



meeting **SKILLS: NOW AND THE FUTURE SELECT COMMITTEE**

date **14 JULY 2008**

agenda item number

Report of the Chair of the Skills: Now and the Future Select Committee

Draft Final Report

Purpose of the report

1. To summarise the findings of this scrutiny review and to present recommendations.

Background

2. On 28 January 2008, the Overview and Scrutiny Committee commissioned a select committee to examine workforce skills issues in Nottinghamshire. The key question to be addressed by the review was "Does the workforce in Nottinghamshire have the requisite skills to satisfy the current and future needs of local employers". The review planned to examine the strengths and weaknesses of the current skills base in the adult job market and ways in which new employers could be attracted and retained within the county. However just as this review was commencing, the government announced substantial changes to the delivery of skills for adults and young people. This comprised the dissolution by 2010 of the Learning and Skills Council and the transfer of responsibility for commissioning courses and training to local authorities in the case of young people and to a new Skills Funding Agency in the case of adults. This announcement served to radically reshape the skills agenda for local authorities and the select committee had little option but to take account of these far-reaching changes in terms of its evidence gathering and deliberation.

Evidence Gathering

The Nottinghamshire Labour Market and Skills Issues

3. The Select Committee received statistical information from Mr Richard Money, Research Manager at Nottinghamshire County Council which highlighted the skills disparities within Nottinghamshire. For example, people of working age without qualifications, 18.1% in Gedling and only 9.3% in Rushcliffe. The percentage of people qualified to NVQ4 and

above in Ashfield is 13.0% while in Rushcliffe it is considerably higher at 45.1%. Such figures are indicative of formal qualifications rather than skills. Mr Money indicated that skills were poorly measured with small survey samples and out of date figures (A range of available statistical data can be found in tables at Appendix 1).

4. In October 2006, the East Midlands Learning and Skills Council conducted a household survey in order to capture information about perceived skills needs in Nottinghamshire. 53% of respondents in Nottinghamshire indicated that they needed no skills development. The Select Committee noted that this was possibly indicative of low aspiration. Further details of responses are detailed below:
 - 15% said technical, practical or job specific skills were required
 - 7% said health and safety
 - 7% said professional development
 - 6% said IT computer skills.
5. The Select Committee was also briefed by Geoff George, Economic Development Manager. Mr George highlighted that skills are the means by which poverty is reduced and represent a key route off welfare, into employment and economic inclusion.
6. There is an increased demand that skills should meet employers' requirements. Although the vast majority of people who need skills are already in work, if current skills levels are maintained it will result in "UK plc" being uncompetitive.
7. The Leitch review of skills sets a number of targets to be achieved by 2020 if the UK is to retain its competitiveness. These include:
 - 95% of adults with functional literacy and numeracy (currently 85% & 79% respectively)
 - 90% of adults qualified to a Level 2 – GCSE (currently 69%)
 - More than 40% of adult population qualified to Level 4 – degree level (currently 29%)
8. The challenges facing Nottinghamshire include:
 - Lack of significant growth in sectors providing well-paid, high-skilled jobs
 - Hidden unemployment – high levels of "other" benefits with local hotspots
 - Slow growth of productivity
 - Aspiration and ambition are limited
9. The vast majority of businesses in Nottinghamshire would come under the category of small to medium enterprise. In order to attract businesses (and therefore jobs) to an area the population must first have the right level of skills.

10. The County Council itself is a major local employer and therefore a significant procurer of skills and a skills driver. The County Council also has the ability to promote change through the Local Area Agreement (LAA) and the Sub-national Review (SNR) as well in its role as a contractor, commissioner of activity and a direct deliverer.
11. Nottinghamshire is fairly good at retaining graduates; although, not all are employed in graduate level jobs. However, because Nottingham's two universities are popular they place less emphasis on developing links within their communities, as compared with the universities of Derby and Lincolnshire.

Learning and Skills Council

12. Mr Stuart Hackett, Economic Development Manager at the LSC, briefed the Select Committee on the national context around getting people off benefit and into sustainable work. Some components of the Integrated Employment and Skills model initiatives are detailed below:
 - 'Back to Work' seminars piloted for Jobseekers spring 2008
 - Skills screening for lone parent Income support claimants as part of work-focussed interview and encourage attendance at a full Skills Health Check 2009/11
 - Remove Housing Benefit learning restrictions for short term Incapacity Benefit customers to allow them to study full time 2009
 - Skills screen for ESA customers shortly after the start of the claim and where appropriate a mandatory skills health check later in the claim 2009-2012
 - Phased implementation from autumn 2009-2012
 - Full implementation from autumn 2012
 - Training allowances for long term Job Seekers' Allowance (JSA) customers
 - Pilot mandatory basic skills and job focussed training courses for people who have been on been on benefit for 6 months 2009/10
13. The skills health checks are a system which will be integrated with other screening and assessment processes, such as those for language, literacy and numeracy, and the results fed into the customer management system to avoid duplication and overlap.
14. Skills Accounts, a means by which training is funded, will become the key mechanism by which all young people and adults access learning. They will be the "stepping-stone" to sustainable employment and the achievement of economically valuable qualifications and serve to signpost the learner to the choices and support available.
15. National trials of Skills Accounts are expected to commence in August 2009. August 2010 will bring a full national roll-out of Skills Accounts alongside the Adult Advancement and Careers Service, channelling

£500m funding via Skills Accounts. The latest end date envisaged for the roll-out of the full Skills Account service is August 2015. There is public commitment for learners to be able to access nearly £1.5bn funding by that date.

Job Centre Plus

16. James Busher, District Performance Manager at Job Centre Plus explained that Job Centre Plus was an executive agency of the Department of Work and Pensions and had been active in Nottinghamshire since 1987.
17. Job Centre Plus (JCP) does not train people but does contract with a wide-range of partners. JCP also works with employers over both large and small scale redundancies. Its key customers are amongst the most disadvantaged.
18. Mr Busher identified the primary needs of employers as a requirement for the “raw material” – i.e. employees who can turn up on time and communicate.
19. JCP is currently working to support full employment – that is, 80%. The average stay on incapacity benefit is nine years – sufficiently long that the claimant is more likely to die than get a job.

Derbyshire and Nottinghamshire Chamber of Commerce

20. John Dowson, Head of Policy and Representation at Derbyshire and Nottinghamshire stated that skills was one of the Chamber’s top lobbying priorities along with red tape, business taxation, transport and business crime.
21. The Chamber has developed a skills forum and in September 2007 identified the following areas as the improvements required for Nottinghamshire businesses:
 - Customer service
 - Team working
 - Technical
 - Supervisory
 - Problem solving
 - Managerial
 - ICT
 - Administrative
 - Foreign Languages
 - Creative
22. Research had indicated that one third of businesses had made use of the Train to Gain initiative but there were issues about the means of accessing it. Time and bureaucracy are the barriers and 65% of the

Chamber's members would rather have a list of preferred training providers.

The Federation of Small Businesses

23. Jan Stanley of the Federation of Small Businesses identified employability and attitude as one of the main barriers to employment and stated that skills are more important than qualifications. Federation of Small Businesses research indicated that only 26% of training undertaken leads to vocational or professional qualifications. Most is informal and leads to "in-house" outcomes.
24. In a 2006 survey the Federation members identified the following as the key skills shortages amongst current staff in Nottingham and Nottinghamshire:

SKILL	NOTT'M	NOTTS
Sales and Marketing	43%	29%
Numeracy	35%	23%
Advanced IT Skills	52%	33%
Literacy	26%	23%
Managerial Skills	52%	26%
Communication Skills	22%	30%
Technical Skills	26%	28%

25. The Federation identified the following as skills shortages encountered by members when recruiting new staff.

SKILL	NOTT'M	NOTTS
Technical skills	47%	49%
Literacy	33%	57%
Numeracy	40%	46%
Customer Service	33%	39%
Communication	40%	46%
Basic IT skills	13%	26%
Advanced IT skills	13%	20%
Managerial skills	27%	20%
Foreign Languages	0%	1%

26. In conclusion, the most critical skills gaps are around basic numeracy, literacy and communications, and there are problems finding keen, motivated applicants.

"Taking Stock" the CBI Annual Skills Survey 2008

27. Geoff George, Economic Development Manager, briefed the select committee on the CBI annual skills survey. Some of the Federation of

Small Businesses survey results are echoed in the wider survey by the CBI – the UK’s leading business organisation which undertook a survey of 735 firms employing 1.7 million people.

28. Basic Skills:

- 53% of employers reported a lack of confidence in their ability to find enough people with the right skills for their business with basic skills - the ability to read, write and do essential arithmetic
- 63% of employers described staff in high skilled roles as “good”, 43% did so for those in intermediate level jobs and even 35% for lower skilled staff
- The survey referenced poor basic skills as having a “serious impact on customer service” according to 40% of employers and lower productivity according to 34%. Both issues have damaging implications for business performance and around a quarter of employers are investing in remedial literacy and numeracy training.

29. IT Skills:

- IT skills are also seen as weak, with 56% of employers concerned about the ability of existing employees to use computers. The inference being that the skills of people already in the workplace are not keeping pace with the rapid development of technology. 69% of firms are investing in training to raise IT skills of existing staff.

30. Graduates/high level skills

- The 32% of jobs currently requiring degree-level education is likely to grow as the UK continues to move towards an economy built on value-added services, high-technology and knowledge-based firms.
- The survey shows that employers want graduates who can communicate well and work as part of a team. A graduates’ positive attitude to work along with good communication skills are seen as more important than the degree subject itself or the specific result achieved. 86% of employers ranked positive attitude and “employability” in their top three demands. Employability may be defined as a set of collective skills including team-working, communication, business awareness, self-management and problem-solving.
- Having relevant work experience, such as a placement during a degree course was also ranked as vitally

important by 62% of bosses. However, while 56% of employers said the degree subject was a top factor, with the degree result was named by just 32%.

31. “STEM” Skills

- Firms employing graduates with skills in science, technology, engineering and mathematics (known collectively as the “STEM skills”) are considerably more likely to demand a specific degree subject – 77% of construction companies; 65% of manufacturers and 61% of energy and water firms compared an average of 30% across all sectors. There is high demand for STEM graduates in all sectors - 92% of firms want people with these skills.
- By 2014, it is expected that the UK will need to fill over three-quarters of a million extra jobs requiring highly numerate, analytical people with STEM skills, making a net total of 2.4 million of these jobs in six years’ time. However currently, 59% firms employing STEM-skilled staff say they are experiencing difficulties recruiting with the low take-up of STEM subjects at Higher Education level being cited as being a large part of the problem. The survey suggests that there has been a 15% fall in engineering and technology graduates (23,300 to 19,700) over the past decade.
- The survey suggests that employers are looking abroad to hire STEM graduates. A third (36%) of larger firms are recruiting from India and 24% from China. Larger firms are twice as likely as smaller ones to be looking at the expanded EU, which includes countries such as Poland to hire STEM graduates. Overall, 35% say they will look to recruit from Europe in the next three years.

32. Apprenticeships

- The survey suggests that employers do not see university at 18 as being the only route to success in employment for young people. Around half of the employers surveyed said that they offer apprenticeships for young people, affording them the opportunity to develop vocational skills and have a strong start to their career. The survey states that “...many companies make sure their apprentices are able to go on to higher-level studies” *if* they have the “...right attitude and ability”.

- The survey expresses employers concern that "...bureaucracy, cost, and a lack of suitable candidates are holding back greater business involvement". 81% of the largest employers report problems with "red tape"; 57% having difficulty finding suitable applicants and 22% of all firms finding the scheme too costly.

33. Foreign Languages

- Developing a conversational ability rather than full fluency is what matters most when employers look for ability in a foreign language. 75% say they want this skill, which is about building rapport and shows business people abroad that UK firms are prepared to make the effort.
- The main demand is still for European languages, with 50% wanting French, 49% German and 41% Spanish. Four in ten (43%) are interested in Mandarin / Cantonese as ambitious firms look to break into new emerging markets and the booming Chinese economy

34. In the press release launching the results of the survey, the CBI's Director-General, John Cridland stated that, "This survey is also an alarm call to students and universities, who may be surprised by just how much employers also value the 'softer' skills that make people more employable. This means being a good team-worker, communicator and problem-solver is vital and getting work experience goes a long way with a future employer." In addition, Jerry Jarvis the Managing Director of the CBI's partner in the survey, Edexcel, stated that, "The Leitch review of skills, published well over one year ago, provided a wake-up call for us all. It showed that a third of UK adults do not hold a basic school-leaving qualification - that's double the proportion in Germany. It also drew into focus that whilst the UK is producing 250,000 graduates every year, China and India are producing four million. The implications for our global economic competitiveness are clear."

John Lewis PLC

35. Sue Workman, Personnel Manager with the Nottingham branch of John Lewis briefed the select committee on skills issues from her company's perspective. The branch employs around 800 people and likes to grow its own talent – this is based around behavioural skills – the ability to be a team player, to be visionary and creative, and a passion for retail. Other technical skills can be built on these basic requirements.
36. Ms Workman stated that schools would do well to focus on core skills and subjects with a view to bridging the gap to the world of work. "Common manners" is one skill that it is looked for; although it is rare for a 16 year old to be recruited on a full-time basis. It is difficult to match a 16 year olds expectations of the world of work – you cannot always walk

into a great job at 18. However, John Lewis operates a transparent structure so that people can see how their careers might develop. The company also assessed employees' skills through an Assessment of Capability Programme.

Making the Connection

37. Matt Lockley, Programme Manager for Making the Connection, briefed the select committee on the programme. The programme is designed to move local people into local jobs. Its core partners and strategic drivers are the Learning and Skills Council and Job Centre Plus. The programme's focus is giving people the generic skills they need to get job interviews.
38. The Making the Connection Programme targets the hardest to reach and has recently concluded a large piece of work around black minority ethnic and child poverty issues. The core team for the programme is just three people who are informally seconded. The programme reports to the Skills Board and is employer led.
39. Mr Lockley described a case study in which the programme had worked with social inclusion and HR staff at the City Council to assist people into entry level admin jobs. Secured work placements were made available for candidates who complete a public sector administration "academy." Over 100 people are signed up for the programme with four separate cohorts now progressing. The first work placements will commence in January.
40. As part of a Job Centre Plus initiative an outreach has been trialled with lone parents and Incapacity Benefit advisors in priority wards. However, the success of this has been patchy since JCP resources are stretched and they are not able to deliver on the original proposals.
41. Mr Lockley also described how the LSC is drawing up Skills Board sector strategies with Making the Connection as the key mechanism for delivery. Making the Connection is building strong links to sector skills councils and is both influencing commissioning and directing some existing resources to Making the Connection activity.
42. The Select Committee commended the excellent work of Making the Connection – which was obviously done with very little funding and resources.

West Notts College

43. Tim Grant, Deputy Principal of West Notts College, briefed the Select Committee on the work of the college. The college is largest Train to Gain provider in the country and provides free "skills for life" level 2 (the equivalent of GCSEs) and level 3 (the equivalent of A levels) if they don't have a level 2 qualification.

44. The college works with over 1000 businesses and has national contracts, including all the training for Center Parcs and a great deal of work with Nottingham City Transport (including basic numeracy and literacy). Some courses are delivered in company's own premises. At West Notts College there is no question that courses can be tailored to meet the needs of employers; it is fundamental to their business.
45. The Select Committee were impressed by the involvement of employers in the college's activities and identified them as a best practice model that others should consider emulating.

University of Nottingham – China Campus

46. Vincenzo Raimo, Director of the International Office at the University of Nottingham provided information to the Select Committee about the benefits for Nottinghamshire that result from the University's campus in China.
47. The University of Nottingham's campus in China is located at Ning Bo – south of Shang Hai. The china campus focuses on business, social science and engineering.
48. The Nottingham campus has 200 staff members from China and the Dean of Engineering is Chinese.
49. The main benefits are economic, educational, social and cultural. Local businesses are engaged in import/export with China and Nottingham is well placed to advise e.g. on mining related pollution. The university also has a clean coal research unit which built an environmentally friendly house on the Chinese campus. Nottingham has a level of brand recognition in China. The university also operates a Confucius Institute which provides resources to help teachers teach Chinese.

Machinery of Government – “Raising Expectations: enabling the system to deliver”

50. John Slater, Service Director, Learning and Achievement, provided evidence to the select committee on the proposed reforms to the education and training, once the participation age has been raised to 18. This includes transfer of annual revenue funding (16-19) to County Councils from the Learning and Skills Council, which is to be wound up from 2010/2011. Councils will be given a clear strategic lead for 14-19 education and training with integration of provision between a range of providers (schools, colleges, training organisations and employers). Key national qualification structures are to be established: Diplomas; GCSEs and A levels; Apprenticeships; and a Foundation Learning Tier of courses.
51. A new national agency called the Young People's Learning Agency will provide a budget for local authorities within a region, but the role of this

agency will diminish as local authorities demonstrate that they have put in place robust partnerships and decision making structures.

52. Local authorities will have the lead responsibility for raising standards in school sixth forms and sixth form colleges.
53. In preparation for this change of arrangements local authorities are being asked to organise themselves into appropriate 'sub regions' to reflect 'Travel to Learn' patterns and make sense of collaborative school and college arrangements. It is the view of officers of both the county and city councils, and of LSC officials that locally the most appropriate sub regional arrangement in Nottinghamshire is collaboration between county and city councils. A small working group has been established and held its first meeting.
54. All relevant service areas have fed into the County Council's formal response to the "Raising Expectations" White Paper – response attached as Appendix 2.
55. Internal capacity will be reviewed to ensure that the County Council can deliver this new set of responsibilities. Negotiations will take place with the LSC to initiate work sharing arrangements with a view to ultimately taking over the responsibilities.

Key Findings

Basic Skills and the Ambition Gap

56. The Leitch Report indicates that in order to access any employment people will soon need level 2 (GCSE type) qualifications. However, the Select Committee has heard from a variety of sources that what employers want is the "raw material" – the ability to turn up, work hard, learn and relate to employers and colleagues. It is these most basic requirements that are often absent. Problems can be caused by a lack of ambition or by unrealistic expectations of the workplace. Even amongst graduates, factors around "employability" are considered important.

Vocational Training

57. Historically, a certain snobbishness has been directed towards vocational training. This sort of attitude is now outdated. There is nothing wrong with providing, or undertaking, courses that are likely to result in job opportunities locally or within the "travel to work" area and this aspiration should not be denigrated. Further, seeking to provide people with the skills they need for a life in work should be the primary responsibility of those commissioning and providing education and training.

Creation and Dissolution of Quangos

58. The Select Committee notes the dissolution of the Learning and Skills Council and the creation of new bodies, such as, the Skills Funding

Agency and the National Apprenticeship Service. The Select Committee also has a sufficiently long collective memory to recall other quangos (or non-departmental public bodies) which have been disestablished e.g. the Manpower Services Commission. It would seem to be beneficial to cease engaging in a cyclical creation and re-creation of bodies connected with skills and employment and bring the functions into a local government framework.

The 16 Hour Rule

59. People on benefits are not able to undertake more than 16 hours training per week without losing benefit. These are the people who need skills training the most. Those who are attempting to utilise training as a gateway out of the benefit system should not be penalised. The LGA in its publication “the integration gap” calls on government to explore the option of local discretion to waive the 16 hour rule. The Select Committee recognises that this discretion might be a valuable tool in closing skills gaps.

Measuring Skills

60. The Select Committee has heard how, in the wider population, skills are difficult to measure as compared to qualifications. Since a great deal of informal training takes place within companies that naturally does not lead to qualifications. This Authority should make efforts to capture information in order to allow it to engage in long term forecasting of skills gaps.

Make the Connection Stronger

61. The Select Committee commends the work of programmes like Making the Connection who do excellent work with little by way of funding and resources. Programmes such as this should be properly funded and supported by partners.

Widening Horizons: Nottinghamshire & China

62. The University of Nottingham’s strong connections with China via its Ning Bo campus represents an enormous and perhaps largely unrealised opportunity for wider educational, social and cultural exchange between former coal-field areas in the county and coal producing areas in China. The fact that Nottingham is “on the map” as far as China is concerned should be utilised to the fullest extent.

Reconfiguration for the Future

63. The County Council must now carefully plan for its future responsibilities. Further to the review of internal capacity this Authority must carefully consider how it will reconfigure services and work with partners in order to deliver in its new role. Nearer to the time of the dissolution of the Learning and Skills Council the Portfolio Holder/relevant Chief Officers

may wish to receive input on their plans from the Overview and Scrutiny Committee.

Draft Recommendations

64. It is recommended that: -

- Schools and colleges should instil in young people a basic work ethic and concentrate on developing sufficient interpersonal skills to allow them to function in a working environment
- Schools and colleges should ensure that they offer the maximum possible range of vocational courses and these should be linked to effective work experience placements
- When this Authority takes on the work of the LSC it should commence programmes that will foster ambition within communities
- In taking on its new commissioning role, this Authority should recognise the prime importance of vocational training over purely academic attainment and, in addition, seek to curtail courses that have only tenuous links to the world of work or create unrealistic expectations.
- The range and content of FE college courses should be defined as an ongoing process in close consultation with employers in order to ensure that their needs are met.
- Any consultation or general interaction with employers around skills issues should involve minimal bureaucracy and “red tape”
- The Personnel function within this Authority should consider undertaking an ongoing comprehensive skills audit of employees for the purpose of a) effective utilisation of existing skills b) staff career development
- This Authority should capture and utilise information on skills (rather than qualifications) in consultation exercises in Nottinghamshire in order to assist in the commissioning of vocational training and the long term forecasting of skills shortages

Recommendation

65. It is recommended that

the Skills: Now and the Future Committee agree the draft report and recommendations.

Councillor John Knight

Chair of the Skills: Now and the Future Select Committee

Background papers: nil.