

## Chapter 4

# The Regional Implementation of the Employer Training Pilots in the United Kingdom

by

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*This chapter provides a thorough examination of the Employer Training Pilots (ETPs), a recent initiative of the British government to encourage skills acquisition at the local level. After mapping out the major policy initiatives in the United Kingdom over the last decade, the authors turn their attention to the UK labour market context and the particular situation of Derbyshire, a mixed urban and rural county in the East Midlands. Exploring the implementation of the ETPs in this chosen case study location, they find that the main driver to participation appears to be the availability of free, brokered training, rather than the availability of wage compensation. However, the level at which the pilots are aimed may mean that they are more effective at tackling issues associated with social inclusion than economic regeneration issues, which may require different policies.*

## Introduction

Introducing the UK Employer Training Pilots (ETPs) was one of a number of recent government attempts to encourage skills acquisition at the local level.

The pilots, introduced in September 2002, were designed nationally but are piloted locally in twelve geographic areas in England. Their aim is to test the effectiveness of a package of support measures in stimulating additional work-based training, leading to improved acquisition of skills and qualifications for low-skilled employees. The ETPs seek to raise the level of intermediate skills in England, and alleviate two of the perceived key barriers to employers providing more training and development for low-skilled staff – one is the cost of the training itself – training is provided free – and the other is the cost of the absence to employers – they are compensated for the time off to train, facilitating replacement. The pilots offer slightly different levels of time off for training and wage compensation.

The initiative was initially tested in six Learning and Skills Council (LSC)<sup>1</sup> areas: Essex, Wiltshire and Swindon, Birmingham and Solihull, Tyne and Wear, Greater Manchester and Derbyshire. These areas were selected from a range of bids from local LSCs in England to ensure a regional spread of activity and a range of likely approaches.<sup>2</sup> The number of pilots was subsequently extended to include a further six areas (Kent, East London, Leicestershire, South Yorkshire, Berkshire and Shropshire) from September 2003 and the original pilots were extended from one year to two. The new areas were matched with those in the first wave on key labour market criteria such as level of unemployment, sectoral employment and employer and employee training activity. The cost of the pilots the first year was initially estimated at GBP 40 million; this figure subsequently rose to GBP 290 million.<sup>3</sup> Additional pilot areas were announced in the March 2004 UK Budget, which will bring ETP coverage to over a third of England by the autumn.

In each of the pilot areas, the scheme is administered by the local LSC, working in partnership with Business Link (a policy body responsible for providing business advice and support to organisations) and training providers. For the purpose of this study, the authors have focused on one of the pilot areas: Derbyshire was chosen because it is an average-performing region in the United Kingdom by most labour market indicators and offers a middle level of wage compensation for time off.

This chapter begins by placing the Employer Training Pilots in the context of UK policy towards Vocational Education and Training (VET). The major policy initiatives in the United Kingdom over the last decade are mapped out so as to provide background for the launch and subsequent development of the pilots in 2002. The discussion then turns to the UK labour market and the particular situation in the chosen case study location. Finally, the initiative is explored in more depth and conclusions are drawn on the value of the intervention and its wider relevance to OECD countries.

The research methodology for this chapter draws extensively on data and findings generated by ongoing national evaluation of ETP. The material is supplemented by a series of interviews with representatives of organisations engaged in the pilot at national and local (Derbyshire) level.<sup>4</sup>

It should be noted that since the establishment of devolved administrations in Great Britain, policy on education and training can vary between England, Scotland and Wales. The focus here is mainly on developments in England, where the ETPs operate. Other approaches to tackling employer-based training deficits are being tested in Scotland and Wales.<sup>5</sup>

## **The policy context**

Over the past few decades, governments, employers and trade unions have been concerned about the level of skills in the UK workforce. Various stakeholders have stressed that national economic competitiveness and prosperity depend on a workforce that is highly skilled, adaptable and motivated. The concern is that the United Kingdom is falling behind its competitors in terms of productivity and economic performance, having had to cope with the social consequences of a relatively poorly educated and trained workforce. This is coupled with an established orthodoxy that the country has an increasing need for employing organisations to innovate and manage change in a world of developing technologies, shifting work patterns and global competition.

Since coming to power in May 1997, the Labour government has tended to see upskilling as a solution to a wide range of problems, from productivity and competitiveness to unemployment and social exclusion. Education and training has therefore become one of the most active areas of government policy; a great number of new initiatives show elements of both continuity and discontinuity with the policies of previous Conservative administrations.

### ***The performance of the UK economy***

Although there are these concerns over the performance of the UK economy, the picture is in fact far from straightforward and has shifted

considerably over time. More recent years have seen a significant change from the pre-1980s, when the United Kingdom was performing significantly below all major competing economies. There has been much progress, but the country still lags behind on some key indicators such as GDP per capita.

This section briefly reviews some of the key indicators of national performance for the United Kingdom compared to major competitor nations.

### **Productivity**

There are two key elements to productivity: the level of labour utilisation (a measure of the intensity of labour participation, which is determined by both the hours worked per individual and the proportion of the population in the labour market); and labour productivity (the output of products or services achieved). The most common measures of productivity take into account the two elements *output per worker* and *output per hour worked*, with the latter a firmer indication of the impact of increasing labour utilisation.

The United Kingdom has one of the highest rates of labour utilisation in the OECD (Porter and Ketels, 2003), and the growth in utilisation has been the decisive factor enabling the country to begin to bridge the productivity gap. UK labour productivity growth has also been comparable to that in other advanced economies and a marked improvement on earlier decades. However, there remain gaps with many competitor nations. According to the OECD (2002a), the gap with the Netherlands per hour worked is 25%, with the United States 15%, France 11% and Germany 8%. Further analysis suggests that the United Kingdom particularly lags behind Germany and France in capital intensity (i.e. capital stock per worker) and to a lesser degree in labour force skills levels. The United States performs better on the share of highly skilled employees and France and Germany do better on intermediate skills. The DTI has recently referred to the paradox of UK prosperity increasing despite subdued productivity growth and little movement to close the productivity gap (DTI, 2003).

In the mid-1990s, the United Kingdom ranked at the bottom of the G7 industrial nations in terms of output per capita. Despite labour and capital market reforms, it failed to catch up with its competitor nations – for example, output per capita lagged behind the United States by as much as 40%.

In 1998, the McKinsey Global Institute (MGI) was asked to examine the reasons behind this shortfall (McKinsey, 1998). Their analysis concluded that, while the specific reasons varied by sector, a common thread was the negative effect of regulations governing product markets and land use on competitive behaviour, investment and pricing. In other cases, regulations prevented the adoption of best practices or rendered them uneconomic.

MGI's primary findings were:

- *Low competitive intensity*: Globalisation increased competition levels in some sectors, but regulatory constraints inhibited competition in others, particularly the service sector.
- *Regulatory barriers*: Product market and land use regulations hindered the domestic expansion of the most productive UK companies. As a result, the best operators tended to focus their efforts on increasing domestic margins or expanding internationally.
- *Spillover effect*: Low competitive intensity and productivity in one sector were often a primary cause of low productivity in another. For example, the low productivity of domestic car manufacturers adversely impacted supplier networks.
- *Managerial practice and skill*: In some cases neither regulatory nor macroeconomic factors prevented managers from adopting best practices. Opportunities existed for managers to push for productivity-enhancing changes that could also improve financial performance.

McKinsey's proposed solution was for the UK government to create a framework of commercial regulation, with incentives and penalties designed to encourage high competitive intensity. They argued that if regulatory and competitive barriers were removed, it would allow the best-performing UK companies to expand more rapidly, and create far stronger incentives for new and emerging companies to improve productivity and innovate.

### ***Internationalisation and innovation***

The United Kingdom's export performance has been strong over the last decade and has stayed relatively stable at around 5.2%, with increasing strengths in service exports.

In terms of innovation, UK performance is more disappointing. On the one hand the United Kingdom has a world-class science base and leads the G7 with papers published per head of population. However, there is a lower real spend per worker on R&D than most of the country's leading competitors, and the gap has widened since 1991. Patenting performance shows the United Kingdom ranks fifth, with a performance similar to France but below Canada, Germany, Japan and the United States. While UK performance has been improving, the same is true of its competition.

### ***The UK business environment***

Porter and Ketels (2003) have suggested that there are four elements to the microeconomic business environment:

- The context for firm strategy and rivalry.

- The quality of local demand.
- The presence of related and supporting industries, *e.g.* cluster development.
- The quality of factor input conditions, *e.g.* HR, capital resources and infrastructure.

Their analysis is that the weakest areas for the United Kingdom are:

- The physical infrastructure, *i.e.* the railways, ports and telecommunications.
- The educational and skills infrastructure, with relatively low spend per student and low skills attainment in the workforce.
- Low spend on research and development (R&D) and a worsening of the position of public R&D spend relative to GDP, with universities in the United Kingdom playing a much less prominent role in the commercialisation of their developments.
- The low level of the development and use of clusters in the UK economy, *i.e.* groups of interconnected companies, suppliers, service providers and associated institutions.
- Increasing divergence in regional prosperity and the absence of strong regional structures and institutions.

### **UK management capability**

The United Kingdom is believed to be strong in some aspects of management, such as sophisticated marketing and branding, good supply chain management, high levels of professional versus family management and high levels of internationalisation. In contrast, it is relatively weaker in terms of low levels of capital stock, low investment in innovation, less likelihood of competing on unique value rather than cost, low uptake of modern management techniques and some evidence of a greater productivity gap in terms of manufacturing compared to the United States, Germany, France, Japan, Sweden and Finland.

### **Basic skills**

The Moser Report (DfEE, 1999) highlighted concerns about the low levels of basic skills in the United Kingdom. The report argued that 19% of adults had low or very low levels of literacy and some 48% had low or very low levels of numeracy (*i.e.* below the level expected of an 11-year-old). Data from the OECD show Britain to be one of the worst-performing developed countries on this measure (OECD, 1997). Low levels of basic skills are thought to be linked to low levels of qualifications generally (Hillage *et al.*, 2000).

### **Skill imbalances**

Recent skills surveys (Hogarth, Wilson and Shury, 2004, Hillage *et al.*, 2002) indicate that employers experience persistent skill shortages and gaps (for precise definitions of these and other terms, see Chapter 1 in this volume). The most recent data suggest that while skill-related recruitment problems (skill shortages) affect a relatively low number of workplaces in the economy as a whole, where they do exist they can have a major impact on employing organisations, such as delaying the development of new products and services. One in ten employees is less than fully proficient in the job, so where skill gaps exist they inhibit organisational performance.

Several studies have looked at the benefits that accrue to individuals attaining higher skills – for example in the form of higher wages – and have explored whether this leads to enhanced individual and ultimately firm performance. The positive impact of higher skills has primarily been assessed in relation to years spent in education or at a qualifications level, and to a more limited extent to varying amounts of training. Importantly, there is also evidence that acquisition of skills during a working lifetime can bring benefits to the individual. Improving basic skills can improve labour market outcomes (Machin *et al.*, 2001; Bynner, *et al.*, 2001; Dearden, Reed and van Reenan., 2000; Blundell, Dearden and Meghir, 1996) and there is also evidence that training received from a current or previous employer can bring wage benefits, opportunities for career promotion and reduced likelihood of redundancy (Blundell *et al.*, 1999).

As summarised by Campbell (2000), “for those not in employment, skill acquisition can reduce labour market exclusion and unemployment by increasing employability and improving access to evolving job opportunities. For those already in work: acquiring skills can improve people’s future job prospects and their earnings potential in the future”.

Sectors particularly affected by skill shortage vacancies include wood and paper manufacture and construction, while communications and hotel and catering are the sectors most affected by skill gaps. Skill shortages mainly affect intermediate occupations such as skilled trades and associate professionals, while skill gaps are more common among lower-level occupations in sales and elementary occupations.

Moreover, the UK labour market is undergoing considerable changes as a result of shifts in three core areas: consumer demand, globalisation and ICT (Campbell, 2002). These drivers underlie fundamental changes in employment and the considerable growth in “qualification-rich” occupations – half of new jobs growth over the next decade will be at NVQ level 4.<sup>6</sup> They also underlie some of the growing importance of certain generic skills such as problem solving, IT skills and management skills.

### **Analysis of the problem**

A number of key concepts have influenced government thinking and recent policy debates; these set a further context for the development of the pilots.

### **The knowledge economy**

By the 1990s, the concept of the knowledge economy had become part of the policy rhetoric of governments across the advanced industrialised world, and in 1998 the United Kingdom embedded this concept in policy (DfEE, 1998; DTI, 1998).

There has been criticism that many who have used the concept have not fully developed it (Lloyd and Payne, 2002). Those promoting the notion appear to fall broadly into two main camps – those who emphasise the importance of competitiveness and innovation in economic success, and those who are mostly focused on a more equitable society with a better distribution of skills and a higher standard of working life and living. Opinion is also divided on the means to get there, between those who favour an American model of low regulation, innovation and dynamism, and those who favour a European model of a framework of social structures.

### **Low skill equilibria**

The phrase “low skill equilibrium” was first used by Finegold and Soskice (1988) to describe their analysis of the United Kingdom as a economy where the majority of managers and workers were low-skilled and produced low-quality goods and services. Finegold and Soskice used the term to denote a self-reinforcing network of societal and state institutions interacting to prevent demand for increases in skill levels. This raises the question of how such equilibria are created and sustained; the concept has been further developed by others such as Keep and Mayhew (1999) and Wilson and Hogarth (2003). In the latter study the term was changed to “low skill trajectories” to capture the dynamic processes involved. The emphasis has also moved from product or service *quality* to *specification*, i.e. the market niche at which a product or service is aimed, and the degree to which there is unique added value and customisation. Organisations become locked into particular strategies because of a wide range of underlying factors such as:

- The structure of domestic markets.
- Short-termism in financial markets.
- A deregulated labour market.
- Weak social partnerships and employer networks.
- Lack of comparative data that are meaningful for organisations.
- Prevalence of cost containment models of competition.



## **UK policy responses**

The government has tried various measures in response to concerns over the country's skills performance, including changes to the institutional framework, new strategic targets focusing more on demand than on supply-side issues and specific policy initiatives to raise either individual demand or employer involvement in training.

The discussion below concentrates on policy measures affecting workforce development, i.e. the skill acquisition of adults in employment, which is one-third of what can be seen as a three-pronged approach that also includes improving initial education (from early years to higher education) and improving access to the labour market to those not currently "active" (e.g. through welfare to work programmes).

### **1970s, 1980s and mid-1990s**

The poor performance of the UK economy and the low skills base identified by McKinsey (1998) were not due to a lack of focus on either productivity or skills. From the late 1970s, UK public policy makers had repeatedly stressed the key role played by effective vocational education and training (VET) in securing national economic competitiveness. In an effort to crack "the skills problem", policy makers embarked on institutional reform. Two assumptions underpinned their basic approach. First, boosting the supply of skilled and educated labour holds the key to progress; second, "voluntarist" or "market-based" solutions offer the most effective means of getting employers to increase their investment in training.

Early casualties of structural reform were the Industrial Training Boards (ITBs), abolished in 1981, which had the power to raise a training levy on firms within their industry. They were replaced by National Training Organisations (NTOs), which adopted a voluntarist approach to training. Another casualty was the Manpower Services Commission (MSC), abolished in 1988 and replaced by a network of over 80 local Training and Enterprise Councils (TECs) responsible for funding and promoting training.

In 1991, alongside the TECs, the Conservative government launched the National Education and Training Targets (NETTs), a set of performance measures for the United Kingdom's VET system. It also launched a major initiative known as Investors to improve the focus and raise the standards of training and development within companies. The Standard was developed by the National Training Task Force in partnership with leading national businesses, personnel, professional and employee organisations such as the Confederation of British Industry (CBI), Trades Union Congress (TUC) and Institute of Personnel and Development (IPD). As at November 2003, 28% of the workforce were covered by organisations recognised as Investors in People.

Research evidence suggests that those companies that are accredited as Investors in People can be more successful than those that are not (Tamkin *et al.*, 2000), but that the causality and form of impact is unclear.

### *The late 1990s and beyond*

With the incoming Labour government came a wave of further structural change; upskilling was seen as driving greater competitiveness and also as an engine for greater social inclusion. For example, the New Deal was launched in 1997 to help the unemployed (re-)integrate into the labour market. The programme included release from work for training. The right to time off from work to study for young people under 18 and not yet qualified to level 2 was an election manifesto promise introduced in 1999. However, research into the geography of the New Deal for Young People has demonstrated that its “work-first” approach has prevented the adoption of high-quality training (Sunley, Martin and Nativel, 2005).

In late February 1998, the government launched its vision of the United Kingdom as a “learning society” in a Green Paper entitled “The Learning Age: A Renaissance for a New Britain”. This document could be seen as signalling a change in policy, towards a greater emphasis on trying to raise individual demand for taking part in learning activities. A number of concepts are reflected in the paper, including the belief that the country needed to move to a knowledge economy. In the Green Paper, the government proposed several priorities for public funding, such as basic skills courses provided free of charge at whatever age and targeting financial help for adults on those who need it most.

It was anticipated that proposals for a national system of individual learning accounts would allow people to take control of this investment in their own future. Although most of these principles have, to a greater or lesser extent, been implemented, individual learning accounts were abandoned in England in 2001 amid concerns about deadweight and fraud. New models have since been developed, for instance those being piloted in Wales.

Learning is described as a natural issue for partnership in the workplace between employers, employees and the latter’s trade unions. The government proposed in the Green Paper to support projects in workplace education by establishing an “employee education development fund”. The TUC’s “Bargaining for Skills” initiative established a network of Union Learning Representatives with a remit to work with employers to improve training. In April 2003, Union Learning Representatives were given a statutory right to time off to pursue their duties. Further support has been provided to help trade unions become more engaged in learning in the workplace through the Union Learning Fund. The fund has led to an increase in workplace union learning representatives and some increase in workplace learning (Shaw *et al.*, 2002).

A further instalment in the continuing institutional reform came in 1999, with the Labour government's White Paper, *Learning to Succeed*. The TECs were abolished, along with the Further Education and Funding Council (FEFC), and replaced with a single funding body, the Learning and Skills Council (LSC), supported by 47 local Learning and Skills Councils (LLSCs) in England. The National Committee for the Education and Training Targets (NACETT), the government's advisory body overseeing the achievement of the targets, was also abolished.

The LSC, in operation since April 2001, is responsible for the funding, planning, management and quality assurance of all post-16 non-university education and government-supported training in England. It is also responsible for setting the national learning targets, and has a statutory duty to encourage participation in education and employer participation in the promotion of education and training. It is the largest non-governmental body, or "quango", in the country.

### ***The most recent measures***

The creation of a University for Industry (Ufi) in Autumn 2000 reflected the UK government's willingness to be at the forefront in the use of new technology for adult learning and skills. Ufi would provide information on courses, offer advice and provide flexibly delivered courses that meet learners' needs – whether full time or part time, through study at home, at work, or at a local learning centre. The evaluation of Ufi by Tamkin *et al.* (2003) shows significant success in widening participation and attracting disadvantaged learners, but less impact to date on organisations.

In 2001, the Performance and Innovation Unit (PIU) of the Cabinet Office (now called the Strategy Unit [SU]), was commissioned by the Prime Minister to set out proposals for a strategic framework for adult workforce development. It sought to draw together the full range of new and existing institutions and initiatives into a coherent whole.

The first PIU report (Strategy Unit, 2001) set out a vision for the future. It proposed a strategy for a demand-led system for workforce development, shifting the emphasis of policy making from increasing supply to stimulating demand from employers and individuals, and meeting it with responsive provision. Thus this key report introduced the change to a more holistic focus on skills utilisation, and the role of employers.

The SU undertook a second phase of work (Strategy Unit, 2002) which maps out an action plan for the development of policy up to 2010:

- The launch of a new approach: the Employer Training Pilots.
- The announcements in the 2002 Spending Review of new, ambitious targets on skills.

- The commitment in the 2002 Spending Review to conducting a review of the funding of adult learning and to testing regional pooling of budgets for workforce development.<sup>7</sup>

### ***Employer Training Pilots (ETPs)***

Announced in the UK government's 2002 budget, the Employer Training Pilots (ETPs) are testing a major new policy approach designed to overcome barriers to workforce development, mainly the lack of time and cost.

Although ostensibly designed to overcome those two barriers, the pilots have at least two other implicit aims. First, they are focused on increasing the number of employees in the workforce qualified to level 2 – one of the sponsoring government departments' overall objectives set in the last spending review (see below). Secondly, training delivered under the programme is encouraged to be “employer-oriented”, i.e. focused on identified skill gaps and delivered in a form and at a time that meets with workplace requirements.

There has been some criticism that the pilots cannot hope to impact on those businesses operating at the low-skill/low-added-value sector of the market (Wilson and Hogarth, 2003). But the UK government believes that the lack of impact will have minimal effect on the scheme as a whole. According to Ivan Lewis, Minister for Skills and Vocational Education:

I think the number of companies caught in a LSEq is a very small minority. The majority need to invest in skills throughout the whole organisation, and we are going to have to stimulate the demand in some cases through schemes like the ETPs.<sup>8</sup>

### ***Skills for Business Network***

Up to that point the focus of institutional reform had been national and regional activity, but in 2002 the government launched the Skills for Business Network, another key partner in workforce development. The network consists of a number of new employer-led Sector Skills Councils (SSCs) supported and directed by the Sector Skills Development Agency (SSDA). The network replaces the National Training Organisations, which were generally felt not to have been very successful in engaging with employers. The remit of the Skills for Business Network includes the creation of a much more powerful role for employers in the skills agenda across the United Kingdom.<sup>9</sup>

### ***The 2002 Spending Review***

The Spending Review (HM Treasury, 2002) sets three key skills targets:

- Reduce by at least 40% the numbers of adults in the workforce who lack NVQ2 or equivalent qualifications by 2010. Working towards this, one

million adults already in the workforce are to achieve level 2 between 2003 and 2006.

- Improve the basic skill levels of 1.5 million adults between the launch in 2001 of Skills for Life (a programme of basic skills training) and 2007, with an interim target of 750 000 by 2004.
- At least 28% of young people should start on a Modern Apprenticeship (MA) in 2004 and vocational targets will be increased (including MAs for 2010).

It was announced that the subsequent review of funding for adult learning both inside and outside the FE system would look at how the funding could be more effectively deployed to:

- Provide incentives to employers to engage in training as part of their fundamental business development strategies.
- Cause institutions to be responsive to the needs of individuals and employers.
- Widen participation in learning by the low-skilled.
- Enable Regional Development Agencies (RDAs) to play a full and effective role in developing and implementing regional skills strategies.

The Spending Review also announced pilots in two or three regions whereby budgets for workforce development are pooled at regional level to promote joint working and enhance the role of skills in regional strategies for economic development.

### ***The Skills Strategy White Paper***

The new balance between individual and employer needs is further reflected in the aim of the Skills Strategy White Paper published in July 2003 (DfES, DTI and HMT, 2003), which is to ensure that the employers have the right skills to support the success of their businesses, and individuals have the skills they need to be both employable and personally fulfilled.

Despite major improvements since 1997, the perceived skills gap with competitor countries at basic skills and intermediate skills levels remains stubbornly persistent. Improving the level of skills, particularly among those with the lowest levels, is a focus of the government's agenda for enhancing productivity in the United Kingdom. The new strategy is not predominantly about new initiatives. It aims to make more use of what is already there, integrating what already exists and focusing it more effectively.

The White Paper proposes to improve choice for employers, provide better information, improve management training and development, improve support, and expand the network of union learning representatives. For individual learners, there is a guarantee of free tuition for any adult without a

level 2 qualifications, increased support for level 3 qualification where needed, and better information, advice and help in the acquisition of ICT skills.

It is anticipated that a major reform of the supply and delivery of publicly funded education and training is needed. The White Paper states that the qualifications framework will be reformed, so that it becomes more flexible and responsive to the needs of employers and learners. At the time of writing, proposals were still to be finalised.

As part of the attempt to further ensure that activity is coherent, the government intends to form a national Skills Alliance, bringing together the key government departments with employer and union representatives as a new social partnership, and linking the key delivery agencies in a concerted drive to raise skills. Finally, at regional level, the work of the Regional Development Agencies (RDAs), the SSCs network, the Small Business Service, the LSC and JobCentre Plus (the United Kingdom's public employment service) will be co-ordinated with the RDA in each region to develop innovative proposals for effective collaboration. The focus will be on simplifying the system for employers and learners, improving value for money, raising aspirations and responding to local and regional skills needs.

The White Paper also foresees the development of a national employer training programme, as yet unspecified but expected to draw on the lessons from the Employer Training Pilots and other (smaller) experimental programmes.

### ***Skills for employers***

In 2004, the DfES launched a website for employers. Entitled Skills for Employers, it is described as "dedicated to help you as an employer make better informed decisions about training your employees and developing your business by investing in your workforce. It provides a range of information on skills, including information on policy, on initiatives and on the support available for training; a section for training providers; a news section on latest developments; and links to other useful sites.

### ***Centres of Vocational Excellence***

The CoVE programme has been set up to address the need for vocational skills by establishing a network of high-quality centres in the Further Education and Training sector (the objective is 400 centres by 2006), focusing on the delivery of vocational skills training in specific vocational areas. CoVEs are expected to work closely with employers to meet both current and future skills needs.

## The UK labour market

Against the backdrop of competitiveness concerns and issues, there are enduring noteworthy national trends in debates on skills.

The last twenty years have seen the continuation of one such trend in occupational structure: the growth of management and professional/associate professional roles, and a commensurate reduction in skilled trades, elementary occupations and (to a lesser extent), process plant and machine operators. There has also been a reduction in sales and customer services occupations. Forecasts are that these trends will continue.

This has resulted in a situation where some 40% of the workforce are in higher order occupations (managers, professionals and associate professionals) and 20% in lower order occupations (elementary and plant operators). Such information can be seen to fuel the view of the United Kingdom needing to trade on its position as a knowledge economy, as mentioned earlier.

These national trends in occupation are reflected by similar trends in sectoral employment. There has been a steady decline in manufacturing sector employment, offset by increases nationally in service industries, banking and finance, public administration and import and commercial sectors. There have been smaller increases in construction.

The United Kingdom has a very high rate of labour market engagement, as illustrated by a dramatic decline in UK unemployment rates for all occupations since 1992. Rates remain highest for semi-skilled and unskilled occupations such as elementary occupations and plant and machine operators (9% and 6%, respectively). Other occupations with higher than average levels include sales occupations (5.7%) and crafts and related occupations (4.9%). The latter especially has seen a considerable fall in unemployment rates, from just over 16% in 1992 – the highest occupational group for that year – to just under 4% in 2001.

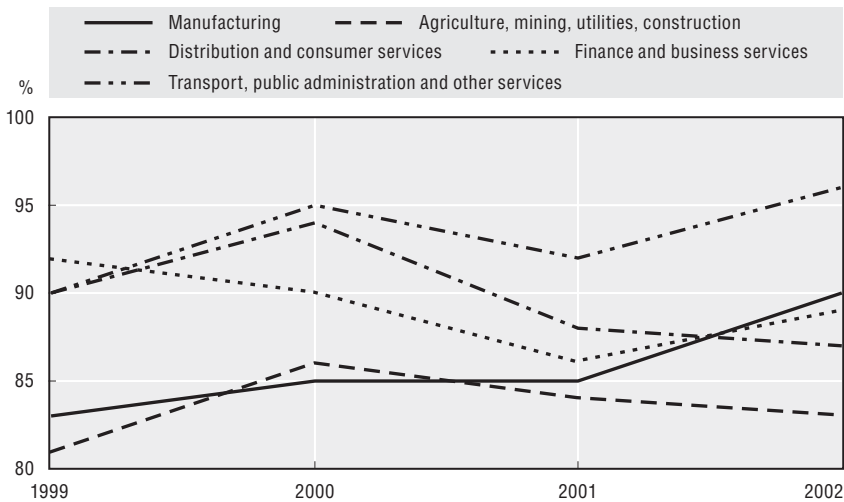
Despite the evidence of low-skill attainment measured by qualification levels, the United Kingdom has had consistently high proportions of employers providing job-related training since 1995 (Spilsbury, 2001). For all but the smallest-scale employer, these approach 100% and even among smaller-scale employers (one to 24 employees) nearly 90% provide some form of training (see Table 4.1).

A sectoral distribution suggests that the most likely trainers are from the transport and public administration sectors, followed by finance and business services. Manufacturing has traditionally been a relatively low training sector, but 2002 figures were higher and exceeded distribution and consumer services (see Figure 4.1).

Table 4.1. **Percentage of employers providing some form of training, by size**

Size of employer	1999	2000	2001	2002
5-24	87	90	86	88
25-99	95	97	95	96
100-199	97	99	99	99
200-499	99	100	98	99
500+	99	100	99	99

Source: DfES, *Learning and Training at Work*, 2002.

Figure 4.1. **Percentage of employers providing some form of training, by sector**

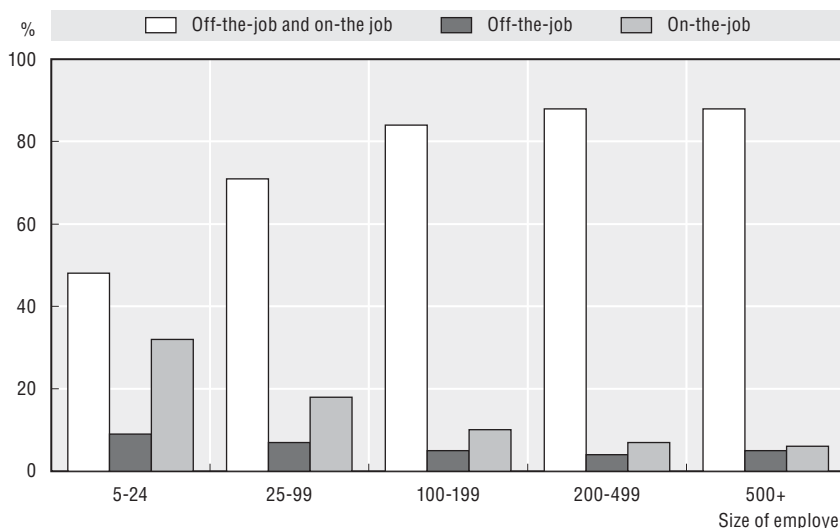
Source: DfES, *Learning and Training at Work*, 2002.

Around half of the organisations surveyed, regardless of sector or region, provide both on-the-job and off-the-job training. This varies according to size; around half of the small-scale employers (one to 24 employees) and nearly 90% of those with more than 200 staff provide both forms of training. A further fifth to a third of employers across sectors and regions only provide on-the-job training. Again there is significant variation by size: around a third of small-scale employers do so compared with only 6% or 7% of employers with more than 200 employees (see Figure 4.2).

Measures of individual participation in learning might be expected to give a more accurate picture of training intensity *i.e.* the *amount* of training going on rather than the *incidence*. According to the Labour Force Survey data (Spring 2002), 14.6% of people of working age have been actively engaged in



Figure 4.2. **Percentage of employers providing training, by kind of training and size**



Source: DfES, Learning and Training at Work, 2002.

job-related training (which includes both on- and off-the-job training) in the four weeks preceding the Survey compared to 13.4% in Spring 1997.

Similarly, the National Adult Learners Survey (NALS) has shown increases in overall participation rate for those of working age. Rates are much higher as the NALS definition of learning is broader and the reference period covered much longer (up to three years) and have risen slightly from 74% in 1997 to 76% in 2001.

The overall picture suggests that learning and training activities among adults have increased slightly since the late 1990s, although the distribution has changed little with most training undertaken by those in higher level occupations and/or with higher levels of qualifications.

## The Derbyshire labour market

Derbyshire is a mixed urban and rural county in the East Midlands (see Figure 4.3). It has significant areas of sparse population, particularly the High Peak and Derbyshire Dales districts. In contrast there are also areas of significant urban development – in particular Derby City, with a population of 222 000, 23% of the county's overall population. Derby City also has the most significant minority ethnic populations in the county, although across the county the relative number of people from minority ethnic communities is low.

Compared to the national picture, slightly fewer employees are in higher order occupations (35% in the Derbyshire workforce compared to 40% nationally). Slightly higher percentages are in lower order occupations (25% in Derbyshire compared to 20% nationally).

Figure 4.3. **Map of the United Kingdom showing Derbyshire**



By number of employees, the largest sectors in Derbyshire are manufacturing, public administration, education and health and distribution, hotels and restaurants. Derbyshire and the East Midlands have a significantly higher percentage of employment in the manufacturing sector (24% in Derbyshire, 21% in the East Midlands and 15% in England as of May 2003) and a proportionally lower percentage in banking and finance.

Regional comparisons show an enduring north/south divide with London being significantly above average and the east and South East regions also above other regions in the country. Of the UK devolved administrations, Wales and Northern Ireland have lower GDP rates per head than any English region, whereas Scotland achieves GDP rates somewhere between those of the south and eastern regions of England and the rest of the country. GDP per head is lower in the East Midlands than the UK average, but the region – while not matching London or the South East or East – is performing better than other English regions.

Economic activity rates for the East Midlands and Derbyshire are slightly above the UK average for men (1-2% above UK rates) and slightly higher for women (2-3%). Unemployment levels in Derbyshire are slightly below the national average and, while there are pockets of deprivation (some 20 wards are among the 10% most deprived in the country), there are also fewer areas of relative affluence.

Generally, unemployment rates for all occupational groups are lower in the East Midlands than for the United Kingdom as a whole, and follow similar trends. As might be expected, economic activity rates tend to be higher, although the differences are often small.

Interestingly, regional data suggest that those regions with the highest GDP per head are those with the lowest levels of training: London, the East and the South-East, with between 85% and 90% of employers providing any job-related training. The North West, North East, South West and East Midlands achieve proportions of between 90% and 95%.<sup>10</sup> This data is taken from the Learning and Training at Work Survey, 2002, which specifically asks respondents if *any* on-the-job or off-the-job training has taken place at the responding establishment in the last 12 months. This is not a question about the quantity of training provided or any assessment of the proportion of staff being trained, but rather an assessment as to whether the employer has provided *any* training to *any* employee in the previous 12 months. Figures have been consistently high across all tranches of the survey. In essence an employer only has to provide one hour of on-the-job training to a single employee to be able to answer yes to the question.

The East Midlands has been able to maintain its high levels of training unlike other UK regions where there has tended to be a slight drop over the past three to four years. In 2002 some 94% of East Midlands employers were offering some form of training, a level only exceeded in the South West. However, there is a less positive picture with regard to regular training activity. Recent employer surveys indicate that only 51% of Derbyshire employers (almost 16 000) regularly offer training in the workplace.

Data on levels of qualifications from the Labour Force Survey (LFS) show that the population in Derbyshire and the East Midlands are slightly less well qualified than the English average and lag behind other English regions. Data from 2001 show that some 63% are qualified to at least level 2 compared to 68% for England; some 42% are qualified to at least level 3 compared to the 46% English average; and 23% are qualified to at least level 4 versus 27% for England as a whole. Data for 2002 show a slight increase. Derbyshire has a higher than national and regional average of the economically active population with low or no qualifications: 6.8% compared to 4.4% nationally and 5% regionally. These findings are in line with the slight shift towards lower order occupations in the area.

Although qualification levels can be seen to be slightly lower than the national average, data from the Employer Skills Surveys of 2000 and 2001 show that employers in the East Midlands do not report many hard to fill or skill shortage vacancies. For skill shortage vacancies, Derbyshire ranks 44th out of 47 local LSCs, with only 1.3% of employers reporting such vacancies – well below the national average of 8%. Of all firms recruiting, 20% experienced difficulties recruiting people for elementary jobs.

While Derbyshire (and the East Midlands more generally) performs well by some measures in a national context, there are other areas that could warrant further attention and policy intervention. For instance, while unemployment levels are lower than the national average and economic activity higher, a slightly higher proportion of the workforce in Derbyshire and the East Midlands work in lower skilled jobs and the population is less qualified than the national average, with a higher proportion of the economically active population having low or no qualifications. The low-qualified are less likely to receive training and so be provided with the foundations to progress in their careers and retain employment. Initiatives like ETP have been developed to begin to tackle the barriers to workforce development that might be giving rise to this situation and to help to overcome the education inequalities.

## **Employer Training Pilots**

### ***Background and key features***

The pilots were initially established in six English Learning and Skill Council areas in September 2002; the aim was to test their effectiveness in stimulating additional work-based training leading to improved skills and qualifications for low-skilled employees. The idea is to engage with employers or employees who do not normally get involved with qualifications-based training. The pilots are administered by local LSCs in partnership with local Business Links and other agencies, and were originally planned to last a year. They offer training with registered providers leading to either NVQ level 2 (or equivalent), or basic skills for employees not already qualified to level 2. The offer comprises four elements: 1) free or subsidised training,<sup>11</sup> 2) paid time off for training, 3) wage compensation (paid to employers for the time employees spend training at different rates per pilot area), and 4) information, advice and guidance to employers and employees.

In the Pre-Budget Report in November 2002, it was announced that the original six pilots would be extended in both duration and coverage.

In 2003, a “nil compensation” model was added (i.e. employers were not compensated for the time their employees spent training). Testing different policy options in different areas is designed to help establish which aspects of

the policy (free training, wage compensation, etc.) have most influence on workplace training practice. In addition, those running each pilot have had relative freedom in choosing how to set up and market the scheme. For example, five out of the six original pilots created their own brand name and brand image for the scheme. There was also considerable initial variation in the processes used for engagement and contracting. This variation has diminished over time but there are still differences among the pilot sites.

The origins of the pilots lie in the strategic review of workforce development carried out by the Government's Strategy Unit (2001), described earlier. The report argued that tackling skills deficits should be a top priority and the "long term aim should be to ensure all adults have the opportunity to achieve a level 2 qualification".

In particular the report advocated a more "demand-led" system, in part based on:

- Empowering individuals and employers to increase their demand for workforce development, for example by placing purchasing power directly in their hands.
- Helping employers, particularly small employers, to develop business strategies that drive up demand for workforce development.
- Tackling the barriers of time and money that prevent individuals from taking up opportunities.

It is this last point that is directly addressed by the pilots within the context of the general requirement to develop a more "demand-led" system.

There are a number of key features in the approach adopted by those running the pilots, including tackling time and cost. The pilots compensate employers with variable amounts (see Table 4.3) for the time employees spend directly on training (up to a maximum of 35 or 70 hours, depending on the area). Moreover, the training must lead to a qualification in basic skills or NVQ level 2 (or equivalent). Initially these targets were mutually exclusive. However, the pilots soon found low take-up of basic skills training (as employers and employees did not recognise, or wish to acknowledge, need) and in some cases basic skill needs manifested themselves while a learner was undertaking a level 2 qualification. The rules were changed to allow learners to do both level 2 and basic skills training if required.

Additionally, ETPs are demand-led. In other words, training is led primarily by the employer rather than the employee. The initial approach (from the intermediaries involved in "selling" participation) is to go through the employer. The employer has to agree to take part and that their employees can participate. Wage compensation (see Table 4.3) is paid to the employer and the employer is influential in choosing which course employees take within

Table 4.2. **Old and new pilot areas**

LSC area	Level of age compensation (percentage of pay,* by size of firm)			Time off (hrs)
	Small (under 50)	Medium (50 to 249)	Large (250 or over)	
<b>Old pilots (started September 2002)</b>				
Greater Manchester	150	120	75	35
Derbyshire	130	100	50	35
Essex	110	75	0	35
Tyne and Wear	150	120	75	70
Wiltshire and Swindon	130	100	50	70
Birmingham and Solihull	110	75	0	70
<b>New pilots (started September 2003)</b>				
Shropshire	150	120	75	35
Leicestershire	130	100	50	35
Kent	0	0	0	35
East London	150	120	75	70
Berkshire	130	100	50	70
South Yorkshire	110	75	0	70

\* Up to a maximum of GBP 60 a day.

Source: DfES, DTI and HMT, 2003.

the confines of the scheme (although employees do generally have a free choice over whether they want to take part or not).

The scheme features brokered interaction between employer and provider. Each pilot employs a number of “brokers”, i.e. advisers who visit interested employers at an early stage to assess their and their employees’ eligibility and training needs and then bring in appropriate training providers for the employer to approve. In some cases brokers provide ongoing support to the employer to maximise the benefits of the training.

A further feature is the “assess/train/assess” model of training. This is based around a process of assessing levels of competence against the standards for the occupational area, identifying skill gaps and providing training to fill those gaps, and then a further assessment to confirm competence and attain the qualification standard. This model is thought to be particularly efficient and therefore quicker and cheaper to deliver, as it applies to employees already competently doing most of the areas of work covered by a qualification.

Finally, ETP training is characterised by flexible provision. It is designed to be delivered at a time and place that is most convenient to the employer and employee. This flexibility is highly valued by employers but requires new approaches on behalf of the providers, most of whom are used to delivering training on their own premises and timescales.

### **Linkage with other policies**

The pilots are designed to feed into future policy on the development of workforce skills, the main structure of which was outlined in the UK government's *Skills Strategy*, published in July 2003 (DfES, DTI and HMT, 2003). The strategy reaffirms the importance attached to improving basic skills and attainment of level 2 qualifications among the existing workforce, and states that the pilots will "inform the national development of future national programmes to support skills training". Such a programme is likely to be required to meet the government target of a reduction by 3 million in the number of persons not qualified to level 2 by 2010.

The pilots run alongside a range of other initiatives that seek to provide support for training in basic skills in the workplace, such as *Skills for Life*, or to provide targeted support for particular sectors, regions or types of firms funded through the European Social Fund. Other aspects of UK government policy towards skill development differ from the pilots in key respects. For example, the New Deal generally focuses on the unemployed rather than those in employment, Modern Apprenticeships are primarily aimed at young people (although the cutoff at 24 years of age has recently been lifted), and the University for Industry mainly provides electronically delivered distance learning in "bite-sized" units, which rarely leads to a qualification at level 2 or above.

### **ETP in Derbyshire**

#### **Setting up ETP**

There have been attempts to ensure that ETP is linked with other national initiatives, but because of its pilot nature this has not been fully realised. In the course of the research in Derbyshire, the authors examined the relationship with three other policy bodies: Government Office East Midlands (GOEM); Regional Development Agencies (RDAs) responsible for regional skills development; and Business Link. ETP has not yet been fully integrated with RDAs, whereas Business Link is a key delivery partner.

GOEM explained that their role was to represent national policy at a regional level but not to generate regional initiatives. They tend to be more socially oriented in their activities, and to act as an intermediary between local issues and national government. ETP is an initiative that they have not been closely associated with.

RDAs are public bodies with a primary role as strategic drivers of regional economic development, established under the Regional Development Agencies Act 1998 and formally launched in eight English regions on 1 April 1999. RDAs aim to co-ordinate regional economic development and regeneration so as to enable the English regions to improve their relative

competitiveness and reduce the imbalance that exists within and between regions. One of their statutory purposes is “to enhance development and application of skills relevant to employment”. They are expected to work with regional partners in the development of a regional skills action plan to ensure that skills training matches the needs of the labour market. There are nine RDAs across England. The East Midlands RDA has developed a regional economic strategy aiming to place that region among the leading 20 in Europe (the East Midlands currently stands at 35th); learning and skills are considered to be one of the key drivers. The RDA is working with a number of local agencies and institutions interested in these issues, *e.g.* Business Links, JobCentre Plus, colleges and universities. These key partners are tasked with developing a regional vision, the FRESA (Framework for Regional Employment and Skills).

In the East Midlands, the RDA sees level 3 as a priority rather than level 2, which is the focus of ETP, but it is hoped that the pilots will feed through into a greater interest in learning at higher levels. When ETP is launched nationally it will become part of the FRESA, but at the moment the focus is on high level skills and providing knowledge transfer through universities. The East Midlands RDA has undertaken a major review of all the targets of the various partners in the skills area and feel there is overlap that will need to be resolved to facilitate progress.

Business Link (BL), mentioned earlier, is a business support agency funded in part by the Small Business Service via the RDA. Under their “workforce development initiative” they also receive funding under the ESF and the ETP projects and from the LSC. Business Link has a key role in the operation of the pilots in Derbyshire (where it had two separate offices that were subsequently merged into one organisation): it provides learning advisers to engage employers and act as intermediaries with training providers. The advisers operate as “honest brokers” both by seeking to find a provider that best meets business needs and by integrating ETP with other initiatives on workforce development. The ETP project constitutes some 12% of the Business Link budget in Derbyshire.

The pilot in Derbyshire is run by the local Learning and Skills Council in conjunction with the local Business Link organisation, and is marketed under the name *Valueable Skills*. It offers a mid-range level of wage compensation varying between 130% of the nominal wage costs of learners taking part from small firms (with under 50 employers) and 50% of the nominal wage costs of those from larger firms (with over 250 employees). Employers are compensated for up to a maximum of 35 hours of training that takes employees away from their normal duties. As in all areas the training is limited to working to a basic skills or an NVQ level 2 qualification, and only employees not previously qualified to level 2 are eligible.



Marketing was contracted out to an external marketing team that devised the brand identity for the pilot. The company deliberately set out to use strong bold colours and to create an identity that was very different to existing LSC materials. The initial approach was based on building this strong brand, and targeting “hard to reach” employers and those with identified training gaps. Derbyshire also initially avoided sectors where legislation required NVQ level 2 training (e.g. care or construction). Their initial (and to a large degree ongoing) approach has been “pure”, i.e. close to the initial vision of the pilot.

A very wide range of marketing approaches was used. The reality was that despite these efforts the events were poorly attended. Subsequently, the LSC and Business Link have found that face-to-face contact and/or telesales work better, although lead conversion has been low to date.

Employer enquiries are directed to a free phone number that comes through to a call centre operated by the local Business Link (BL). At the initial enquiry point employers are assessed to find out if they were eligible to participate in the training pilots. Expression of interest forms are completed and referred on to the LSC or BL, depending upon the size of the company (LSC is dealing with large and BL with small and medium organisations).

In all the pilots, brokers – called “learning advisors” in Derbyshire – employed by Business Link visit employers to discuss who and how many are interested. The advisers help employers choose providers. The training provider then discusses with the individual company a suitable training package. The LSC contracts with the training provider for the delivery of the training and with the employer for the wage compensation.

The Derbyshire LSC also contracted with 13 providers initially (four colleges, one adult community learning provider and eight private work-based learning providers) to recruit employers directly. For the second year of the pilot, the number (and range) of providers have been expanded from 13 to 28. Recruiting providers receive monetary support (a block grant for the largest providers and an allowance per recruited employee for the others) from the LSC to help with marketing.

In the first year, Business Link (BL) and the recruiting providers (RPs) both shared responsibility for recruiting private sector employers with less than 50 employees. The results indicated about 60% of sign-ups came through Business Link, and around 40% through the recruiting providers.

To date, the emphasis of Business Link has been on the “hard to reach”. The agency has tended to recruit smaller employers and those who have not previously undertaken training. The Business Link team have offered an honest broker role in contrast to the predominately commercial approach of providers.

The LSC had lead responsibility for recruiting employers from the public sector, the voluntary sector and charities, irrespective of size, as well as private sector employers with a staff of more than 250. In the second year, the recruiting providers now compete with BL for business across all sectors and sizes. The LSC no longer do any recruitment themselves.

### **Employer participation**

The success of the pilots in terms of improving the skills of the low-qualified hinges on the ability of the pilot areas to attract employers into the scheme who would not otherwise have provided this kind of training, and through them to successfully assist individuals in acquiring the relevant qualifications. The evaluation has shown that take-up varies considerably among the six pilot areas, with Derbyshire having relatively low take-up at the end of the first year (nearly 7% of total participation across the six initial areas). Derbyshire has a slightly higher proportion of larger employers than the rest of the case studies (see Table 4.3).

**Table 4.3. ETP employer participants by size (percentages)**

Size (No. of employees)	Participant breakdown	
	Derbyshire	All pilots
1-49	72.0	70.3
50-249	16.8	21.1
250+	11.2	8.6
<i>N</i> =	214	3 114

Source: Institute for Employment Studies (IES).

It should be borne in mind that the size of the pilot areas – and therefore of the pool of available employers – also varies. To take this into account provisional penetration rates are calculated based on the proportion of local employers engaged in the pilot. On this basis Derbyshire has still achieved lower penetration than some of the other pilots (see Box 4.1).

ETP has not been evenly attractive across all sectors. Overall, the pilots have found that employers from the health and social work sector have participated in much higher numbers, reflecting the UK regulatory push in the care sector to increase the level of employee qualifications. In this regard Derbyshire has experienced a lower engagement with the care sector than other pilots, due to the marketing approach adopted. In contrast Derbyshire has above average representation from the manufacturing sector, which in part reflects the higher proportions of employers from this sector in the area (see Table 4.4).

### Box 4.1. ETP employer penetration rates

Table 4.4 shows a crude estimate of ETP employer penetration, i.e. the number of ETP employers as a proportion of all employers in the pilot area.

#### Method

The rates are calculated from the number of ETP employers taken from the August Management Information data. The overall number of employers is taken from the Inter-Departmental Business Register (IDBR). The IDBR is the most comprehensive source of employer data, but includes sole traders and some other employers excluded from ETP participation. The estimate of the penetration rate is therefore lower than it should be (because the base is too large). It should also be noted that the rate provided is in effect a “gross penetration rate”, in that it does not take into account that a certain proportion of workplaces do not include employees who are eligible for the ETP, and so these are firms who could not sign up.

#### Results

The overall picture emerging from the employer penetration rates is that a higher proportion of large firms in each area have signed up than small firms. Wiltshire & Swindon and Essex, have the highest penetration rates at all firm sizes. Birmingham & Solihull has the lowest.

Table 4.4. ETP employer penetration rates, August 2003 (%)

	Total	Small	Medium	Large
Birmingham and Solihull	0.5	0.4	2.3	4.9
Derbyshire	0.7	0.5	3.6	17.8
Essex	2.0	1.5	13.3	51.9
Greater Manchester	1.0	0.7	7.3	12.7
Tyne and Wear	1.2	0.8	7.6	11.7
Wiltshire and Swindon	2.1	1.6	13.1	32.8
TOTAL	1.3	0.9	7.7	19.6

In measuring the success of the initiative it is important to ensure that the employers who do participate in ETP are not those who would have undertaken the training anyway and merely used the subsidy available to help them do so. A measure of this is to find the proportions of participating organisations that might be considered “hard to reach” as they have not previously worked with key government training and business support agencies. Around 44% of the overall sample had no contact with any of the main government agencies before (such as the LSC or Business Link) and a slightly higher proportion within Derbyshire at 46% (see Table 4.5).

Table 4.5. **ETP employer participants by sector (percentages)**

Sector	Derbyshire	All pilots
Primary and construction	7.8	3.1
Manufacturing	32.2	17.8
Distribution	18.9	18.8
Finance and business services	4.4	9.0
Education and public admin	4.4	7.2
Health and social work	27.8	38.6
Other services	4.4	5.4
<i>N</i> =	90	1 069

Source: IES/MORI ETP employer survey, 2003.

Table 4.6. **ETP employers involved with business support agencies (percentages)**

Agency	Derbyshire	All pilots
Business Link	25.6	36.5
Learning and Skills Councils	28.9	26.3
Training and Enterprise Council (TEC)	22.2	17.8
Small Business Service	1.1	3.9
Other	5.6	3.3
None of the above	45.6	44.2
<i>N</i> =	90	1 069

Note: Multiple responses allowed.

Source: IES/MORI ETP employer survey, 2003.

One measure of the possible attitude of employers to training is the level of representation of those that have achieved Investor in People status. The take-up of Investors is much higher than average at about 32% across all the pilots (currently around 16% of all employers have achieved the award according to data from the LSC's forthcoming National Employers Survey). In Derbyshire it is lower than the pilots as a whole at 23%, but still higher than the national average.

In the survey work the authors asked employers several questions regarding their general approach to training, to get a measure of how strategic they are (using a standardised methodology developed by Kitchen and Blackburn, 2001). Derbyshire employers are slightly more likely to say they had a strategic approach to training than all other employers engaged in the pilots. There is some evidence from other parts of the evaluation that during the course of their involvement with the pilots, employers become more likely to see the value of training their lower-skilled employees.

Visits to employers confirmed their appreciation of the scheme. On the whole ETP is felt to deliver skills that are important to the business and to

### Box 4.2. Case studies of employers

**Remploy** is a national organisation employing some 10 000 people with various disabilities across the United Kingdom. The Derby site manufactures headrests for cars and competes for this work with other providers. It has the advantage of a government subsidy, but that subsidy has been held constant over the last six years and there are therefore increasing competitive pressures on the organisation.

The site became involved with ETP when each unit (there are 86) was directed by Remploy headquarters to set up its own learning centre. In Derby, the authors' interviewee contacted the LSC to ask advice on how to do this and received information on *Valuable Skills*.

Remploy is currently training 40 people in English as a Second Language (ESOL) and 6 people in basic skills at the Derby site. In addition, nine employees are pursuing Performance Management Operations (PMO) NVQ 2. This means the majority of people in the factory are now involved in ETP training. Initially Derby LSC arranged for a "learning bus" to come to the factory for people to try out various packages; the offer was opened to everyone. The only employees not taking part are those who are due to retire. Prior to using ETP, this employer had trained significantly less staff (seven to eight employees each year).

The view of the co-ordinator was that the pilot had been "really marvellous" and the factory manager described it as "a dream come true". Production figures have gone up some 30%, absence rates have halved (from 14% down to 7%). The factory manager found that communication levels had increased among staff, and that many could now read, write and speak English. Attitudes to work and to colleagues were felt to have improved significantly and a team spirit had become visible. Moreover, Derby has been nominated for a Remploy "site of the year" competition, an internal recognition scheme. This employer's engagement within ETP was positive from the onset and it wishes to ensure that all employees reach a recognised qualification over the next two years. The co-ordinator strongly believes that the training offered under ETP adequately responds the organisation's needs.

Remploy management was highly satisfied with their ETP provider, which proved flexible in terms of delivery and provided one-to-one training in a few cases.

Learners were also pleased with the scheme and found the benefits to apply beyond work; one female employee argued that it increased her autonomy as she felt more confident at being able to converse in shops, etc. Learners perceived that people talked to each other more.

### Box 4.2. Case studies of employers (cont.)

**Care home** – 44 residents, 38 employees. Care homes are generally overrepresented among employers participating in ETP because of the legislative push in the United Kingdom to have staff qualified to NVQ level 2. This home had 17 care assistants on the scheme, and for them covering the cost of training was the most important factor in attracting them to ETP. They felt that the subsidy would enable them to go on to offer NVQ level 3 training.

The management's motivation for taking part in the scheme was not only about the legislative drive for qualifications in the care sector but also about a desire to reward their workforce. It wanted to offer them every opportunity to better themselves and felt that this would provide benefits for the organisation too, as there was scope for career promotion. This employer does not generally experience a large staff turnover, so there were no concerns that upskilling would result in people leaving.

The training takes place offsite over eight weeks on day release with the provider coming into the home for assessments. The management feels that the response has been mixed, some employees have progressed well but one or two have struggled. It believed the training had been very valuable, participants were learning something new, and the experience had provoked lots of thought and discussion. It wanted to encourage staff to go on to an NVQ 3.

The employees interviewed very enthusiastic about the scheme. They argued that now that the training was over, they missed the weekly sessions that had given them the opportunity of talking to people from other care homes. They felt the NVQ was very relevant to their needs and gave them the opportunity to step back and think about what they were doing. They felt that as a result, they were doing their job differently and managed to deal with conflict as they had gained confidence. For example, when constructing care plans, they are now more likely to put information on paper, and when in conflict with a resident they know when to walk away rather than get embroiled in an emotional exchange. These employees were worried initially that training under the ETP would be too difficult for them but had not found it to be so in practice. Their overall impression was that they had learned much about each other as colleagues, which in turn made teamwork easier.

**Manufacturer** – A medium-sized plastic binder and folder manufacturer of long standing (it has been operating for 26 years).

The organisation has several national and international competitors and described its market as very competitive. It has positioned itself as a quality producer. Staff also seemed committed and keen: the HR manager commented that people take work home and put in their own time. The company is a regular trainer. At the time of the interview, it was reported that several members of staff were undertaking modern apprenticeships, others NVQs; moreover, it has a policy of always training employees aged under 25.

#### Box 4.2. Case studies of employers (cont.)

The company was contacted by the LSC regarding ETP, a timely conversation as they were just thinking of creating a group of team leaders. Especially attractive were the provisions of training in the workplace and personal support. They found the support of the LSC invaluable and the wage compensation element was also very important to them: it meant they could give employees time at work to study for the qualification. They had been interested in providing NVQ training before being informed about ETP but could not afford to finance it themselves at that point, having just purchased major new equipment and an IT system.

The HR manager drew up a support plan and spent a considerable amount of time persuading employees to take part and dealing with their concerns over the qualification. Management expected several benefits from participating in the ETP: it would demonstrate that they were promoting and encouraging staff, and it would help break down hierarchical divides in the organisation.

Management argued that the team leader qualification is highly relevant to the company's HR needs, and that participants' communications skills have improved. It noticed that the team leaders were now more likely to focus on impact rather than immediate effects, and displayed better interpersonal skills as a result of being empowered through the training course.

Two employees interviewed reported that the scheme had been daunting and difficult to fit into their daily work/life routines. They were however very enthusiastic about their experience; they felt it had opened their eyes as to how to deal with people. Both were quite keen to go on to other vocational or academic qualifications that would enable them to explore a subject in greater depth.

enable many employers to provide training that they would not otherwise have provided. Some example case studies are given in Box 4.2.

#### **Employee participation**

Data gathered for the evaluation show that the majority of the learners are:

- **Female:** across the six pilots, 55% of leavers are women, although the pattern is not universal. In Derbyshire, only 34% of the learners on the database are women, reflecting the sectoral composition of the employer participants (they are more likely to be involved in manufacturing activities).

- **White British:** eighty-nine per cent of all learners are white British, and 7% are non-white (the others are mainly from another white background, including white Irish). On the basis of the proportion of ethnic minorities in the working population in each area (according to LFS data), the pilots appear to be attracting an average involvement from this group.
- **Aged between 26 and 45:** around 12% are aged between 18 and 25, 27% between 26 and 35, 32% between 36 and 45, 21% between 46 and 55, and 8% aged over 55. ETP learners therefore appear to be older than those normally engaged with job-related training (Hillage *et al.*, 2000).
- **Working full-time:** just over three-quarters of all learners on the database work full time, a pattern broadly repeated across the pilots.
- **Employed in lower-skilled jobs:** over three-quarters of the learners on the MI database<sup>12</sup> work in relatively low-skilled jobs, with 35% in personal service occupations (typically care assistants), 19% in process plant and machine operator jobs, 16% in elementary occupations, and 7% in sales and customer service occupations. In the middle of the skills scale, 10% work in skilled trades, 6% work in secretarial or administrative occupations, and 2% are associate professionals. At the top end of the occupational hierarchy, over 4% of the ETP learners are managers or professionals. In Derbyshire 68% of the learners on the database are in low-skilled jobs.
- **Employed in small and medium-sized workplaces:** some 40% of ETP learners work in establishments with fewer than 50 employees, a further 30% work in workplaces with between 50 and 249 employees, and the remaining 30% in sites with 250 or more employees.
- **With their employer for between one and five years:** some 25% of learners in the survey had under a year's service, 50% had between one and five years' service, 20% had worked for their employer for between six and fifteen years and five% had been with the same employer for over fifteen years.
- **Not members of a trade union:** only 18% of learners on the database are members of a trade union, although there is marked variation by pilot area. In Derbyshire (where a higher than average proportion of employer participants are in manufacturing), 34% of learners are union members.
- **Earning around GBP 6 (EUR 9) an hour:** the average hourly wage of the learners in our survey was GBP 6.15 an hour – varying between GBP 5.13 in Tyne & Wear and GBP 7.40 in Derbyshire – perhaps reflecting the different sectoral distribution of the employers involved. Male ETP learners (with an average hourly rate of GBP 7.42) in the survey earned an average of over GBP 2 an hour more than women (GBP 5.53 an hour).



Generally, ETP participants left school early and only one-third had a positive view of their educational experience. However, they tend to be fairly positive and keen about learning. Most feel happy in their job, but think they could do more challenging work and that their skills are underutilised. Most plan to stay with their current employer (less than a fifth intend to leave within a year), although half think there is some likelihood that they will get a better job with their existing employer.

Data on prior qualification levels would seem to confirm that the pilots are engaging with the low-skilled, although Derbyshire has a slightly higher level of those already qualified to level 2 than the national average (9.5% against 4.7%); perhaps this indicates that they have been less successful in filtering these individuals out of the pilot. Moreover, the vast majority of employees participating had volunteered rather than been chosen by their employer; only 11% of the Derbyshire sample had been asked by their employers to take part. There is no evidence here that employers allocate training to favoured groups.

Individuals interviewed as part of the case studies supported the findings of the survey. They had all volunteered, and although some had been anxious over returning to learning after relatively long absences they had found the experience reassuring and worthwhile. A few said they intended to go on to further learning.

### ***ETP training***

The predominant type of training delivered through the pilots in Derbyshire and throughout the other pilots is an NVQ level 2 (typically in care, customer service, manufacturing operations, etc.), reflecting the learners' job roles and the employer's business activities). NVQs are designed to be delivered in the workplace, typically involve assessing a learner's competence against an agreed occupational standard, and provide "learning opportunities" (i.e. on-the-job training supplemented by off-the-job underpinning knowledge) to acquire and demonstrate competence.

Providers are encouraged through ETP to "train to the gaps", i.e. assess individual learners' competence, identify skill gaps which are then met through training, and then confirm their overall attainment of the standard in a final assessment. The "assess/train/assess" model was found by the evaluation to occur in under half the cases in the first year, with other modes ranging from mainly assessment (with little extra training) to standard delivery which consists in providing a standard programme regardless of what the learner already knew. Providers are also encouraged to be flexible in the nature of delivery, for example by providing training and assessments at employers' premises, fitting in with workplace schedules (e.g. shifts, etc.).

Employers generally report a high degree of flexibility among training providers. The latter are paid a fixed sum (the total of which varies by the type of qualification) in instalments, with a proportion at the start, the bulk as the trainee undergoes their course and the balance on completion.

Employers are encouraged to choose between a range of possible providers, brokered by the learning adviser, although many prefer to opt for those they already know. In most pilots the contract is between the employer and the provider. Both these elements of the pilots are aimed at creating a more mature “training market” and increasing the confidence and knowledge among employers, especially smaller employers, to purchase their own training.

Providers are, on the whole, positive about the initiative, believing it to reach employers who they do not normally deal with and to provide learning opportunities for older and less well qualified individuals.

### *Information advice and guidance*

The fourth element of the ETP offer is the provision of free information, advice and guidance (IAG) on learning to employers and employees. It was envisaged that the IAG element would be delivered by specialist agencies in each area and although in all cases these agencies have been engaged, most have struggled to develop and integrate this aspect of the offer with the overall approach adopted by the pilot. Most information and advice (about training related issues) to employers is provided informally by brokers or providers. In some cases IAG providers are available for initial training needs analyses. However in most pilots, including Derbyshire, they have yet to be involved in much ongoing learner support, or in exit interviews to help learners access further learning should they so desire.

### *Emerging issues in Derbyshire*

The Derbyshire pilot did not achieve the take-up among employers and learners that they originally hoped for. The LSC conducted their own analysis and identified a number of barriers to performance:

- Too strict an application of the pilot in terms of sectors, size and hard-to-reach employers.
- The need to be more targeted with marketing efforts.
- The lack of business-focused case study material to support engagement in basic skills in the workplace.
- Providers have insufficient resources targeted at engaging employers in the pilot.

- The contracting and claim process has been over-engineered, making it too complex to sign employers up.
- Communications with providers have been too *ad hoc*.
- Some providers have delivered extremely well while others have not. The good practice displayed by those who are performing well has not been exploited sufficiently.
- The time to engage employers (especially large ones) has been underestimated.

These concerns have led to several changes in the second year, with monetary incentives to providers to recruit employers to the scheme, an expansion of the provider network, streamlining of processes and increasing use of telesales marketing.

Moreover, it appears that Business Links have become major partners in the pilot. However, there have been some communication problems with and between the two separate Business Link organisations; which operated different client management systems among the partners. The two organisations have recently merged but still operate from two separate locations, which may resolve any outstanding problems.

The LSC believes that employers are attracted by free training; also, the single broker role is thought to be vital for getting embedded in the organisation. Smaller employers tend to need the incentive of wage compensation.

The pilot's initial one-year duration has caused some problems, as major training providers (such as some local colleges of further education) have been reluctant to get engaged in what appeared to be a short-term project. Business Link report difficulties in retaining some of their workforce engaged in ETP as the advisers are on short-term contracts. Relatively high labour turnover has meant a loss of expertise and continuity. Providers play an important role in Derbyshire in recruiting employers. Employers coming through the provider route may not have thorough training needs analysis or exercise as much choice over which provider they work with as employers recruited through more independent brokers.

### **Interim evaluation conclusions**

Across the six areas, the pilots have been successful in getting substantial numbers of employers involved in training low-skilled employees to qualifications. There is evidence that the pilots are reaching some of their target groups. The employers involved are generally small, and a significant proportion, over one-fifth, can be described as "hard-to-reach" – having not been involved with government agencies before, nor having had a legislative

reason for upskilling their employees. The learners too tend to be those at whom the pilots are aimed. Many had left school at 16, having not had a positive educational experience. Although they had participated in training before, the pilots have given them the opportunity, often for the first time in years, to study for qualifications they are keen to obtain.

The national evaluation also identified high levels of satisfaction with the experience of the pilots among employers and learners alike (Hillage and Mitchell, 2003). Employers think their involvement with the pilots will benefit their business. The broker model of learning advisers engaging with employers about their business needs and how ETP can help, and then helping to source training providers and manage contractual issues, is generally thought to be very effective. Employers certainly seem to respond well to the support and advice in identifying their training needs and coming up with solutions.

However, a number of challenges remain. Most of the learners are engaged in studying for an NVQ level 2 rather than basic skills. Several measures have been put in place in the existing and new pilots to increase the engagement of employers and learners in basic skills training towards a qualification. Many basic skill deficiencies only come to the surface during the course of studying for an NVQ, and in many cases support is now being provided alongside the NVQ training.

The national evaluation found that around 20% of the current employer participants were in the target group of hard-to-reach workplaces, without a particularly positive track record on training low-skilled employees. While many of the remainder meet the “hard-to-reach” definition in some way (*e.g.* by being small), a substantial proportion (30% of workplaces employing some 40% of ETP learners) are from the care sector, where there is a legislative requirement to increase the proportion of qualified staff. They could, therefore, be assumed to be looking for training in the absence of the scheme. The evaluation also shows that a large proportion of the employers so far involved have a relatively positive approach to training. Thus, although they may not be actively training their low-skilled employees and are hard to reach in some ways, they are not altogether hard to convince about the value of the initiative. Increasing the proportion of hard-to-reach employers and those without a history of training will be important if pilots are to truly transform training cultures and minimise deadweight.

There is also an element of deadweight among the employees. Around one-fifth of ETP learners already had a level 2 qualification or higher, and were therefore technically “out of scope” of the initiative. Any further qualification they obtained would not increase the proportion with level 2 qualifications in the population as a whole, and therefore would not contribute to one of the

overall aims of the programme. However, this is not a clear-cut issue. Excluding any ineligible participants may require disproportionate levels of bureaucracy and controls, which may easily put off exactly the sort of employers and learners that the pilots are designed to engage. In other words, a degree of ineligibility may be inevitable and could be seen as “noise in the system”. Furthermore, the qualitative evidence suggests that those involved who have already qualified at level 2 tend to have either obtained their qualification many years previously and/or been involved in a change of career direction, and therefore could benefit from further skill acquisition. However, training those who already have level 2 qualification inevitably lowers the net effect of the pilots on reducing the proportion of low-qualified people in the workforce. There is a difficult balance to be struck between ensuring a smooth and efficient process, and the short- and long-term impact of the pilots.

Participation in the pilots varies markedly by area. The variation appears to have little, if anything, to do with the level of the ETP offer in the area or the state of the local labour market. It probably has more to do with the effectiveness of the approach adopted by the pilot, certainly in the early stages. Learning the lessons about how best to market the scheme to and engage with employers, and how best to manage effective partnerships between the various agencies involved, is another challenge for the pilots.

## Conclusions

The Employer Training Pilots began life in 2002 at national level as a measure designed to test ways of increasing the extent of workplace training especially for lower-skilled employees – identified by policy makers as major contributor to the country’s relatively poor productivity performance. There were two basic rationales for the intervention.

The first was to enhance national productivity and competitiveness. While England has a comparatively good training record in terms of number of employees in receipt of training, relatively little training leads to recognised qualifications and most tends to be undertaken by employees already fairly well-qualified and employed in larger workplaces. At the same time, England has comparatively few employees qualified at intermediate level. Employers tend not to provide such training in work-time because the barriers of cost (of training) and time (spent training) outweigh the benefits they think will accrue. Individuals do not fund the training themselves for similar reasons: i.e. the costs (including opportunity costs of spending their free time on vocational training) exceed the perceived benefits (e.g. in terms of better jobs or earnings).

The second rationale involves the importance for individuals of attaining a minimum level of qualifications in order that they may retain their employability in the labour market and avoid being at risk of unemployment and social exclusion, as trends favour more highly qualified jobs. While the problems seemed apparent, the solutions in terms of encouraging a greater demand for skill acquisition – and therefore training leading to qualifications – were less clear.

By modelling different levels of free training, the ETPs offer an experiment in policy design and implementation and therefore do not as yet comprise a comprehensive policy. For example, their interface with other policy initiatives has developed over time as the pilots have matured and as policy itself has moved on, most notably with the development of the National Skills Strategy. There has been an important element of symbiosis in both the development of policy and the development of wider skills policy, especially as it affects workforce development and low-skilled employees.

As the pilots have been extended, interest in them has grown and the policy objectives associated with them have expanded (albeit informally). For instance, although the pilots were originally about testing ways of overcoming barriers of time and cost and seeing whether such a policy would contribute towards increasing the number of employees qualified at level 2, interest has grown in their impact on the nature and form of training provision.

Furthermore, ETPs can be regarded as a fledgling national programme delivered at local level, as the six initial pilots differ in their approaches to delivery – partly in a deliberate attempt at experimentation, and partly to fit in with the local labour market and infrastructural context. There is an inevitable tension between local flexibility and the consistency necessary to run a national programme (available to employers across local boundaries) that may need to be balanced before any national roll-out. While the process of implementation may need to be adapted to local circumstances, there is no evidence to suggest that the fundamental features of the offer need to be similarly flexible.

In addition, the ETP initiative fits with a number of important elements of the national policy on skill and workforce development (as opposed to other policies focused on the unemployed and/or seeking to move people from dependency on welfare into work): it seeks to increase the demand for skills and encourage learning provision to become more adaptable to employers' (and learners') requirements. It aims to do so by encouraging employer investment in low-skilled workers by subsidising the training and, depending on the size of the firm, contributing to the opportunity cost of employees participating in training activity.

There is thus a supply-side flexibility to the initiative that is expected to increase the efficiency of delivery and increase retention and therefore the number of employees successfully completing their course. Some of the pilots are further experimenting with new forms of “paperless” assessment, for example by using new technology to capture evidence of competence, to reduce the burden of producing evidence of competence.

Furthermore, the ETPs encourage learners to develop further once they have completed their training, through the provision of information, advice and guidance. They also encourage employers to maximise the benefits from the skills gained among their workforce, through the provision of further business support and advice (although there is little evidence so far that this aspect of the pilots is a major attraction).

The increase in participation is expected to result in an increase in the number of employees attaining level 2 qualifications, thereby meeting a major government target and overcoming what is seen as a main reason for England’s comparative skills deficit. Further policy developments envisaged in the Skills Strategy, such as a general entitlement to free training to obtain a first level 2 qualification, also appear to fit together with the main thrust of the pilots. Other developments, such as introducing greater flexibility in the qualifications structure, also are in line with the aim of making qualifications more “employer- and learner-friendly”.

In terms of the pilots’ effectiveness, on the positive side participation by employers and employees is felt to be strong – and even stronger in the second year, with large numbers of previously unqualified employees now engaged in mainly level 2 training. There is variation in take-up among the pilots, but it appears to vary more with the approach to marketing and employer engagement rather than with the level of compensation or length of free training on offer.

The main driver to participation appears to be the availability of free, brokered training rather than the availability of wage compensation. If confirmed, this could suggest that the original pilot targets – overcoming the barriers of time and (to a lesser extent) cost – may not be as important as the accessibility of provision. In other words, there may be a latent demand for training among lower-skilled staff that could be met by making the training market work better through improved linkages between employers and providers.

Although initial participation is high, it is unclear whether participation translates into increased overall qualification attainment, what levels of deadweight and additionality have been incurred, what kind of generic and technical skills have been gained, or what impact the ETPs have had in terms of productivity and job retention.

One question requiring further investigation is whether the pilots are having a major impact on the nature of provision. Most skills training (especially for young people) takes place in publicly funded colleges of further education. However, relatively few colleges are heavily involved with the pilots, and most learners are trained by private sector providers. Workforce development is a relatively small proportion of college provision (colleges tend to concentrate on training young people in initial academic or vocational qualifications, *e.g.* through Modern Apprenticeships). Developments in the structure of Modern Apprenticeships and other changes such as the development of Centres of Vocational Excellence (CoVEs – specialist provision in colleges focusing on particular occupational areas) may be more important in this regard.

Moreover, we have seen that the pilots are focused on basic skills and first level 2 qualifications. Relatively few learners opt for basic skills training. This is likely to be because of the dual problems of learners' unwillingness to admit basic skills deficits and employers' reluctance to recognise the importance of basic skills acquisition if they do not feel they are a requirement of the job. The pilots found that some basic skill needs emerge when learners undertake level 2 courses, and the procedures have been adapted to provide learners with additional training in those instances. There are other initiatives focusing on basic skills provision that may "compete" for eligible learners.

Some employers and learners find it difficult to understand why the pilots only offer free training to a "first level 2". Employees already at level 2 or with higher academic qualifications – or who have been trained to level 2 or higher in another occupational area – are ineligible for support even if they could benefit from, say, an NVQ in their current job. The requirement for "first level 2" is linked to concentrating resources on achieving the government's level 2 target. While some employers use the wage compensation they will obtain to finance ineligible employees through level 2 training, the requirement can generate a relatively high level of bureaucracy and control.

Discussions with some of the agencies involved with the pilot in Derbyshire suggested that there is at least some demand for higher (level 3) training; the Regional Development Agency, for instance, indicated that this was a priority. More generally, research indicates that there is little economic return (to either the workplace or the individual) from the acquisition of level 2 qualifications, and there is a clearer (positive) relationship at level 3 (see for example, Dearden, Reed and van Reenan, 2000). However, it could be argued that it is the absence of a clear return that creates the need for public intervention, whereas employers and/or employees should invest in higher level skills themselves as the gains are clearer and more immediate.

The absence of high levels of workplace investment at this level may indicate a lack of demand for the corresponding skills. Tackling such "low-



skills equilibria” may require much wider policy interventions, including greater levels of business support and/or placing greater imperatives on businesses to raise their levels of productivity and therefore skills. In this context, ETP can be seen as a predominately supply-side initiative.

The pilots operate through initially engaging employers and, through them, employees (who are pleased to have the opportunity to acquire qualifications). The new level 2 entitlement or a revised form of the individual learning accounts (perhaps along the lines of the Learning Workers’ Programme being piloted in Wales) may invigorate individual demand for skill development beyond the actions of employers. Without a commensurate increase in demand for higher skilled employees however, this may result in employees feeling that any newly acquired skills are underutilised.

Some of main lessons to emerge from the Derbyshire pilot in particular centre on the process of implementation. The case study has highlighted the importance of the agencies involved, notably the LSC and Business Link working effectively together to achieve the pilot aims. It has also highlighted the potential problems if interests conflict, systems are incompatible, communication is unclear or responsibilities ill-defined.

Moreover, the role of broker requires a range of skills, including business understanding to relate to employers, knowledge of training provision to explain the opportunities available to employers and to identify needs, and selling skills to secure employer engagement and administrative skills to operate what is seen as a complex process.

Providers have a major role in generating employer interest – some providers in Derbyshire “recruit” employers to the pilots. However, it is not clear whether they undergo the same needs identification process. While the local trade unions are supportive of the initiative, they have been able to provide little direct support in terms of bringing in employers and learners or supporting learners in identifying skills needs (e.g. the basic level).

The ETPs appear to be a successful way of engaging low-skilled employees in qualification-based training. If the expected high rates of completion are confirmed and the level of deadweight is relatively low, the pilots will lead to a significant increase in the number of qualified employees in the workforce. The pilots have demonstrated that low-skilled employees can be accessed through employers to their (perceived) mutual benefit.

The pilots are feeding into the development of a national skill strategy focused on developing the skills of the existing workforce, through engaging with employers and increasing the responsiveness of learning provision. Other policies in the same area (such as the University for Industry, marketed under the name *learnirect*) have been effective at engaging new learners but have less influence in the workplace (Tamkin et al., 2003). Different strands of

government policy concentrate on the skills gained in initial education and training and facilitating access to employment among those currently unemployed or inactive. The links between them are more indirect than direct (e.g. by working through a similar qualifications infrastructure and learning provision), but then they are aimed at different groups in the labour market.

The level at which the pilots are aimed may mean that they are more effective at tackling issues associated with social inclusion (by providing employees with qualifications to improve their employability in an increasingly competitive labour market where the trends favour higher skilled jobs) rather than economic regeneration issues, which may require different policies. Other policy agencies believe that higher-level skills (level 3 and above) are a greater priority.

Operation of the pilots has been affected by the consequences of other policies (e.g. legislation requiring a greater proportion of employees in the care sector to be qualified), which thus have indirect effects on the demand for skills.

One of the emerging messages is the importance of effective organisation on the ground in maximising engagement with employers. The ETPs involve two separate agencies which take different roles – in crude terms, one which finances and manages the programme and the other which engages with participants. The pilots that appear to have been most successful to date are those that have “merged” both operations and run as an ETP team rather than as separate organisations.

## Notes

1. Learning and Skills Councils (LSCs) are public agencies responsible for funding post-compulsory education and training other than higher education.
2. The six areas vary significantly in terms of their local workforce and the amount of job-related training taking place. Greater Manchester is the pilot area with the largest working age population and also the greatest number of employees, at around 1.6 million and 1 million respectively. Essex draws on the next largest population of working age, followed by Birmingham & Solihull, Tyne & Wear and Derbyshire. Wiltshire & Swindon is considerably smaller than the other pilot areas, with a working age population of less than 400 000 and around 285 000 employees). The offer piloted varies in terms of: 1) the length of free training – three areas offer 35 hours a week and a further three offer 70 hours of training, and 2) the amount of compensation for time off work. Although all areas use the same nominal wage to calculate the level of compensation (GBP 50 a day for basic skills training and GBP 60 for level 2 raining), the percentage of the nominal wage paid to employees (prior to allowances made to comply with State Aid rules) varies between 0% and 150% both between areas and by the size of employer participating.
3. See <http://etp.lsc.gov.uk/>.

4. The Institute for Employment Studies (IES) was commissioned by the UK government to carry out the national evaluation of the ETP. At the heart of the evaluation is a large-scale survey that seeks to establish accurate baselines of activity. The national evaluation started in October 2002 and was scheduled to end in March 2005. The Derbyshire case study carried out on behalf of the OECD in late 2003 was based on interviews with ETP personnel, local stakeholders, providers and employees.
5. See for example the Business Learning Accounts in Scotland and the Learning Workers' Programme in Wales.
6. National Vocational Qualifications (NVQs) are a system of job-related qualifications based on achieving levels of competence against defined industry-specified standards. There are five levels – level 4 is broadly equivalent to a two-year undergraduate diploma.
7. Combining local LSC budgets for this activity – the pool typically represents a very small proportion of overall funds, most of which go to financing education and training for young people after the age of 16.
8. Reported in *The Guardian* newspaper, 6 January 2004.
9. For further information on the SSDA, the SSCs and the Skills for Business Network, visit the SSDA Web site: [www.sdda.org.uk](http://www.sdda.org.uk).
10. This data is taken from the Learning and Training at Work Survey, 2002, which specifically asks respondents if *any* on-the-job or off-the-job training has taken place at the responding establishment in the last 12 months. This is not a question about the quantity of training provided or any assessment of the proportion of staff being trained, but rather an assessment as to whether the employer has provided *any* training to *any* employee in the previous 12 months. Figures have been consistently high across all tranches of the survey. In essence an employer only has to provide one hour of on-the-job training to a single employee to be able to answer yes to the question.
11. The training is mainly provided free but in some cases, due to EU State Aid rules, employers are required to make a contribution.
12. This refers to “Management Information about the learners and employers involved in the Employer Training Pilots” and is unpublished data provided to the evaluation team by the Learning and Skills Council (LSC), who maintain the database.

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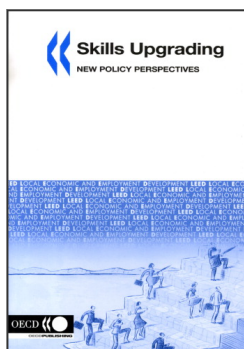
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## Acronyms

<b>AE</b>	Adult Education ( <i>Voksenuddannelse</i> ) (Denmark)
<b>AF</b>	<i>Arbejdsformidlingens</i> – Name of the Danish Public Employment Service
<b>AHRE</b>	Alberta Human Resources and Employment (Canada)
<b>AMU</b>	Adult Vocational Training ( <i>Arbejdsmarkedsuddannelserne</i> ) (Denmark)
<b>APEL</b>	Accreditation of prior experiential learning (Flanders)
<b>AVU</b>	General Adult Education ( <i>Almen VoksenUddannelse</i> ) (Denmark)
<b>AWES</b>	Alberta Workforce Essential Skills (Canada)
<b>BLOs</b>	Business Links Operators (UK)
<b>CEGEP</b>	Collège d’Enseignement Général et Professionnel (Quebec)
<b>CET</b>	Continuous Education and Training
<b>CPPI</b>	Canadian Petroleum Products Institute
<b>CTHRC</b>	Canadian Trucking Human Resource Council
<b>CVT</b>	Continuing Vocational Training
<b>DDMI</b>	Diavik Diamond Mines Inc. (Canada)
<b>ERIC</b>	Effective Reading in Context (Canada)
<b>ESF</b>	European Social Fund
<b>ESRP</b>	Essential Skills Research Project (Canada)
<b>ESWL</b>	Essential Skills and Workplace Literacy (Canada)
<b>ETPs</b>	Employer Training Pilots (UK)
<b>FOA</b>	Public Employees’s Union ( <i>Forbundet af Offentlige Ansatte</i> ) (Denmark)
<b>FVU</b>	Preparatory Adult Education ( <i>Forberedende VoksenUddannelse</i> ) (Denmark)
<b>GCSEs</b>	General Certification of Secondary Education (UK)
<b>GED</b>	General Equivalency Diploma (Canada)
<b>GVU</b>	Basic Adult Education ( <i>Grunduddannelse for voksne</i> )
<b>HF</b>	Higher Preparatory Examination
<b>HHX</b>	Higher Commercial Examination
<b>HTX</b>	Higher Technical Examination
<b>IAG</b>	Information Advice and Guidance
<b>JARC</b>	Jane Addams Resource Corporation (US)
<b>KAD</b>	Women Workers’ Union in Denmark ( <i>Kvindeligt Arbejderforbund</i> )

<b>LIRI</b>	Local Industrial Retention Initiative (US)
<b>LLL</b>	Lifelong Learning
<b>LMDAs</b>	Labour Market Development Agreements (Canada)
<b>LSEq</b>	Low Skill Equilibrium
<b>LO</b>	Danish Federation of Trade Unions ( <i>Landsorganisationen i Danmark</i> )
<b>LSCs</b>	Learning and Skills Councils (UK)
<b>MOWD</b>	Mayor's Office of Workforce Development (US)
<b>NNSP</b>	The National Network of Sector Partners (US)
<b>NVQs</b>	National Vocational Qualifications (UK)
<b>PES</b>	Public Employment Service
<b>RAR</b>	Regional Labour Market Council ( <i>Regionale Arbejdsmarkeds Råd</i> ) (Denmark)
<b>SERV</b>	Flemish Social and Economic Council (Flanders)
<b>SID</b>	General Workers' Union in Denmark ( <i>Specialarbejderforbundet i Danmark</i> )
<b>SSDA</b>	Sector Skills Development Agency (UK)
<b>SMEs</b>	Small and medium-sized enterprises
<b>STC</b>	Sub-regional Employment Committee (Flanders)
<b>TANF</b>	Temporary Assistance for Needy Families (US)
<b>TIF</b>	Tax incremental financing (US)
<b>TOWES</b>	Test of Workplace Essential Skills (Canada)
<b>UPL</b>	Educational Planning ( <i>Uddannelses Planlægning</i> ) (Denmark)
<b>VDAB</b>	<i>Vlaamse Dienst voor Arbeidsbemiddeling en Beroepsopleiding</i> – Name of the Flemish Public Employment Service
<b>VET</b>	Vocational Education and Training
<b>VESOC</b>	Flemish Economic and Social Consultative Committee (Flanders)
<b>VET</b>	Vocational Education and Training
<b>VEUD</b>	Adult Vocational Education and Training ( <i>Voksenerhvervsuddannelse</i> ) (Denmark)
<b>VEU-reform</b>	Adult Education Reform ( <i>Voksen- og Efteruddannelsesreform</i> ) (Denmark)
<b>VUC</b>	General Adult Education Centre ( <i>Voksenuddannelsescenter</i> ) (Denmark)
<b>VUS</b>	Act on Educational Support for Adults ( <i>Voksenuddannelsesstøtte</i> ) (Denmark)
<b>VVU</b>	Further Adult Education ( <i>Videregående VoksenUddannelse</i> ) (Denmark)
<b>WIA</b>	Workforce Investment Act (US)
<b>WLP</b>	Workplace Learning Program
<b>WRTP</b>	Wisconsin Regional Training Partnership (US)



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