

SKILLS FOR SUSTAINABLE GROWTH

RESPONSE FROM REED IN PARTNERSHIP

Key Messages:

Reed in Partnership, through our response to 'Skills for Sustainable Growth' sets out a number of recommendations for better aligning employment and skills support; ensuring that skills provision is focused on helping people enter and progress in work; and streamlining the system to provide a better service for customers and savings for the taxpayer. Our core recommendations are:

- There is a real gap in the 'Skills for Sustainable Growth' consultation document around the benefits for customers and taxpayers that could result from integrating employment and skills policy through the new Work Programme.
- To ensure people are provided with the right skills support a greater focus on identifying both individual needs and the realities of the local labour market is required. This includes a stronger focus on providing the functional skills required by employers.
- There needs to be an improvement in the way initial learner assessments, particularly for Level 3 apprenticeships, are undertaken. This will be one way of improving the current low completion rates.
- We need cross-Government work between DBIS, DWP and DfE to create a system which can develop the skills and employability of young people. This will help reduce levels of youth unemployment and enable this customer group to progress in work and successfully respond to the labour market.
- If tax breaks are awarded to employers for training their staff, they must be able to provide evidence of what has been achieved. Tax breaks could be given based on i) the subject area, ii) the level of qualification achieved, iii) previous qualification level of the individual achieving the qualification, iv) level of disadvantage of the individual trained; and v) size of the firm.
- To help those with lower-level skills to access training, attention must be paid to improving "soft" and transferable skills. Shortages in skills such as customer handling, problem-solving, communication and team working are currently reported by employers. Unless these shortages are addressed, low-skilled individuals will not possess the skills or knowledge to pursue higher-

level qualifications. We would recommend that such skills are embedded within incentivised courses.

- The Department should look at improving the commissioning process by developing larger and more long-term contracts. This approach would provide a more seamless service for customers, encourage providers to invest in their services and ensure cost savings for Government.
- Given the focus in the consultation document on prioritising people out of work or at risk of becoming unemployed, we believe that the Department should look at moving to a more outcomes based payment model.

About Reed in Partnership

Reed in Partnership was formed in 1998 as the first private sector provider of New Deal employment services with an £8 million contract in London. Since then we have delivered and managed over 50 DWP and LSC contracts with a combined value of almost £400 million.

We now manage large contracts across London, Yorkshire, Merseyside, Cambridgeshire, Suffolk and Scotland working with around 100 subcontractors, 2,000 partners and over 10,000 employers. Over the past twelve years, we have helped over 200,000 disadvantaged customers with improved motivation, skills, and jobsearch capacity, with over 105,000 finding employment. Our success is built on providing a personalised and responsive service to our customers and understanding the needs and requirements of the local labour market.

Our business has expanded and diversified throughout this period with the addition of contracts from the Skills Development Agency, Regional Development Agencies and Local Authorities. Through contracts such as Response to Redundancy, Train to Gain and Skills for Jobs we have developed innovative approaches to help people gain the skills and qualifications they need to both enter and sustain employment. In addition, we provide leadership and management training to help people develop the skills required in order for them to progress in their roles.

We also have extensive experience of working with young people to help identify their skills needs, provide tailored training routes and source opportunities to help them build their skills through work experience and internships.

Principles of reform

We support the intention of the Coalition Government to refocus skills policy on supporting economic growth, encouraging progression and promoting learning for wider cultural and community benefit.

Given the pressure on public finances, the Coalition Government is right to focus resources on areas which have the greatest long-term impact, such as helping people enter and progress in employment. Through our experience of working with people in some of the most disadvantaged communities, we know that a combined focus on employment and skills development is the best route to support the move from benefits into full-time employment and then help people progress in work.

We believe that there is a real gap in the 'Skills for Sustainable Growth' consultation document around the benefits for customers and taxpayers that could result from integrating employment and skills policy. The Work Programme, which is being developed by the Department for Work and Pensions, provides an opportunity to fully integrate employment and skills policy for a large customer group.

The features of the new Work Programme include a focus on building and developing an innovative supply chain; 2-3 year sustainability targets for the hardest to help; the creation of regional framework providers; and payment by results. This new approach provides a number of ways in which to align employment and skills provision. For instance, the focus on supporting people to retain in employment will depend on the ability of providers to develop a skills and career path that will help individual customers progress in work. For the Department for Business, Innovation and Skills, the regional framework providers will create the mechanism by which skills funding can be aligned with employment providers.

Recommendation: Closer working between DBIS and DWP on the new Work Programme would provide real cost savings for the Government and a more effective and focused service for customers.

The benefits of integration

It is crucial to recognise that an individual's journey does not begin when a person starts receiving benefits or end when they enter employment. Rather, genuine

integration is about providing people with the opportunity to enter and progress in employment through the acquisition of skills, knowledge and experience.

We believe there is a need to develop a single employment and skills system that provides people with access to continuous support. This sustained intervention is the best way for customers to avoid the revolving door of continually moving between benefits and short term work.

There are significant advantages that could be achieved by integrating the employment and skills systems. Firstly, this approach will more firmly align skills needs with the requirements of both users and employers. Secondly, providing access to continuous support will help the individual progress in their career and reduce the amount of time they spend on benefits. Thirdly, it would be an effective way of tackling the problem of people being trapped in low-paid, low-skilled work. Lastly, this approach will provide better value for money by avoiding the duplication of provision.

A credible training offer

Through our welfare to work programmes, we provide customers with access to a number of training programmes to help them improve their skills, with a particular focus on functional and soft skills. What differentiates our approach to training is the focus on developing skills and qualifications that will be attractive to employers and relevant to the needs of the local labour market.

We believe that over the past ten years there has been a focus on qualifications without a real understanding of the skills needed by employers. Whilst the acquisition of qualifications is helpful in terms of building self-esteem and confidence, for people looking to enter employment this type of training is not always the most beneficial.

Recommendation: To ensure people are provided with the right skills support a greater focus on identifying both individual needs and realities of the local labour market is required. This includes a stronger focus on providing the functional skills required by employers.

Apprenticeships

The new Government is right to focus on increasing the number of apprenticeships available to young people and to broadening the range and number of employers offering placements. Based on our experience of working with young people, we believe that a stronger vocational offer tied to employment is one way of re-engaging young people for whom university or continued academic study, is not an attractive option. However, there are a number of ways in which the apprenticeship programme should be strengthened.

Firstly, we believe that the apprenticeship programme needs greater promotion with a focus on how apprenticeships can increase earning potential and career opportunities. Too many young people still don't understand how apprenticeships work and can receive confusing and conflicting information.

Secondly, we believe that there needs to be an improvement in the way initial learner assessments, particularly for Level 3 apprenticeships, are undertaken. This will be one way of improving the current low completion rates. We believe that better initial diagnostics would help provide young people with the skills assistance required. This would result in customers becoming more motivated to take ownership of their learning after their Level 3 qualification, particularly if the scope of their job had broadened as a result of their knowledge base.

Thirdly, our experience shows that those employers who embed their company practices and include apprenticeships as part of their career progression routes have higher completion/success rates. Currently, not all employers have the infrastructure to deliver a positive apprenticeship experience and therefore greater levels of support are required from providers. There is also a role for providers in helping SMEs collaborate on developing training routes and sharing best practice. This is one way that the DBIS can be seen to be furthering the Government's ambition of taking forward the vision for the Big Society.

In terms of looking at how to support people who might benefit from an apprenticeship but do not currently have the skills required, we believe there has to be a much greater focus on pre-employment training which supports the development of core skills. Given the fact that from Spring 2011 all young people who are out of work will move into the Work Programme, we believe that there is a strong case for ensuring an integrated service for young people.

Recommendation: Currently, welfare to work providers are paid when they move an individual customer into paid work. Through the Work Programme, there should be the option of supporting suitable customers into an apprenticeship. Through this approach, providers can also ensure young people are provided with the skills and support they need to begin and complete their apprenticeship.

Young People

One of the easiest ways we could start providing a truly integrated employment and skills system is by supporting young people who leave education for the world of work. Every year, thousands of young people leave education at 16 or 18 and enter the jobs market. These young people enter a range of careers, sometimes relatively low paid and low skilled, and often lack the advice and ability to acquire new skills when in work.

In Autumn 2009, Reed in Partnership published a report on youth unemployment based on a survey of over 1,200 unemployed young people and discussion groups with unemployed young people in London, Liverpool and Glasgow. We found that many young people felt they had little support in trying to find work and lacked the experience relevant to employers. Another common issue, regardless of educational background was the fact that young people had not received help with writing a CV, interview preparation and what to expect when starting work.

In addition to our research, we also have extensive experience of working with young people through our mainstream employment contracts and specialist programmes such as the national Work Experience Programme and the Work Focused Training contract in Central London which helps young people develop functional and sector-specific skills to help them find employment.

The Connexions Service currently provides a range of support for people up to the age of 19, covering issues such as money, education, relationships and careers. However, we lack a system which provides joined up support for young people during the early stages of their career. Reed in Partnership would be interested in exploring with the Department, the opportunity for making careers services within schools, colleges and universities more responsive to the needs of the labour market and better equipped to help young people.

Recommendation: We need cross-Government work between DBIS, DWP and DfE to create a system which can develop the skills and employability of young people. This will help reduce levels of youth unemployment and enable this customer group to progress in work and successfully respond to the labour market.

Supporting people who are out of work or at risk of becoming unemployed

Our experience of working with over 200,000 unemployed people has shown us that people need to see the relevance and direct benefits of proposed interventions. Fundamentally, the role of employment and skills support should be to empower individuals to take responsibility for their own future.

Many participants in welfare to work programmes have had negative experiences of education, which can severely impact on their willingness to engage with learning as an adult. Many completely disregard the concept of learning or skills development, believing they are simply incapable of achieving real outcomes in this area. We believe that the role of providers should be to build people's confidence and self-esteem so they become engaged and enthusiastic about the range of opportunities available to them.

The discussion about integrating employment and skills often focuses solely on supporting the long-term unemployed. However, the policy agenda can and should, be broader. There are many people with a solid work history who end up as long-term unemployed because they lack the confidence and ability to respond to change in the labour market. An integrated employment and skills package should aim to provide support to stop these individuals from entering the benefits system.

Over the past twenty years the labour market has changed radically. The current recession has shown that the demand for greater labour market flexibility has increased significantly. In response to these shifts, there has been a failure to put in place an employment and skills package to equip people with the confidence and ability to successfully navigate the changed labour market.

Recommendation: There is a need to provide better access to careers advice so people already in employment have the ability to respond positively to job and career changes.

Incentives to train in priority areas

If the UK is to remain a key global player, we must ensure that we have a workforce that is equipped with the skills needed to respond to a changing economic landscape. A rise in demand for higher-level and technical skills in both established and emerging sectors means that organisations and individuals must engage in training in priority areas if they are to encourage and benefit from future growth.

This section explores a number of ideas around how employers, individuals and training providers can be encouraged to invest in training in key areas. It considers both the financial and non-financial incentives, and makes a number of recommendations as to how incentives may achieve the desired impact.

What are priority areas?

The UK as a whole has seen a decline in traditional industries and a dramatic shift towards the service sector, which now accounts for over three quarters of GDP. Despite a growth in demand for higher-level skills, there remains significant gaps at entry and intermediate levels that will prevent employees from progressing. It is estimated that 50% of job demand in 2017 will be at the professional, associate professional and manager/senior official level, with the majority of job growth occurring in STEM sectors.

There is immediate concern however, over the lack of employability and basic skills in the existing workforce, particularly in sectors such as: hospitality; transport equipment; agriculture; textiles; computing; vehicle maintenance; food and drink; construction and retail. These gaps must be addressed to ensure the low-skilled are not left behind and have the capacity to adapt the skills needed to compete in the future labour market. Incentivising training in priority sectors will help ensure that public and private funding is directed at the areas where it will have the greatest impact.

Incentivising Employers

According to the latest UKCES research, the proportion of employers offering training has remained steady, however the number of employees receiving training and the amount spent by employers has decreased. The amount employers invest in training varies by the size and sector of the organisations with the greatest investment being made by large organisations and the public sector. If the UK is to recover from the

recession and ensure investment in priority skills, employers must be encouraged to maintain or commence investment in skills.

Numerous efforts have been made, both in the UK and globally, to encourage employers to invest in training their staff. Overall, it seems that although many employers are keen to benefit from such incentives, funding is not always used appropriately and therefore has a limited impact. For example, the charity NIACE reports that employers are not currently obliged to declare how they spend the money saved through tax breaks. This may be due to many employers having a mistaken view of the purpose of funding and its appropriate usage. In addition, organisations who already invest in staff training are most likely to take up the offer of tax breaks. As a result, NIACE calls for greater accountability on what training is purchased, what outcomes are achieved, and who in the company benefits.

Recommendation: If tax breaks are awarded to employers for training their staff, they must be able to provide evidence of what has been achieved, and be rewarded accordingly. Tax breaks could be given based on i) the subject area, ii) the level of qualification achieved, iii) previous qualification level of the individual achieving the qualification, iv) level of disadvantage of the individual trained; and v) size of the firm.

For such a system to succeed, we must ensure that funding is given to those who need it most. Currently, employers are more likely to invest in more qualified members of staff, leaving those with low-level skills with limited prospects.

Recommendation: To help those with lower-level skills to access training, attention must be paid to improving “soft” and transferable skills. Shortages in skills such as customer handling, problem-solving, communication and team working are currently reported by employers. Unless these shortages are addressed, low-skilled individuals will not possess the skills or knowledge to pursue higher-level qualifications. We would recommend that such skills are embedded within incentivised courses.

There are numerous cases of where tax breaks have been used successfully to incentivise the uptake of training. The following examples are presented as examples of best practice.

Canada: In Canada, the Apprenticeship Training Tax Credit (ATTC) is a refundable tax credit available to employers who hire and train apprentices in certain skilled

trades. The ATTC is based on salaries and wages paid to an apprentice and allows employers to claim 10% of eligible salaries and wages paid to employed apprentices who are registered in a Red Seal trades programme.

USA: US states use various ways to encourage training. Traditionally, there has been discretionary, statutory, and federal funding for training incentives, typically in the form of training grants. Training grants generally provide cash reimbursement to help cover the cost of external and internal training expenses. Some states are experimenting with new ways to finance training assistance through payroll levies and tax credits. A payroll-based levy allows companies to choose to either spend a specific percentage of their payroll on training or contribute that percentage to a state-initiated training fund. A training tax credit typically equals a percentage of an employer's approved training cost and can be used to offset the taxpayer's income tax liability. Programmes are becoming more flexible and effective in mitigating the costs of training employees.

Incentivising Individuals

A number of proposals have been made as to how individuals can be incentivised to take up training. The introduction of Skills Accounts/Lifelong Learning Accounts aims at improving individuals' access to training and funding. This could be an excellent way of promoting priority skills with the level of funding weighted towards more in-demand qualifications. In addition to financial incentives, lifelong learning accounts can provide valuable information to both individuals and employers on the wider benefits of investment (higher long-term earnings, improved job security and greater flexibility).

Vital to the success of incentivised training is ensuring individuals can access information to help them make informed choices, and then once engaged in learning, that the necessary support is in place. This will not only ensure that they complete their qualification, but that they go on to utilise the skills they acquire.

Train to Gain: Train to Gain has proven to be effective in engaging hard to reach learners, improving productivity and competitiveness. The service provided access to funding for those who may not otherwise engage. There is much criticism that Train to Gain merely accredits current knowledge - however it provides a stepping stone to future job security and further learning. This is particularly valuable for individuals

with lower level skills who undertake training at Level 1 or 2; incentives must be used to encourage further progression to Level 3 or 4 and to keep their skills up to date.

Financial incentives are likely to have less of an impact on individuals who already possess higher-level skills. At this level, the prestige and responsibility that come with a qualification are likely to play a greater role.

Recommendation: Individuals must be made aware of their eligibility for funding and how it may be accessed – particularly those who are not engaged in learning.

Incentivising providers

Funding for training providers has been traditionally allocated based on the number of students and their history of success. Although important for ensuring continued improvement, this system does not identify the value of qualifications offered or incentivise providers to offer courses in priority areas.

Training provision, particularly in priority sectors, has until now been the preserve of large organisations and the high-skilled. If we are to increase the number of working-age adults with priority skills, we must ensure that the appropriate training is made available, and affordable, to all. We believe that incentivised training has great potential to target training in priority areas; however we must ensure that investment is properly monitored and that learners and employers can access information and funding. Input from public bodies, employers and training providers will be key to identifying where skills priorities lie and how funding can respond to this.

Recommendation: An increase in joint working between training providers, public bodies and employers is required in order to identify local priorities and respond to the needs of specific sectors. This would include the following:

- Initiatives such as the Joint Investment Scheme which combines Sector Skills Council and employer funding to provide training places in priority sectors. Sector Skills Councils can utilise their expertise to place an economic value on qualifications which will in turn determine the level of funding; and
- Local authorities playing a pivotal leadership role in guiding delivery to meet local needs.

Commissioning

We believe that significant improvements and savings could be made to the skills system in England through a more effective commissioning model. The skills delivery framework is currently based on a large number of providers delivering small and short-term contracts. For instance, Reed in Partnership currently deliver the Response to Redundancy service in Merseyside along with 13 other providers. Whilst we support the principle of customer choice, we do not believe that this number of providers in a geography such as Merseyside provides good value for money or a clear route into provision for employers and customers.

Recommendation: The Department should look at improving the commissioning process by developing larger and more long-term contracts. This approach would provide a more seamless service for customers, encourage providers to invest in their services and ensure cost savings for Government.

Currently, the payment mechanism for providers is based around the number of guided learning hours or the acquisition of a qualification. However, there are alternative approaches that should be looked at including entry into employment or if the customer is in work their success at increasing the number of hours worked, gaining a promotion or pay rise.

Recommendation: Given the focus in the consultation document on focusing skills provision on people who are out of work or at risk of becoming unemployed, we believe that the Department should look at moving to a more outcomes based payment model.

By aligning the payment model with the key outcomes the Government wishes to see, we believe that the skills system can be made more responsive to the needs of customers and employers.