
Employer Ownership of Skills

Securing a sustainable partnership for the long term

Executive Summary

December 2011

Foreword



The world economy is once again creating difficult conditions for both growth and employment in the UK. The business climate is challenging, and rising youth unemployment a particular concern. The last decade of continuous growth and high employment is a distant memory unlikely to be enjoyed again any time soon.

Economic renewal in this decade will be a long haul, and to be sustainable must be powered by the skills and entrepreneurship of people up and down supply chains in different sectors of our economy. Developing skills is not a separate agenda, but an intrinsic part of securing growth and prosperity for the UK. It is central to the Commission's vision for a more dynamic demand led approach to skills as a source of competitive advantage for the UK economy.

Just over a year ago I became Chairman of the UK Commission for Employment and Skills. Over the last 12 months of meeting with a wide range of businesses I have realised that to achieve our vision we need to rely less on government setting the agenda, and give employers the freedom to take the lead, in partnership with employees and trade unions, working closely with colleges and training providers. We need more opportunities for young people and those in work through a skills agenda that is employer owned and focused on competitiveness and growth.

The Challenge

Over the past two decades successive governments have driven the reform and expansion of our vocational skills system with notable successes. But the fact is we have become less competitive globally on skills,

and for many employers the 'system' is still too complex. We have developed a habit of incentivising businesses to join government schemes, and too often when the funding ceases so does the training. At the same time, forward looking colleges and training providers have been constrained by a system which encourages them to pursue government priorities.

As a result, we have two markets for skills development; a publicly funded market built around qualifications, and a privately funded training market addressing business needs. These two markets do not align sufficiently, which perpetuates the debate about a skills system that fails to meet employer needs and supply-side initiatives lacking employer investment. Instead, we need to create the conditions for employers to own the agenda, to develop the skills they need to compete and to make it easier for them to do so.

The Proposal

So what should we do differently? The answers lie in the best examples of where we have got it right, where partnerships between employers and colleges, often working with trade unions, are developing valuable skills and creating new opportunities. However, there are too few of these examples because many employers are put off by a system that appears bewilderingly complex and excessively centralised. Commissioners, including leaders of businesses large and small, trade unions, universities, colleges and third sector organisations, have concluded that we need to take determined steps to encourage greater employer ownership of skills, working to secure a sustainable partnership for the long term.

We do not need a new set of initiatives. Instead we need to transform the way in which the skills system works for employer led training. We must create the space for employers to step up and work within their supply chains and business clusters, together with employees, colleges and training providers, to develop the skills they need, framed within a skills agenda which is employer rather than government owned. Greater employer ownership means greater responsibility. We need a single market for skills development into which employers and employees are prepared to make a greater contribution for higher quality training.

We believe the most powerful way to achieve this is to change the way funding flows through the system, and to place responsibility and reward for investment more squarely with employers for employer-facing programmes such as Apprenticeships. For young people, this means moving from provider grants to employer incentives for Apprenticeships and work experience; and for adults, shifting from provider grants to employer investments and loans. But this is about more than just transferring funding. It is about transforming our entire approach. Government needs to step back and review where it is encouraging greater employer ownership and, frankly, where it is getting in the way.

The opportunity to take action now

Reversing a centralised trend in skills policy that goes back decades is not easy. Nothing less than a substantial shift is required. We welcome the steps this government has taken to introduce a more user-focused skills system with greater freedoms and flexibilities to colleges and training providers. The challenge now is for real employer-led partnerships to take centre stage.

We are pleased that government has responded so positively to our vision for greater employer ownership, and committed up to £250 million over the next two years to pilot this new direction. This will enable forward thinking employers to come forward with new approaches that are more effective in improving the skills and potential of new recruits and existing employees. We hope this pilot will work with the grain of industry sectors, reaching small and medium-sized companies through the natural operation of supply chains and through industry 'hotspots'.

We have been particularly encouraged by the enthusiastic reception we have received to these proposals from businesses in sectors ranging from facilities management to engineering. We urge employers, in partnership with their employees and working with trade unions, colleges and training providers, to come forward with game changing propositions that thoroughly test the proposals in this report. Proposals that create greater employer ownership, place skills right at the heart of the growth agenda, create real opportunities for those in and out of work and deliver a better return on investment in terms of public expenditure.

This is our opportunity to own skills as an intrinsic part of securing sustainable growth and prosperity for the UK.

Charlie Mayfield

Chairman,

UK Commission for Employment and Skills

Principles for reform

The ambition of the UK Commission is to secure a much greater collective commitment to invest in skills to drive enterprise, jobs and growth. We need an internationally competitive skills base built on a sustainable market for skills development which:

- continually **adapts** to drive enterprise and growth
- produces high **quality** training
- creates more **opportunities** for young people
- is **less reliant** on government intervention.

This will require a radical shift, moving from government leadership to greater employer ownership of employer based training such as Apprenticeships and work experience.

We have developed **five design principles** that outline how employer ownership is different and has the potential to transform skills.

1



Employers should have the space to own the skills agenda

Government should create the space for employers to step up and take ownership of the skills agenda for the growth strategy of their industry or sector.

For too long skills policy has sought to engage employers in a government led enterprise. It is time for government to step back and to create the conditions where the best employers, working with their employees, trade unions, colleges and training providers, can take charge and develop quality training opportunities, jobs and work experience.

2



There should be a single market for skills development

We need a single market for skills development which delivers training in response to individual and business need.

Currently we have two training markets: a publicly funded market providing qualifications built around government priorities, and a private training market delivering skills in response to business need. These markets are not sufficiently aligned. A single market for skills development, where further education colleges and training providers respond to genuine demand rather than state funding incentives, would deliver more economically valuable skills, for which people and businesses would be prepared to pay.

3



Skills solutions should be designed by employer-led partnerships to reach more people and businesses

Employers and employees know what training is best for them. Working together in partnership with employees, trade unions, colleges and training providers, employers should be driving the design and delivery of skills solutions for a world class skills base.

Moving decisions closer to the ground will reach more employers and employees, including small businesses, operating within sectors, supply chains or local networks and clusters.

4



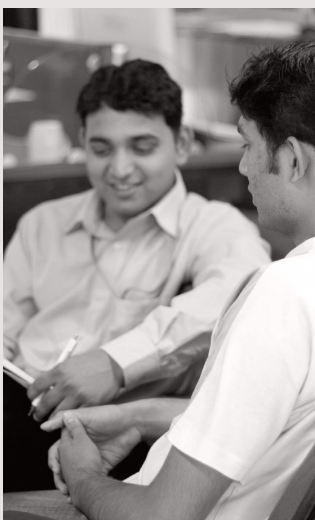
Public contributions for vocational training should move to employer incentives and investments

Funding should follow ownership. For employers collectively to own the skills agenda, public expenditure should shift from provider grants to incentives and investments which flow through employers into a single market for skills development.

This way, public money works harder and directly transfers ownership and purchasing power to employers. At the same time it should be expected that employers and employees will contribute more to a system they own for training which brings real benefits and value.

Loans and investments should be designed innovatively to reach a wider range of large and small employers, to leverage greater investment from people and businesses, and to create more training opportunities, especially for young people.

5



Transactions should be transparent

The current publicly funded skills system is built around a complex funding model that often leaves employers and individuals unaware of government contributions. This makes it difficult for them to make a considered decision based on quality and value for money:

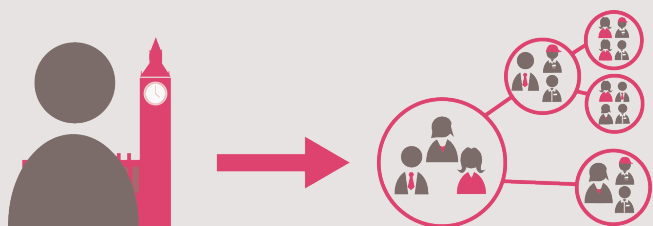
Public contributions should be transparent, simple and less bureaucratic. Public contributions should be designed to facilitate employer/employee choice, empowering them as customers to drive quality, innovation and value for money. Accountability for public contributions should be based on outcomes that achieve jobs and growth.

Proposals

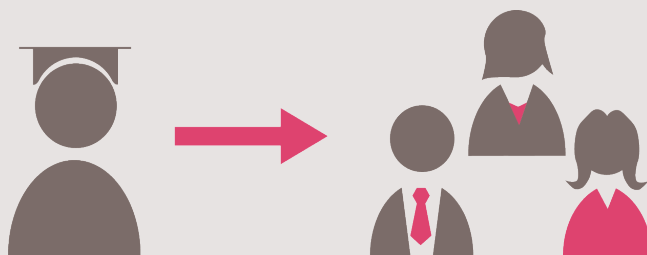
Employer ownership of skills is a **long term agenda** intended to build on the commitment of this government and the last to increase significantly the level and quality of participation in skills training in the workplace. These proposals are concerned with ‘seeing around the next corner’ and responding to the major challenges of making recent Apprenticeship growth sustainable, raising quality and maximising opportunities for young people.

Longer term, we believe that there needs to be **two radical shifts** in the leadership and ownership of skills:

Move from government leadership to employer ownership of vocational training for young people aged 16-24



Move from provider led to employer owned adult workforce development



We propose that Government should:

1

Invite employers to step up to the challenge of bringing more **young people (16-24)** into the productive workforce by **funding employers directly** for Apprenticeships, for example through the tax system (e.g. via National Insurance rebates) and incentivising work experience.

2

Incentivise greater investment in **adult workforce development** (up-skilling for those aged 24 and above) by employers and employees, by moving from qualification-based provider funding to **employer-based structured investments and loans** to leverage additional outcomes and work experience opportunities.

3

Review where **current policy and infrastructure** are enabling employer ownership and where they are **getting in the way**, as a means of creating the conditions for **employers to step up and take ownership of skills in partnership with employees and trade unions, colleges and training providers.**

4

Nurture employers' ambition and commitment to innovation in skills development by extending the scope and reach of **competitive investment funds** to support more collective action by employers of **all sizes** working together through their **sectors, supply chains and local networks.**

The fact that the public contribution for vocational training flows through the employer puts purchasing power in their hands, making for a more responsive training provider network. Moving to incentives and investments would place the accountability and reward for investing with employers. Employers will be more likely to contribute as they would have more at stake and co-investment could be hardwired into incentive models. If payments were made through the tax system, this would have the potential to reach more employers, more efficiently and with less bureaucracy.

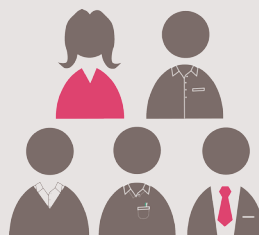
Benefits

The benefit of employer ownership is that it will create the conditions for employers, employees, colleges and training providers to step up and take responsibility for skills. The proposals are challenging and there is clearly more work to do to develop how they might work in practice but we believe the benefits will be worth it.



Employers

- Opportunity to take charge and develop training that meets business needs
- More purchasing power in the training market and increased training provider responsiveness
- Transparent financial support that enables easier and better investment decisions
- Opportunity to develop strategic investment relationships
- More freedom and influence, less bureaucracy
- Partnerships with employees, trade unions and training providers driving skills solutions
- Solutions that reach more small businesses through supply chains and business clusters
- Skills development becomes an integral part of business strategy



Young people & adults

- Increase in economic value and status of skills
- Higher quality training options for young people that are valued by employers
- Strong Apprenticeship brand
- More Apprenticeship opportunities
- More work experience opportunities
- Real up-skilling for adults in the workplace developed in collaboration with employers
- Culture of strong employer-employee partnerships
- Greater commitment to skills development from employers



Colleges and training providers

- Ability to compete on the basis of quality and innovation rather than volumes and priorities
- Empowered to build long term partnerships with employers
- Opportunity to develop and use expertise in understanding and articulating how training can benefit employers
- More committed employers that are more willing to engage with skills development



Government

- Long term strategy for skills development that is sustainable and linked to growth
- Opportunity to leverage a broader set of outcomes and achieve better value for money
- System built around employer and individual need that delivers economically valuable skills
- Less involved

Employer Ownership Pilots

We are pleased that government has responded so positively to our vision. On 17th November 2011, the Prime Minister announced a new pilot initiative, committing up to £250 million over the next two years to test this new approach. BIS and DfE have asked us to work closely with them in developing this new approach.

The central aim of the employer ownership pilot is to give businesses the space to step up and develop new and innovative proposals for tackling the current and future skills needs of their sector, supply chain or local area along the lines outlined in this paper. It will seek to test the potential for employer ownership to deliver the kind of change we know is needed in order to secure a competitive skills base.

The pilot will be open and flexible in its approach, encouraging businesses to work together in coming up with radical proposals to train and develop the workforce and support their productivity and growth ambitions. Businesses will be invited to set out the public investment they need to support their own investment in skills, training and Apprenticeship opportunities.

Public investment will be provided directly to businesses, sitting alongside businesses' own private investment, rather than following the mainstream public funding model where funding is channelled through FE colleges and training providers.

It will be open to proposals from businesses of all sizes and from all sectors of the economy. As part of the pilot, employers will be asked to demonstrate how public investment would be used to leverage business investment and commitment to raising skills levels in their sector, supply chain or local area and how they will support Apprenticeships.

Bidding for the pilot will be formally launched in the New Year with a prospectus jointly issued by the UK Commission and government.

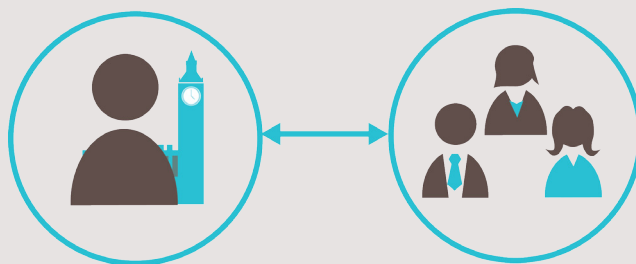
We urge forward thinking employers to come forward with bold new approaches that test our principles and proposals to deliver more than the current system. We know that securing employer ownership is an ambitious agenda. But it is one that is potentially game changing and could transform the long term effectiveness and sustainability of vocational skills in England.

Examples

There is a gathering momentum behind our proposals. Over the last few weeks we have been talking to employers and employer networks about what employer ownership of skills would look like in their industries or sectors. These are early conversations, but we have been encouraged by the willingness of employers to engage, and have confidence that if we can create and promote the right opportunities through the competitive funds employers will step forward.

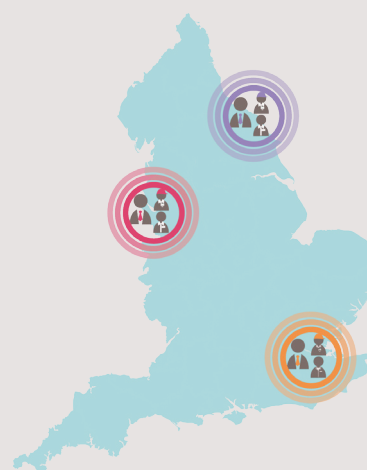
1

Strategic relationships with government where large employers deliver a wider package of outcomes including Apprenticeships, careers advice, work placements and support for schools and unemployed people, in return for greater freedoms in the system.



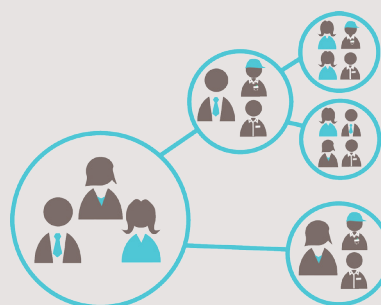
2

Groups of leading employers in regional clusters investing in their sector by providing 'up front funding' to support training opportunities in small and medium sized employers (SMEs) through initial investment loans.



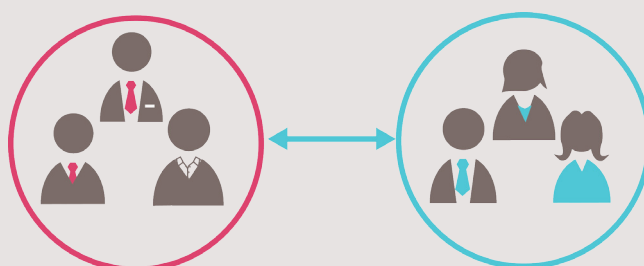
3

Large and small employers in a supply-chain developing a single Apprenticeship programme alongside work experience, job trials and internships, backed by flexible public and private investment



4

Businesses working together to create more Apprenticeship and employment opportunities by looking across their sector for flexible opportunities rather than just within business.



Keep up to date

Read the full report at:

www.ukces.org.uk/employeroownership

Keep up to date:

Through twitter: @UKCES #employeroownership

Visit our website: www.ukces.org.uk

Any questions?: e-mail: employeroownership@ukces.org.uk

The UK Commission for Employment and Skills is a social partnership, led by Commissioners from large and small employers, trade unions and the voluntary sector. Our mission is to raise skill levels to help drive enterprise, create more and better jobs and economic growth.

UKCES
3 Callflex Business Park
Golden Smithies Lane
Wath – Upon – Dearne
South Yorkshire
S63 7ER

T +44 (0)1709 774 800
F +44 (0)1709 774 801

UKCES
28-30 Grosvenor Gardens
London
SW1W 0TT

T +44 (0)20 7881 8900
F +44 (0)20 7881 8999