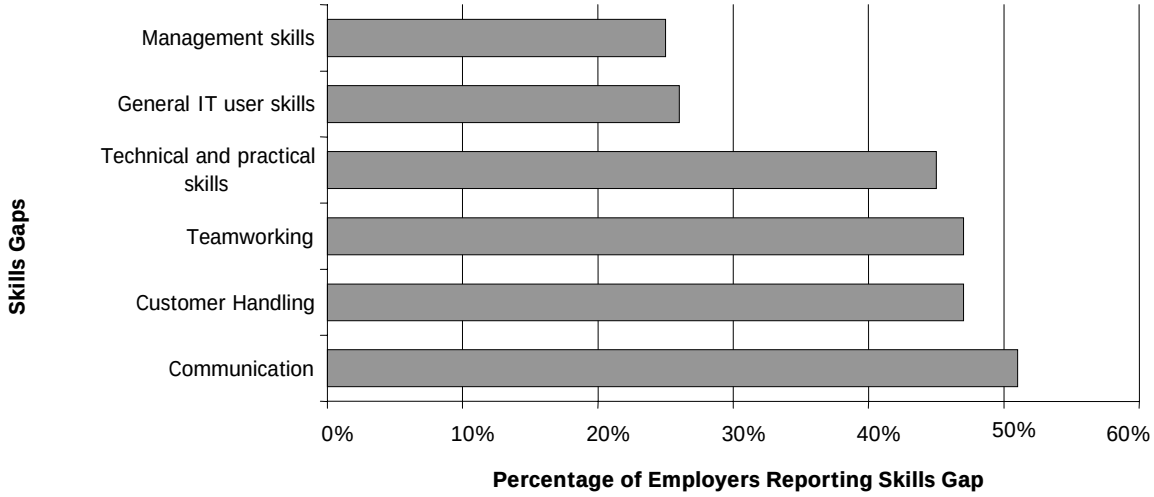
A survey of over 2,000 small UK employers found the most important reasons for training were providing workers with the skills required to do their current jobs (filling skills gaps) and to improve business performance (Kitching and Blackburn, 2002).

The NESS 2004 showed that one in five UK establishments (20 per cent) reported that their workforce had skills needs (LSC, 2005). These skills gaps — gaps between the skills of a current employee and the skills that employers perceive are needed to perform the job well — may be a driver for employer-sponsored training.

The skills that employers tend to say are lacking focus on soft skill areas, particularly in communication, customer handling, teamworking and problem solving (LSC, 2005), see Figure 3.2.

Skills problems were much more commonly reported among staff in roles which are traditionally described as semi-skilled or unskilled than in higher level occupations (LSC, 2005). This is

Figure 3.2: The skills gaps that employers report



Source: National Employers Skills Survey 2004

[3] **Skills gaps** are the demand for training among employees within the firm, *ie* skills deficiencies in the internal labour market.

supported by the findings of a survey of employers in Spilsbury (2003), who found occupational skills gaps are most common among elementary and sales and customer service occupations, with around one-fifth of employers with employees in these types of job report a skills gap (21 per cent and 19 per cent respectively).

There is however, a seeming difference between the occupations where UK employers are most likely to report skills gaps and the typical pattern of employees who receive employer-funded training. Employees in occupations where employers are most likely to report skills gaps, such as elementary roles, are the occupations least likely to receive employer-funded training, see Section 4.

The reasons for this seeming paradox may be because employers solve skills gaps in other ways, for example, by restructuring the organisation. Alternatively they may face barriers to training, and for example, prioritise other skill needs within a limited training budget, or the training required may not be available within the local area or at reasonable cost.

3.1.2 Tackling skills shortages[4]

Employers with skills shortage vacancies (SSVs) — vacancies that are difficult to recruit to because of a lack of applicants with the right skills — are significantly more likely to train than employers in general. Although employers with SSVs are likely to be larger than average, their propensity to train is not explained by this fact alone. This suggests that training is often a response to the existence of skills gaps and shortages within the workforce (LSC, 2005).

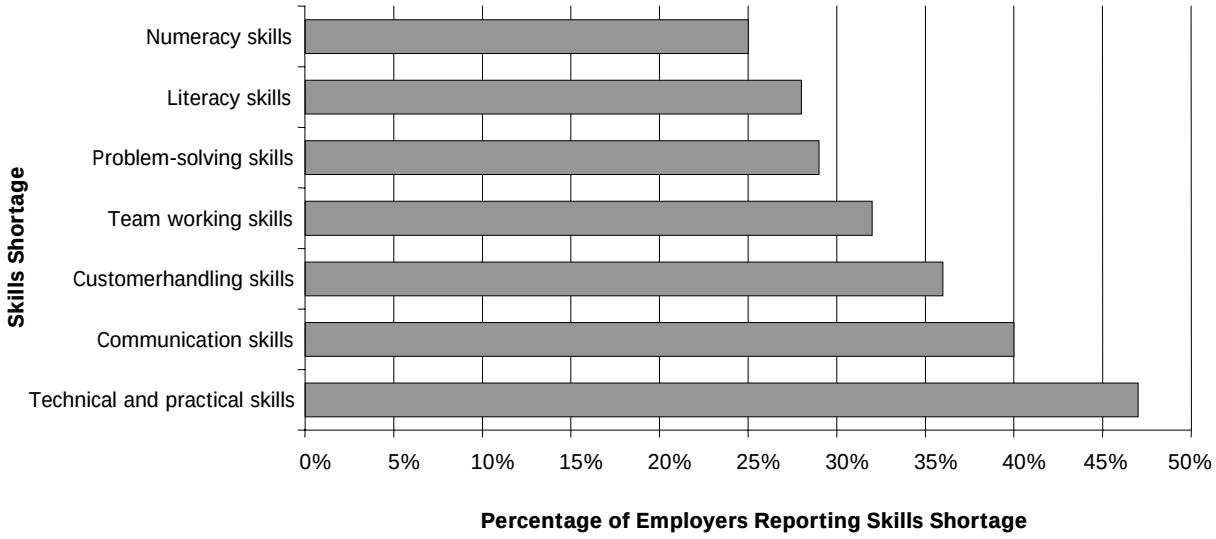
Figure 3.3 illustrates the most frequently reported skills shortages in the National Employers Skills Survey 2004. This may mean that employee training for existing staff is focused in these areas when employers struggle to recruit to key vacancies. It is worth noting that technical and practical skills are currently the main areas where skills shortages exist and they are also the types of courses where there are declining numbers of enrolments, see Section 2.3.3.

3.1.3 Product market competition

When a firm faces high levels of competition from rival firms this may encourage business owners to seek new means of creating and sustaining competitive advantage over rivals (Kitching and Blackburn, 2002). To achieve this aim, product development, improvements in customer service or in the quality of products may become business aims and objectives. If this happens then

[4] **Skills shortages** are a lack of suitable skills among people outside the firm which can make it difficult for employers to recruit, *ie* skills deficiencies in the external labour market.

Figure 3.3: Skills shortages reported by employers



Source: National Employers Skills Survey 2004

workforce development and training is one way in which the company might try to achieve these aims and gain a competitive advantage over rivals.

However, it has been argued that the UK suffers from a 'low skills equilibrium', where businesses compete on the basis of cost (Winch and Clarke, 2003). If this business model is followed there are few incentives to increase skills in order to increase product quality and competitiveness. We will discuss this low cost, low skills, low quality model later as it is a particularly pertinent problem and future challenge for the UK.

3.1.4 Organisational change

In increasingly competitive markets there is a stronger incentive to keep pace with external innovations in order to remain competitive, and training can play an important role in the effective introduction of these changes to facilitate this end result. To some extent the outlook of the owner or manager about whether the business needs to respond to changing external circumstances, depends on whether or not internal organisational change is implemented and consequently whether training is introduced via this route (Hughes *et al.,* 2002).

A survey of over 1,000 employers found that training provision was frequently linked to change in the workplace, such as responding to external circumstances with changes in working methods or the introduction of new goods and services. These changes tended to be associated with training for all types of workers (Kitching and Blackburn, 2002).

3.1.5 Legislation

Health and Safety, and other legislation are also factors which may result in the need for further training of existing staff, for example for people working in childcare or catering where legislation sets out minimum standards (Hughes *et al.*, 2002). There has been an increasing focus on legislative requirements as a motivator to train in the UK in recent years as Section 2.4.6, License to Practice, highlighted.

3.1.6 Culture

In countries with narrower concepts of what education is for, there is a tendency for economic imperatives to provide the key rationale for educational activity.

> *'Nations that have strong traditions of social democracy and well-developed notions of citizenship, for example the Nordic countries, are more liable to maintain wider, societal goals for education than nations where such strands for political thought are weakly developed and where notions of citizenship have very limited political and cultural resonance (*eg *England).'*
>
> Gleeson and Keep, 2004, p.41

UK culture focuses on the market-driven aims of training and the employment focused benefits of education. This is likely to be an influential factor which determines the types of people that receive employer funded training, *ie* those whose increased productivity is likely to have the greatest business impact and greatest return on investment to most offset the cost of training and increase business performance.

4. Factors that Affect Training in the Workplace

Employer-sponsored training rates in the UK are among the highest in the EU15 countries (EIM, 2005), whose analysis of the CVTS data shows the UK ranking fourth by this measure. However, in terms of the duration and intensity of training measured in the same dataset, the UK ranks only seventh. Although UK firms train frequently, the episodes are shorter and less intensive than in other countries (EIM, 2005). The short duration of UK training found in this study is supported by (Kitching and Blackburn, 2002) where findings suggest that training episodes are most likely to be of short duration, and longer periods of training are most common for new recruits as part of an induction process. However, the CVTS data does not cover initial training activities, since it only intends to capture continuing vocational training.

There are also significant disparities between the types of firms that train and those that do not, and the characteristics of individuals that are most likely to receive employer-funded training and those that are not, perhaps reflecting the perceived employer-benefits and return on investment for the cost of training.

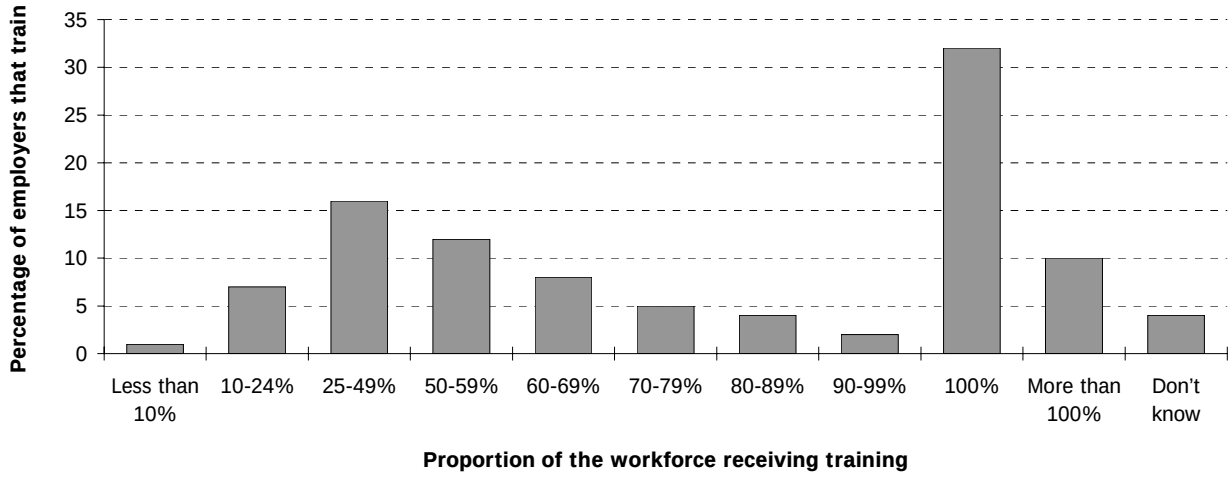
4.1 Firm characteristics

The National Employer Skills Survey 2004 suggests that in the 12 months prior to the survey 13 million workers (equivalent to 61 per cent of the workforce) received training through their employer (LSC, 2005). Figure 4.1 details the proportion of staff in companies that train, who received training in the 12 months prior to the National Employers Skills Survey 2004.

For approximately three-quarters (73 per cent) of employers that train, the number of staff trained over the past 12 months represents the majority of their current workforce, as illustrated in Figure 4.1. Very few trainers are highly selective as to the proportion of staff they provide training for, with only one per cent of companies that train providing training for fewer than ten per cent of their workforce, see Figure 4.1 (LSC, 2005).

However, there are distinct patterns for those people in work that receive training and whether or not an employee receives training

Figure 4.1: Number of staff trained over the past 12 months as a proportion of the current workforce



Source: National Employers Skills Survey 2004

depends on a number of work and firm based factors and characteristics.

Factors that influence the incidence of training in firms include business sector, and size. Here we discuss how these affect demand for training in the UK.

4.1.1 Size of company

The majority of UK evidence suggests that the tendency to offer learning opportunities to employees increases with firm size, such as in Spilsbury (2003). This is supported by the National Employer Skills Survey 2003 which showed that 50 per cent of the smallest establishments (with 1-4 employees) and 97 per cent of the largest (with more 500 or more employees) were involved with employee training (DfES, 2005a).

The National Employer Skills Survey 2004 shows that although the smallest employers are the least likely to provide training, those that do are the most likely to train all or nearly all of their staff. Just over half (52 per cent) of the smallest UK employers provided training over the past 12 months to numbers equivalent to 90 per cent of their workforce (LSC, 2005).

For large firms to train more than small ones is perhaps not surprising for several reasons. First, the collection of information about the training required and the definition of a training plan linked to business objectives involve fixed costs and scale economies. Second, the barriers to training, such as the costs of staff time out of the workplace, may be felt most acutely by small firms and hence disproportionately affect their propensity to train. Third, small firms might have fewer opportunities to reap the

benefits of training through internal relocation of workers (Bassanini *et al.*, 2005). Large firms are also more likely to have IiP accreditation (Spilsbury, 2003), which may also be a contributory factor to the extent of workforce training.

The returns to training and development are uncertain and are often only apparent in the long-term. This is a particular problem for small firms focused on maintaining short-term cash flow (PIU, 2001). It is estimated that 50 per cent of people without a level 2 qualification are employed in firms with less than 50 employees (PIU, 2001). This reinforces the poorer chances for lower-skilled employees to upskill.

4.1.2 Sector

The incidence of training also varies by sector, with over 90 per cent of establishments in public administration and defence and in education providing training, compared to 47 per cent in printing and publishing and 46 per cent in textiles and clothing (DfES, 2005a).

Analysis of an employer survey by Kitching and Blackburn, (2002) found that higher incidence of training provision is associated with businesses in 'business and professional' sectors, such as banking and finance, and 'other services' sectors, which include recreation and sporting activities.

Later research found that employers in the transport, public administration and 'other services' sector are more likely to offer learning opportunities to staff than firms in other sectors (Spilsbury, 2003). Employers in these sectors were also found to be the most likely to have IiP accreditation (Spilsbury, 2003), which may increase demand for training or at least indicate they are 'learning organisations'.

It is important to bear in mind when interpreting these results the effects and influences that the other determinants of training are likely to have. For example, the types of jobs in these sectors and the extent to which they are likely to receive training are likely to be affected by factors such as, the average size of companies in these sectors, the legislation affecting operation in the sectors and their product markets.

4.2 Individual characteristics

The participation rate in learning and work-related education is very much determined by an individual's demographic, educational and socio-economic characteristics. There is a clear divide between those who benefit from education and training and those who do not (Hillage *et al.*, 2000). Gender, age, and previous educational attainment are all factors that affect the

incidence and extent of employer-funded training in the UK. The UK patterns largely mirror those in Europe where more highly educated people in skill-intensive occupations and younger workers receive more training and where women are more likely to receive training than men (Bassanini *et al.*, 2005).

These patterns are supported by Schömann's (2005) analysis of Eurostat data which found that young people receive almost five times more training than older people (aged 55-64), and the highly skilled receive more than six times the training than the low-skilled.

4.2.1 Occupation

Analysis of a survey of more than 1,000 UK employers found that, by a considerable margin, professional and technical workers were more likely to receive training than other occupational groups (Kitching and Blackburn, 2002).

Later analysis of the Labour Force Survey has found that training is most likely to be provided to people working in personal service, professional and associate professional occupations and least likely to be provided to people working in administrative, operative and elementary occupations (DfES, 2005a).

These findings support and reinforce other factors that affect whether or not an individual receives training. For example, people in professional and associate professional occupations are more likely to be highly qualified than employees in elementary occupations.

4.2.2 Age

The National Adult Learning Survey suggests that 69 per cent of adults aged 16+ had participated in vocational learning in the three years prior to 2002. Participation decreases significantly after the age of 50, although participation in non-vocational learning increases slightly, perhaps as learning fills increased leisure time in retirement (DfESa).

This analysis is supported by the Labour Force Survey (LFS) which shows that in Autumn 2004, the likelihood of receiving training declines among older employees. Twenty-five per cent of employees aged 50-65 received training, compared to over 40 per cent of 16-19 year olds (DfES, 2005a).

Using a binary logistic regression of LFS data Newton *et al.* (2005) found that other factors being equal, the probability of having received training in the past three months is 75 per cent higher for those aged 16-24, and 77 per cent lower for someone aged 60-64.

Analysis in EIM (2005) supports this trend, and also finds that the contrast is more pronounced between the duration of training, which is significantly shorter among the older age group (29 hours per employed person aged 45-64), compared to 78 hours per employed person aged 25-34, which supports Schömann's (2005) analysis of Eurostat data.

There is some evidence to suggest that this pattern may be changing as since 1997 there has been an increase of five percentage points in the proportion of 50-59 year olds participating in vocational learning, and an increase of two percentage points for 60-69 year olds (DfES, 2005a). As the demographics of the UK working-age population change significantly over the next decades it will be important to the UK economy that this trend continues and any barriers that older people face to accessing vocational training are tackled.

This trend may in part be explained by the fact that older individuals will have less time in the labour market and the perception among employers that this will mean they have less time in which to make the investment of training worthwhile (Blundell *et al.*, 1999). Similarly older workers might be reluctant to enrol in training, if they perceive that the returns in terms of future job opportunities, progression and earnings are low (Ok and Tergeist, 2003).

4.2.3 Gender

Females are more likely to benefit from UK employer-sponsored training than males. Analysis of the 2004 Labour Force Survey shows that 34 per cent of female employees in England had received job-related training compared to 28 per cent of males. This may partly reflect other determinants of training, such as the relative likelihood of receiving training in personal and customer service occupations which have a higher proportion of females (DfES, 2005a).

This pattern of training by gender may be a more recent phenomenon with older studies citing that women are less likely to receive training than men (for example, Blundell *et al.*, 1999). This change might have been driven by an increasingly service-orientated economy and increase in employment in the occupations in which women are more likely to work, and the increased participation of women in the workforce overall.

EIM, 2005 shows that although the participation rate among men is lower than that of women in the UK (50.9 per cent compared with 53.1 per cent), the average duration of training, or intensity, is greater among men (56.1 hours per employed person, compared with 46.1 for women). Almeida-Santos and Mumford, (2004) also found that being a UK female employee significantly negatively

affected the duration of employer-funded training in the UK and therefore males benefit from longer training periods.

4.2.4 Ethnicity

The picture of employer-training among ethnic minority groups is mixed. Analysis of the LFS suggests that different ethnic groups have different rates of job related training, with people of Asian or Asian British ethnicity least likely to receive training (DfES, 2005a). Analysis of the LFS by Newton *et al.,* (2005) finds that adults aged 24 and under from an ethnic minority group are less likely to receive training than their white counterparts. However, this pattern reverses for the 25 to 44 age group. Almeida-Santos and Mumford, (2004) found that being 'non-white' significantly affected both an employees chance of receiving employer funded training and the duration of any training received.

4.2.5 Part-time and temporary working

Part-time and temporary workers receive less employer funded training than their full-time and permanent counter-parts (Bassanini *et al.*, 2005). Temporary or part-time work has also been found to significantly negatively affect the duration of training received (Almeida-Santos and Mumford, 2004). This may in part be explained by the perceived business returns of the training investment associated with the length of time the employee is either likely to work for the company, or the hours they work in a week, in order to maximise the potential benefits for the employer.

4.2.6 Previous attainment

The more qualified employees are, the more likely they are to receive job-related training. Analysis of the Labour Force Survey suggests that 42 per cent of people qualified to degree level or equivalent had received training in the past 13 weeks, compared to just 12 per cent of those without qualifications (DfES, 2005a). Newton *et al.,* (2005) also finds a positive relationship between the level of a person's education and the likelihood of their receiving training and Almeida-Santos and Mumford (2004) find that having a recognised vocational qualification positively affects the incidence and duration of UK employer-sponsored training.

The positive relationship between previous educational attainment and likelihood of receiving employer-funded training is supported by data analysed in (EIM 2005). These data also show that people with tertiary or higher level qualifications are significantly more likely to receive training of a longer duration than for people with below upper secondary level qualifications (88 hours compared to 34 hours per employed person in the UK).

People with low qualifications are less likely to be engaged with training. In other words, lack of qualifications becomes self-perpetuating — those who do not already have qualifications are less likely to receive training or participate in further training, and so are less likely to attain qualifications.

5. Future Challenges and Changes for UK Training

Employer–funded training in the UK is invariably linked to business aims and objectives. This may, in part, lead to an uneven pattern of in-work training where employers seek to maximise returns on their investment.

Many of the drivers and motivations to train are likely to intensify over the coming years and UK employers are also likely to face fresh challenges. One critical challenge is the increasing older workforce and the likely increase in the state retirement age, which may affect the time horizons that older workers and employers have for wanting to train. In addition, emerging and developing economies such as China are likely to continue to undermine companies that compete on cost in the UK and therefore the UK needs to break the low skills equilibrium and increase the quality and value of the business strategies that UK businesses deploy. Some of the challenges and forthcoming policy changes are outlined below.

5.1 Technology

The National Employers Skills Survey 2004 found that three in five businesses that had trained their staff in the past 12 months provided training in new technology (LSC, 2005). Technological change is likely to continue to shape the work environment and the skills that employees need to function effectively in the workplace as it leads to the need for higher and flexibly applied skills applied with initiative (Autor *et al.*, 2003). Technology is also likely to continue to affect the quantitative demand for skills (*ie* through capital/labour substitution) in the production of, and demand for, technology-related goods and services. It may also affect the qualitative demand for skills, for instance, as ICT develops and requires more extensive user skills as well as affects the demand for other skills such as communication and information management processing.

New technologies make it easier for customers to order to their specification and the nature of consumer demand is likely to continue to change as consumers develop expectations of a greater choice, tailored products and services, and create niche markets.

This has implications for the supply chain and the degree of worker flexibility that will be needed to compete effectively will be increased (PIU, 2001).

5.2 An ageing workforce

The age profile of the UK working age population is changing significantly. In 1995, the majority of those of working age were under 40, by 2015 that position will be reversed with around 55 per cent of people of working age over 40 (DfES, 2005a). These changes in the population profile will mean that the workforce naturally becomes more qualified as older workers, who tend to be less qualified are replaced by better qualified young entrants. An older population profile will also lead to changes in the nature and type of demand for goods and services, *eg* for leisure services and care.

These changes will also mean that it will not be possible to depend on the inflow of young people to meet skill needs and therefore UK employers will need to regularly upskill and re-skill older workers. Although there are some indications that participation in employer-sponsored training among older workers has increased in recent years, older workers are still significantly under-represented. This record must be improved if the UK's productivity and competitiveness is not to be compromised. Although some older workers will be captured through initiatives such as NETP this is perhaps an area of focus for specific policy development.

5.3 Low skills equilibrium

Evidence suggests that important sections of the UK economy are run as a low-skill equilibrium, a cycle in which low-skill labour is locked into producing goods and services for low-wage consumers. This is a long-standing challenge which was first identified by Finegold and Soskice (1998). The drivers for skills are closely bound up with business strategy and therefore the essence of a low- or indeed a high-skills trajectory is the goals and product market strategy of the company, and their product quality (Kitching and Blackburn, 2002).

A critical distinction to make here is the extent to which staff are viewed by managers as a 'cost' to be minimised or as an 'asset' to invest in to get the most from. While running large parts of the economy as a low-skill equilibrium may produce profits in the short to medium term, and may be a viable business model for companies competing in local markets or for firms in certain sectors, it is not seen to be a viable long-term option for a developed society (Winch and Clarke, 2003).

This model highlights the issue of 'path dependency': once managers adopt a strategy based on a given skills level it is not easy to adopt a different strategy (PIU, 2001).

> *'Employers locked into a low-skill equilibrium are pursuing a business strategy that is rational for them, there being little point in training workers, especially if there is a risk that someone else will recruit them.'*
> Winch and Clarke, 2003, p245

Where UK business strategy is formulated on minimising costs and competing on a cost basis, and while standards such as IiP encourage businesses to link training to these business aims and objectives, it is unlikely that the low-skills, low-wage cycle will be overcome. The gap between the skills that employers demand and those that are required for the UK economy to work most effectively and competitively may need to be closed in order for the UK to best compete. Only where and if this is achieved will linking training to business goals be a strong way in which to improve performance and business and UK competitiveness overall.

A future challenge for the UK economy, policymakers and businesses will be for organisations to formulate and work towards high level business strategies, competing on quality and over longer time horizons where possible, which is likely to encourage investment in skills.

The current focus of policy has very much centred on increasing the skills of people below NVQ level 2, for example via NETP and level 2 entitlement, for social as well as economic reasons. In the long-run, policies such as these, coupled to further expansion of higher education, and a greater interest in expansion of level 3, may help to 'unlock' and break the cycle if they are accompanied by policies which aim to increase demand for these skills. Within the market-orientated system all stakeholders, including employees and employers, will need to buy into this aim and work collectively in order that the cycle can be broken. This is likely to be particularly challenging if there is a gap between the skills that employers need to make their businesses function in the short-term, and those that are needed for increased productivity and national competitiveness in the long run, especially if UK employers demand lower skilled workers than foreign business competitors.

5.4 A thin middle – lack of level 3

A significant gap still exists between UK qualification levels and those of its competitors, especially concerning the take up of vocational qualifications (Steedman *et al.*, 2004). This is a trend that shows no sign of reversing. The numbers of young people starting level 3 apprenticeships has fallen from a peak of around 75,000 in 1999/2000 to just 50,000 in 2003/04 and completion rates

of apprenticeships are relatively low (DfES, 2005b). In some key areas of shortage, policies such as ETP have begun to tackle this with free tuition to level 3. However, increased effort will be needed to reverse this trend.

The low levels of take-up of vocationally specific qualifications perhaps indicate a growing awareness among students that the concept of a 'job for life' in the UK is dead. This implies that skills which are transferable across jobs and industries are required and therefore students may opt for courses that give them this rather than occupationally or vocationally specific qualifications.

There are also concerns among employers and other stakeholders about the relevance, quality and transferability of vocational qualifications, such as NVQs. In addition, adequacy is perceived to be an issue with just under one in three providers rated inadequate in inspection, and completion rates are low, with fewer than one in two apprentices completing. Policymakers will need to address these concerns if the UK is to reduce the deficit of people with level 3 qualifications compared to competitors.

5.5 Policy changes

There are a number of forthcoming policy changes that are likely to affect the employer training environment over the next year or so. There are also a number of policy challenges that are likely to increase in importance over the next decade and affect employer training.

Employer Training Pilots mainstreamed

ETPs are due to be mainstreamed in April 2006 in the form of the National Employer Training Programme. To date evaluations of the pilots show they have been successful at attracting both employers and learners alike, although the net 'effect' is relatively small.

Evaluations have found that the pilots offer a 'platform for progression' for learners to move onto higher level qualifications, such as level 3, for provision to become more flexible and workplace orientated and for employers to become more interested in training, particularly for their lower-skilled employees (Hillage *et al.*, 2005). If this success continues when the pilots are mainstreamed it may help to highlight the benefits of training to employers, increase employer demand for training and particularly for lower skilled employees. This may help to counteract the current pattern of unequal training opportunities found in the UK workplace and in turn help to break the cycle of low skills equilibrium.

It may be questioned whether the focus on level 2 qualifications is aiming high enough, particularly by comparison to adult training programmes in other countries, such as Sweden and Germany. Although some pupils will continue in education, over two in five pupils leave their compulsory schooling with less than a level 2 qualification, and over three per cent with any qualifications at all (DfES, 2005b). Therefore, it is likely that training to remedy this focused on level 2 will be required in future. In spring 2005, one in five of the working age population in the UK had no qualifications or qualifications below level 2, so there is evidence of a need for policy and training programmes focused on this qualification level.

Unitisation

The current UK vocational qualification system requires learners to complete all the set modules and undertake learning for a set period of time in order to receive a recognised qualification. If, for any reason, a learner cannot complete a course because of work or personal commitments, then their achievements to date are often lost. The government does not view the current system of vocational qualifications as sufficiently flexible (DfES, 2005a). In response to this the latest skills white paper outlines proposals to allow learners and employers to package together units and qualifications that will best meet their needs and interests, while still identifying the combinations that are required to meet standards of professional and occupational competence (DfES, 2005a).

Through the 'unitisation of learning', learners can build up credits for nationally recognised qualifications, and move between awarding bodies and training providers as and when they need to, while still being able to build credit towards a qualification. It is hoped that a more flexible system will allow more people to gain credit for all the learning they undertake and offer a flexible system to suit employers' needs. If this is successful it may help to bridge the gap between UK qualification levels and those of its competitors, particularly at levels 2 and 3.

Quality Improvement Agency

There are also forthcoming changes in the area of quality. The Quality Improvement Agency is due to be launched in April 2006. Its aims include speeding up the pace of improvement in the lifelong learning sector, creating a strong strategic focus on continuous improvement and leading the creation of a national quality improvement strategy. It is expected that the strategy will be presented to Ministers in June 2006.

Other policy factors

There are on-going debates about raising the state **retirement age** in response to an increasing proportion of older people in the population. This is likely to have implications for the length of time that people stay in work and therefore on the skills and training opportunities they will need to be able to do this effectively.

There are increasing concerns about how goods and services are produced and provided. This is likely to increase the importance of **environmental, social and ethical responsibility.** These factors are likely to influence how goods are produced and how services are provided (creating new skills demands) as well as creating demand for 'ethical' goods and services.

5.6 Conclusions

The UK has a weaker social culture of training than some other European countries, with a stronger focus on training and education for employment and economic reasons. When training is linked to business aims, which in the private sector over the long-term is usually the maximisation of profit (Gleeson and Keep, 2004), but which in the short-term may also include increasing market share, increasing shareholder value or product development, then unequal patterns of training opportunity are likely to be created.

Training is an input into the fulfilment of other business objectives, and businesses seek to maximise the return on their investment rather than to ensure every employee receives equal training opportunities. When training is left to the market, then unequal patterns of participation are likely to occur. If this happens then policy instruments, such as level 2 entitlement and NETP, will be needed to focus on those people that do not receive employer-funded training, but for whom there would be individual, firm-level and society benefits from learning.

A range of employer and individual characteristics affect who receives employer-sponsored training in the UK and how intensive any training received is. However, it is firm-based characteristics and the nature of the job that are most likely to affect the frequency and intensity of firm-sponsored training, rather than individual characteristics. The patterns of employees most likely to receive training in the UK are likely to be as a result of wider labour market segregation in the occupations that are most likely to be trained and also as a result of trends in labour market entry. For example, there appears to have been a recent increase in the proportion of females receiving employer-sponsored training which may reflect females increased participation rate in the workforce. Where market-orientation

leads to inequality, it may be appropriate to remedy this, with policies such as level 2 entitlement and NETP for example.

The occupations where employers are most likely to report a skills gap, generally lower skilled occupations, are also the occupations that are least likely to receive employer-sponsored training. There may be barriers to people working in these occupations receiving training, or employers may perceive there will be less reward for the cost of training these employees. However, when the ETPs are mainstreamed next year and through the Sector Skills Agreements, it is hoped that the skills needs of this group of workers will be better met.

The UK vocational training system is largely voluntarist, bar some legislative requirements which set minimum standards of competence (*eg* qualifications) which people need to meet before they perform their job. Within this system employer-sponsored training is frequently provided. However, firm-sponsored training is most likely to cover legislative requirements, induction training or to be firm-specific, rather than developmental or transferable. This may lead to under-investment in training overall and be a contributory factor to the UK having a less skilled workforce than some of its competitors. However, in some sectors, such as construction and the film industry, where freelancing and short-term contract work is prevalent, training levies are used to negate market failure.

The UK vocational training environment and intensity and duration of firm-sponsored training can be affected by government in several ways. First, policy, such as legislation, may require firms to undertake training and therefore increase demand. Policy can also encourage specific behaviour from firms, through setting kite-marked standards, such as Investors in People.

Second, awareness and understanding of the qualification framework and its relevance to employers may increase or decrease demand for employer-sponsored vocational training.

Third, the institutional framework and its involvement with and relevance to employers, such as SSCs and CoVEs, may also help to increase training demand by employers. The current institutional framework allows for employer engagement and representation, for example on the boards of LSCs and in CoVEs. By trying to engage with and respond to employers, it is hoped that a demand-led vocational training system will be developed which meets to needs of employers and therefore increases the intensity and duration of training they pay for their employees to undertake.

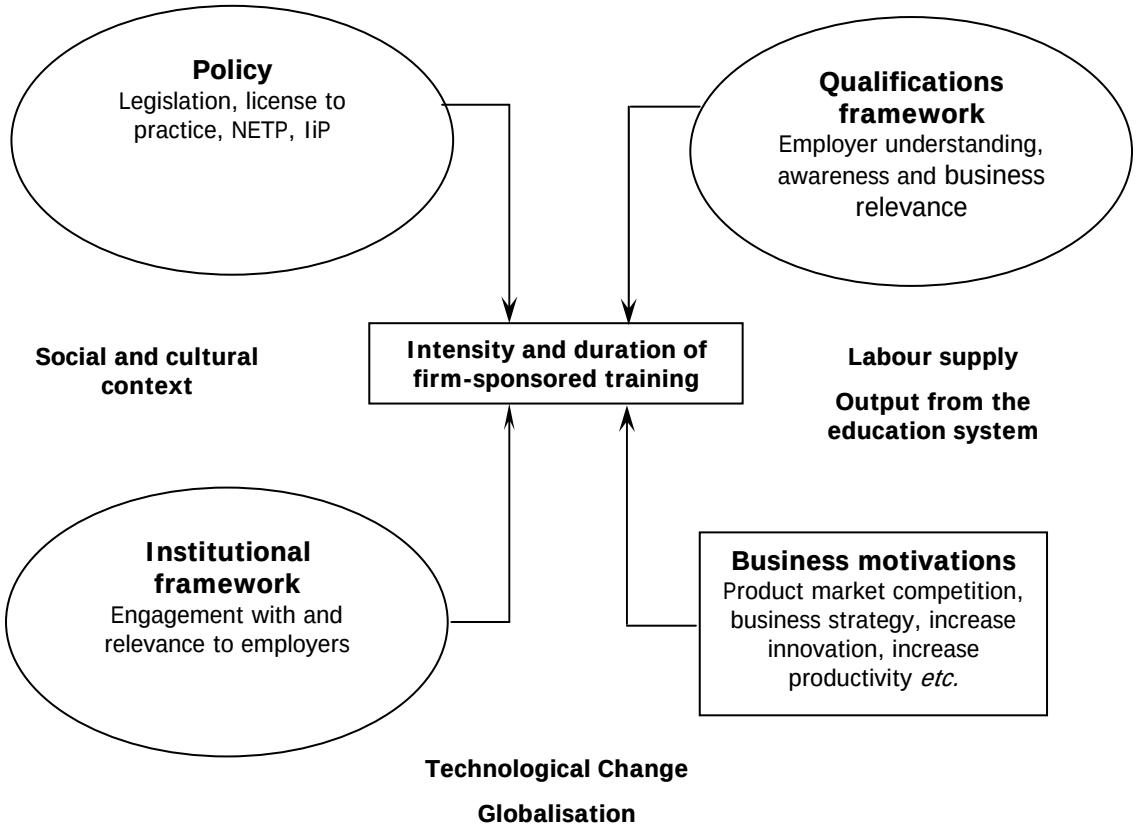
Within the employer-led system there is considerable diversity in the policy implemented by for example, SSCs, which implies that there are no ideological or political constraints on the ideas

proposed by employers if they believe it is the most appropriate solution to increase training in their sector.

The factors that may be altered in order to affect the intensity and duration of employer-sponsored training are detailed in Figure 5.1. Government and policy may seek to increase or to shape employer demand for training via any of the methods shown in the circles. In addition, a range of business factors and motivations will also affect the demand for and intensity of employer sponsored training, illustrated in the rectangle.

These factors operate within the wider labour market context of the relevance and appropriateness of the labour supply and the 'output' of the education system. They will also be affected by technological change, market competition and the social and cultural context. The wider context may directly or indirectly, such as via intervention to improve the labour supply, affect the intensity and duration of firm-sponsored training.

Figure 5.1: Factors affecting the intensity and duration of firm-sponsored training



Source: IES, 2005

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Abbreviations

ALI	Adult Learning Inspectorate
BTEC	Business and Technology Education Council
CoVE	Centres of Vocational Excellence
CVTS	Continuing Vocational Training Survey
DFEE	Department for Education and Employment
DFES	Department for Education and Skills
EIM	Economic Institute for Small and Medium sized Enterprises
ELWa	Education and Learning Wales
ETP	Employer Training Pilots
GCSE	General Certificate of Secondary Education
ICT	Information and Communications technology
IES	Institute for Employment Studies
IiP	Investors in People
LANTRA	The Sector Skills Council for the Environmental and Land-based Sector
LFS	Labour Force Survey
LSC	Learning and Skills Council
MAAC	Modern Apprenticeship Advisory Committee
NETP	National Employer Training Programme
NESS	National Employers Skills Survey
NVQ	National Vocational Qualifications
PIU	Performance and Innovation Unit
QCA	Qualifications and Curriculum Authority
QIA	Quality Improvement Agency
RDA	Regional Development Agency
SBS	Small Business Service
SSA	Sector Skills Agreement
SSC	Sector Skills Council
SSDA	Sector Skills Development Agency
SSV	Skills Shortage Vacancies
SVQ	Scottish vocational qualifications
TEC	Training and Enterprise Council
UFi	University for Industry
VRQ	Vocationally Related Qualifications

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