

# Employer ownership of skills

Securing a sustainable partnership for the long term

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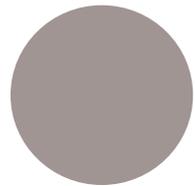
Chief Executive

UK Commission for Employment and Skills

17<sup>th</sup> November 2011

# Employer ownership of skills

Securing a sustainable partnership  
for the long term



**Opportunity**



**Skills Matter**



**The Challenge**



**Principles for  
reform**



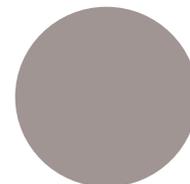
**Proposals**



**Benefits**



**Opportunity to  
act now**



**Examples**

# The potential of **employer ownership**

- Increases collective responsibility
- Increases accountability
- Creates a dynamic culture of action

# Skills matter

**Strong vocational skills are vital for economy and society**

- for business
- for individuals
- for growth

**23%** Higher productivity of a trained worker

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**1/5** Contribution of workforce skills to overall economic growth in last 25 years

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**2.5 times** Survival rate of firms which train

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Lifetime benefits of completing a level 3 Apprenticeship **£77,000 - £ 117,000**

# Skills matter

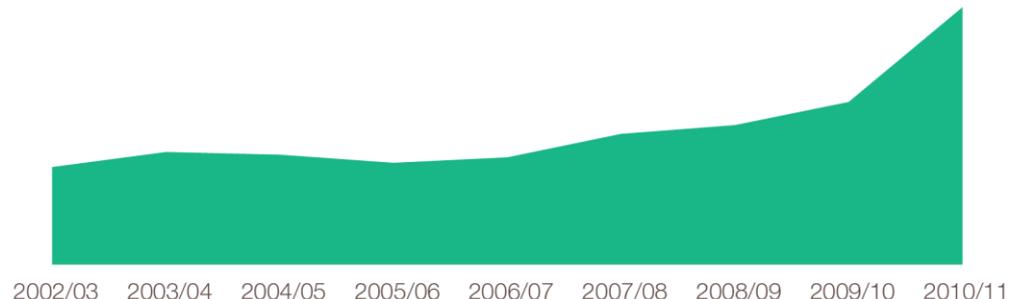
There has been real progress

- Qualification attainment
- Expansion of Apprenticeships
- Diverse FE sector

**44%** Increase in people with high level qualifications over the past decade.

Our Further Education sector serves 3,000,000 learners and 200,000 employers

**442,700** Total Apprenticeship starts 2011/23



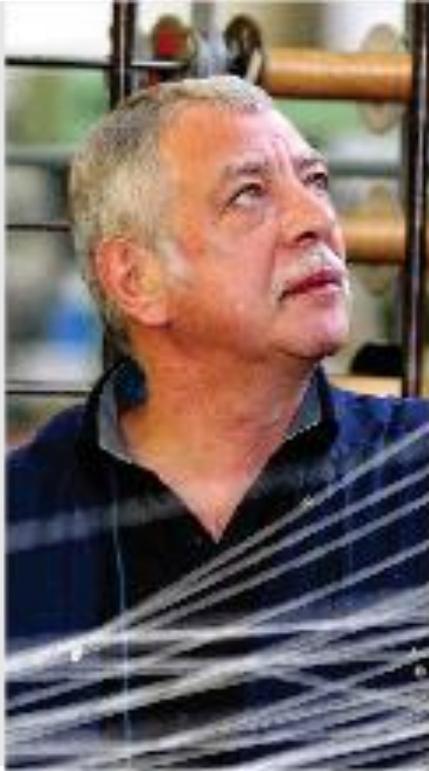
# The Challenge

- Unsustainable levels of public spending
- Overly centralised and complex
- Employers subsidised to join government initiatives
- Two markets for skills development
- Lack of alignment between business needs and government initiatives
- Real risk that don't align skills outputs with growth opportunities



# Principles for reform

1



Employers should have the **space to own** the skills agenda

# Principles for reform

2



There should be a  
**single market for  
skills development**

# Principles for reform

3



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

# Principles for reform

4



Public contributions should move from provider grants to employer incentives and investments

# Principles for reform

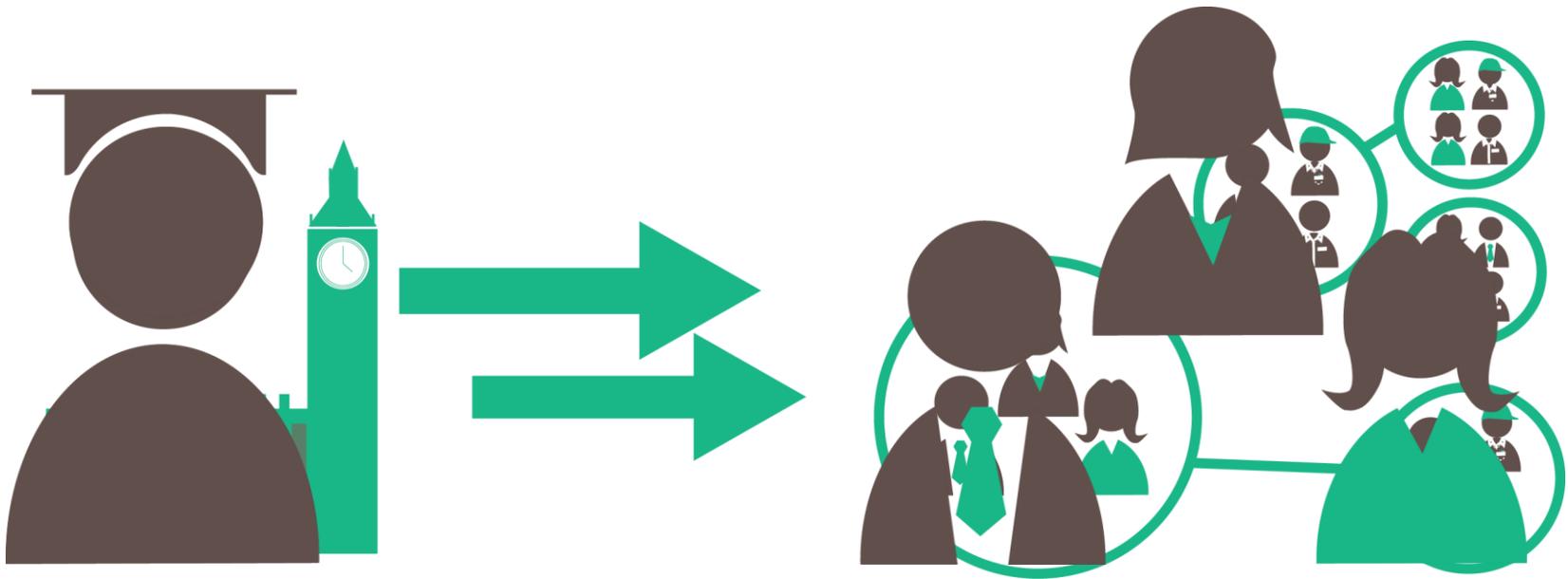
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Transactions should be **transparent** and the real 'cost' of training visible in the market

# Proposals

**2. Move from government-funded teacher-led to employer-led work-based development training for young people aged 16-24**



# Four proposals

1. Invite employers to step up to the challenge of bringing more young people into the productive workforce
  - **Fund employers directly for Apprenticeships**, for example through the tax system, and incentivise work experience.
2. Incentivise greater investment in adult workforce development
  - Move from qualification-based **provider funding** to employer-based **structured investments and loans** to leverage additional outcomes and work experience.
3. Review where **current policy and infrastructure** are enabling employer ownership and where they are **getting in the way**
4. Extend the scope and reach of **competitive investment funds** to support collective action by employers **of all sizes** working through **sectors, supply chains** and in **local networks and clusters**

# Benefits

## Employers

- Leading the agenda to develop training that meets needs
- More freedom and influence, less bureaucracy
- More purchasing power and increased provider responsiveness
- Transparent financial support enabling easier and better investment decisions.
- Partnerships with employees and providers driving skills solutions
- Reach more small businesses through supply chains and business clusters



# Benefits

## Young people and adults

- Enhancing the value and prestige of practical skills
- Real up-skilling in the workplace
- More work experience opportunities
- Strong employer-employee partnerships
- Greater commitment to skills development from employers



# Benefits

## Colleges and training providers

- Ability to compete on the basis of quality and innovation not volumes and targets
- Empowered to build long term partnerships with employers
- More scope to leverage employer investment



# Benefits

## Government and the economy

- Long term, sustainable strategy linked to growth
- Leverage a broader set of outcomes and better value for money
- System built around need that delivers economically valuable skills
- Less involved



# Opportunity to act now

- Up to £250 million employer ownership fund over two years
- Government expects to issue prospectus on the fund jointly with UK Commission early in 2012
- Testing different approaches
- Need bold propositions from employers,

“ I hope this radical new approach will encourage even more employers to take on apprentices and ensure that the UK workforce has the skills we need to boost economic growth ”

Prime Minister, David Cameron

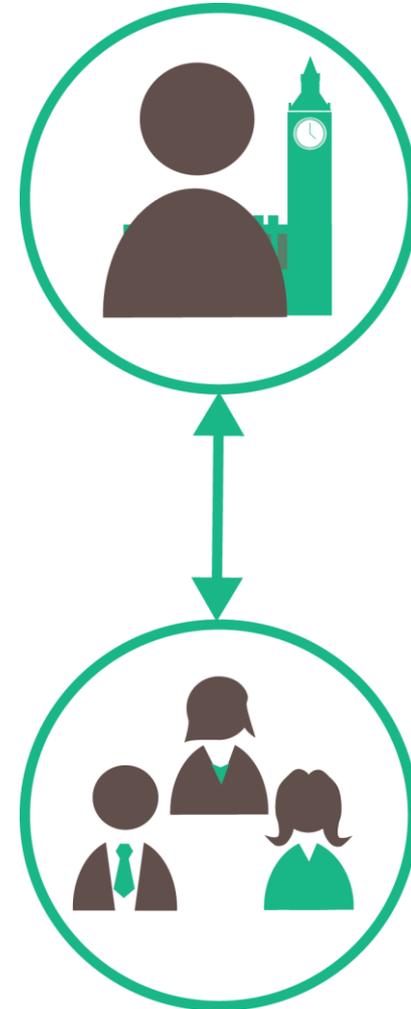
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“ We have to fundamentally alter the relationship between employers and the state- giving employers the space and opportunity for greater ownership of the vocational skills agenda, including the chance to bid for direct control of public funds. This will encourage greater competition in the market as we strive for sustainable growth

Secretary of State for Business,  
Innovation and Skills, Vince Cable

# Examples

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



# Examples

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



# Examples

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



# Examples

Businesses **working together** to de-risk apprenticeship and employment opportunities by looking across their sector for flexible opportunities rather than just within their own business.

