MAXIMISING CHOICE AND COMPETITION IN FURTHER EDUCATION

SEMINAR REPORT

PURPOSE AND ORGANISATION OF THE DAY

This seminar was part of a series organised for the Learning and Skills Council by the Centre for Public Policy Seminars looking at the future of skills in the UK. It was held at the Royal Commonwealth Society in London on Monday 5 March, 2007. Following Leitch, there are major challenges for all concerned with further education, and UK future success will depend on high levels of skills. The FE sector is central to helping deliver these necessary skills, but how best might this be done? Greater competition is seen as a workable way to ensure the highest quality service for both employers and learners. In this context, what might be the future roles of both public and private sectors?

Crucial to this debate are the following questions:

- Will more competition between learning providers actually deliver more choice?
- If we free up the market, will the learner really benefit?
- Do learners and employers know best?
- Do markets 'care' about the marginalised or disadvantaged?

The day was chaired by Chris Price, former Chair of the Education Select Committee and former Director of Leeds Polytechnic and Vice Chancellor of Leeds Metropolitan University. It was split into three sessions, each with several presentations and followed by significant plenary discussion. The first session looked at these questions from the perspective of business and industry. Martin Temple, Director General, EEF stressed the need to develop an increasingly demand-led system, where Further Education providers are flexible, up-to-date and provide a clear, coherent and high quality service specific to the needs of employers. Ian Ferguson, Chairman of Data Connection and senior member of a number of relevant quangos, set out the need for increasing clarity in the funding structures of FE provision and called for an increased focus on the relationship between employers and training providers.
After morning coffee, the floor was given to training providers from the college, private and third sectors. Jackie Fisher, Principal and Chief Executive of Newcastle College asked why, given their successful record of high quality FE provision and their valuable community role, colleges were not more loved. She welcomed the opportunities for increased contestability, but called for an equal playing field to gain access to funding streams. Peter Marples, Group Business Development Director, Carter and Carter, demonstrated the positive role that private training providers might play in improving FE provision alongside other providers and employers. He called for collaboration and partnership between all players to create a mature market place able to provide the very best in flexible FE provision able to meet the exact needs of all employers and learners. Tim Cooper, Managing Director for Work, Skills and Independence at the Shaw Trust finished this session with an examination of the potential of the third sector to provide public services to many groups otherwise neglected by a market approach.

The afternoon session was begun by Rob Wye, Director of Strategy and Communications at the Learning Skills Council. He looked at the need to fully inform choice among both learners and employers in order to create a truly demand-led FE system and examined how this is best done. Following this, Bill Rammell MP, Minister for Further Education gave a speech setting out the government’s vision of Further Education as a powerhouse of prosperity, social mobility and opportunity. Further Education was said to have never been more central to government policy than it currently is, and with government support there are considerable opportunities available for all involved in the sector. Questions for the Minister followed, before the final presentation of the day given by Tom Wilson, Head of Organisation and Services Department at the Trades Union Congress. In this, call was made for greater focus upon the significant element of the population that feels marginalised by formal, qualification-based education systems.

Sydney Roper, Director of CPPS, made some brief closing remarks.

THE DAY IN MORE DETAIL

THE CHAIR’S OPENING REMARKS

Chris Price, as chair, welcomed the opportunity to be involved in a debate on the future of Further Education. Following Leitch, the sector has been given a significant challenge in helping to improve the UK skills base. The future structures of the FE sector over the next 20-30 years are of crucial concern if the UK is to actively compete in global markets and offer significant economic benefits. More than this though, the development of the FE sector can hope to offer significant opportunities to individual learners to fulfil their potential. Chris offered a welcome historic and long-term view throughout the day.

THE EMPLOYERS’ PERSPECTIVE

What do businesses want from the FE system? How can colleges and providers increase employer interest and investment in the training they provide?

Martin Temple began the day’s discussion with an examination of the needs for improved skills in the manufacturing industry and the ways in which firms are working by themselves and with others to achieve an increased skill output. While optimistic, he stressed the need to develop an increasingly demand-led system, where Further Education providers are flexible, up-to-date and provide a clear, coherent and high quality service specific to the needs of employers.
The manufacturing industry was described as very much alive and vibrant within 21st Century Britain. Against the high profile image of the decline in large industry is another picture of many smaller businesses which are successfully evolving to compete successfully in the global market. Often using the very latest technologies, these companies are innovators and choose to be based in the UK in part because of the skills base that exists in this country. However, it was stressed that these companies can only survive if that skill base continues to exist and to develop. Delivery is dependent upon having the people with the right skills and management abilities, and the UK is in significant danger of not being able to meet the competitive challenges facing it. As other nations reassess their education and skill policies it is imperative that the UK must do the same in order to keep up. In this context, the Leitch Review has been very much welcomed by businesses. Recommendations for a more demand-led system have been particularly welcomed, with funding following the learner.

Employers are increasingly investing in training and an EEF survey in 2005 showed a balance of 40% of companies increasing investment in training over the previous twelve months. A more recent National Employer Skills Survey put business investment in skills at over £33bn per year. Despite this investment, progress has been slow, in considerable part because of an over-complicated and unresponsive system where supply does not adequately meet demand. The problem is not under-investment but inappropriate investment.

Choice is key to getting this right, but together with choice must come quality and clarity. For as it was pointed out, training that does not meet its objectives, discourages both individuals and companies from continuing to learn and train. Quality can be measured by both the high standard of teaching, and the content of curriculum. This is particularly relevant to sectors that are quickly changing, and where it is crucial that training providers are up to date with the details of the business and current technologies. Two recent initiatives were mentioned as helping in this regard: Skills academies, which for each sector can develop specific high quality course content, and the Train to Gain scheme, by providing brokers which know the local provider market and are able to help firms cut through the complexity of sourcing training.

In looking at what more must be done, it was pointed out how too often the current qualification system is divorced from the needs of the modern workplace, leading to a lack of appropriate qualifications available. In other words, supply is still far from meeting demand. It was suggested that colleges were not yet responsive enough to the needs of local businesses, with a National Employers Skill Survey showing that half of all firms have not used their local FE College to develop their workforce training. There is also a problem of ‘too many cooks’ in the FE sector, leading to significant confusion about the availability of FE provision. Calls were made to make the system clearer and more coherent with better communication between employers, providers and government. It was also hoped that training could become increasingly flexible. As the workplace is undergoing a cultural shift; including flexible working and using an increasingly diverse workforce, so too must training become more flexible, moving away from the one-fit approach. Key to this is the role of Sector Skills Councils, making sure that the skills needs of each sector are met, but firms must play their part in identifying and communicating those needs to councils, providers and to government. By doing this it might be hoped that the system can be simplified and made more responsive and demand led. It is only by doing this that the challenge of improving UK skills might be met.
THE IMPORTANCE OF CHOICE AND COMPETITION

Developing and sustaining Britain’s role as a world economic leader: The crucial importance of skills and how they are provided to meet national needs.

Ian Ferguson also examined some of the confusions inherent in the current FE system, calling particularly for an increase in funding clarity for the different elements of training provision and an increased focus on the relationship between employers and training providers.

He began by stating that the crucial importance of skills lay in a moral and social duty to develop the talents and potential of all UK citizens, as well as the economic benefits of increased competitiveness, added value, flexibility and a reduction in welfare costs. Data Connection was cited as an example of how training can be provided in a UK firm. Data Connection is a world class communications and telephony technology company. It is a highly profitable leading edge development organisation that works in a sophisticated, fast moving and highly competitive market. For the past three years it has been in the top five of the ‘Sunday Times 100 Best Companies to Work For’. Much of this success is put down to a huge investment in training and people development.

Most of this training is done in-house by managers, and is split between technical and personal development. The huge investment in training can be measured by each new graduate recruit entering Data Connection having 40-50 days of personal training in their first year. Much of this time is spent on developing them as people and bringing out their personal skills. At all levels, in house training is supplemented by relevant external qualifications, from level 1 to professional qualifications. It is acknowledged that it is both useful to have such measurable qualifications, and that they are frequently welcomed by staff, who see them as significant personal achievements.

Overall, Ferguson painted a positive picture of the UK skills landscape, suggesting that we have a sound and effective education and training system, with high employer training investment. This supports a sophisticated and successful economy that stands 4th in the world. However, against this positive investment are significant issues that do need to be addressed. In particular is the historical lack of focus on the relationship between education and employment (thus employers). Improvement needs to be made to skills attainment for the 16-19 range. Disadvantaged and disengaged young people continue to be missed by the system, and there are large numbers of adults that lack basic employability skills.

In looking at the funding/responsibility landscape which affects the relationship between employers, state and other FE providers, some confusion is found. From 0-19, there is a government funding guarantee. The policy from 14-19 is seen as well-formed, with a significant choice of different routes for individuals. However, practice is not as well developed, leading to some failures in the system. In particular, the structures surrounding information, advice, guidance and personal development services are not entirely successful, and there could be better structures for increased employer engagement. Confusion increases at the 19-25 level with different funding streams between the FE and HE sector making navigation difficult. A clear annunciation of FE funding policy would be greatly welcomed. The system at 25+ becomes rather clearer, based upon basic employability skills, but problems still remain over what to do about employers who do not train and those learners who are disengaged.

Overall, there is significant awareness of the importance of introducing skills learning at the 0-19 level. The 16-19 range is especially important and requires a consistent and universal system. There is a real need for increased clarity of funding policy at 19+. The government needs to put
increased focus on the disengaged/unemployable and there needs to be considerable change in
the relationship between employers and educational providers.

DISCUSSION

Clarity in FE policy and funding methods was a key element of discussion:

There are too many different types of training providers and training initiatives. Much of the training
is provided purely because it is funded, not because it is required. This confusion disengages
learners. There is increasingly competition between state and private training providers leaving
employers confused about how to proceed.

However, while some saw this semi-chaos as increasing confusion, others saw it as beneficial to
employers. While it sounds a comforting idea to have just one single point of contact in meeting all
training needs, this is not how businesses work in any other field, and some competition or chaos is
quite actually beneficial to increasing choice and quality. At the same time, government policy and
funding structures should be clear and easily accessible. Government clarity is required and LSC
might have a significant role in bringing policy clarity.

Career guidance and advice services were felt to be in a very poor state, and were unable to
efficiently match people’s abilities to available opportunities. This left the individual with little
information or effective guidance about the market. The importance of the role of the Advice
service at the 14-19 level was strongly felt, along with an acknowledgement that it often goes wrong
at this point. In particular, the disengaged were often given bad advice, or no advice at all. There
is a real and often unmet need to connect the individual to the opportunities either in employment or
in education.

Are current qualifications both credible and appropriate? Are they currently suitable for
disadvantaged learners? The problem of accrediting in-house training was discussed. The
obstacles are such that it is unlikely that any other than the very largest employers are able to get
external accreditation. However, it was pointed out that the government is currently implementing
policy to improve the qualification credit framework over the next couple of years. This framework
will allow for an increased diversity of qualifications within a measurable system. This should help
all employers provide some form of accredited training, and is an acknowledgement that much high
quality training is currently undergone within the workplace. As well as being measurable, it was
also pointed out that the qualification system must be flexible and able to adapt to changing
conditions and needs. It is vital that qualifications are viewed by all as being up to date, and that it
is possible for people to keep their qualifications up to date.

In examining the government policy of getting 50% of school leavers into Higher Education, there
was an important reminder that not only is 11% of all HE actually offered within FE institutions, but
that HE skills are not necessarily academic. The distinction between these two sectors was felt to
be unnecessarily great, and that much beyond the learning opportunities was associated with each
label. However, it was also felt that certain institutions were better suited for particular types of
education. It was important that each individual had the correct advice to direct them on a clear
track to their own goals, and that the right institution was matched to the right educational task. It
was suggested that this was a moment of great opportunity for colleges and other providers to gain
government support to meet these needs.

While it was considered essential for moral and economic reasons to engage fully with
disadvantaged elements of society and provide full opportunities, a fear was also expressed that
this might mean employers having to carry the burden and potential disruption of dealing with those forced into the workforce.

PERSEPTRIVES OF CONTRASTING PROVIDERS

The three speakers in the second session addressed the question:

Opening up provision: How can colleges and other training providers best meet learner and employer needs? What are the benefits of competition and the risks?

a. THE FURTHER EDUCATION COLLEGE

As Principal and Chief Executive of a college with £75m turnover, more than 6,500 full time FE and HE learners, 2000 staff and having completed a successful merger, Jackie Fisher is clearly the head of a very successful business. She admits that the college is in a strong financial position having delivered a £60m building programme without any borrowings. Moreover, having been voted ‘North East Company of the Year’ the college is seen by other firms as a sound and robust business.

As with all businesses, colleges face competition across markets. At 14-19 there is commissioned competition, about which the college is very positive about its ability to navigate successfully. The number of students choosing FE as a place to study means that this is currently an area of growth. For the adult market it is largely ‘unplanned’ individual and employer demand. In this market there needs to be a shift in how FE colleges are seen by government. Colleges need to be allowed to compete on equal terms with private training providers and to become fully participating players in a free market. In particular, it was suggested that LSC was ambivalent towards colleges; wanting them to provide competitively, but at the same time not allowing them full access to capital in the same way that private training businesses are. In addition FE colleges also work in a policy environment in which HE is the focus of policy and funding. A shift of policy is required towards FE skills. HEFCE is currently driving policy towards this goal.

The market in which colleges are now competing has arisen through the commitment of government and LSC to widen the provider base. The belief is that choice will increase under market conditions, but in fact will an unintended result be a restricted product range? Will more providers in fact be competing for a small range of ‘lucrative’ customers, leaving out those that are difficult to provide for and bring no financial advantage? Price is covertly an element of provision, and this being so, will the disadvantaged suffer?

For learners, the impact will be dependent on the extent to which they are informed or uninformed. Many are unfortunately left uninformed and drifting; they have been given insufficient support to direct their own future, and in this state can easily be taken advantage of. It is the informed learner that makes informed choices, and this must be encouraged by a proper guidance service. Some learners are considered peripheral to the mission of some providers, and are therefore left out. This may leave providers serving only those that are easy to serve which is ultimately damaging to social cohesion. Following the recent decision to stop asylum seekers from learning English within the FE system it has to be asked to what extent is the government committed to helping the disadvantaged. The benefits of social cohesion; of creating in this case a sense of British values is ignored, and an opportunity wasted. Colleges are not and should not be purely about economic drivers; they also have a strong community function and have a strong moral commitment towards the disadvantaged. This is not a lucrative business model, but does provide a necessary and valued service.
If colleges are to be able to compete then several issues need to be considered. There needs to be a committed regulatory body. The LSC needs to become more purposeful in acting upon this, and to decide whether colleges are there to serve public policy or to act as businesses. Currently this is not clear. Funding needs to be transferred to the front line to allow colleges respond directly to challenges. There needs to be quick, decisive merger support and there needs to be access to external finance without limit. Above all, the future of policy thinking needs to be shared with colleges. What is the future direction of Further Education? Where are colleges going to be in ten years time? Colleges need a long term policy direction to work towards.

The future of FE colleges is probably mixed. Many will thrive, others will survive. Some will merge, especially those without a strong 16-19 ballast to support them. Some will decant services into the private sector to try and find funding that is currently only available to the private sector. Others will disappear altogether.

Does this matter? Why should we care about FE? In fact the question might be why is FE not loved by government? It is a leader in learner-centred education, driving through learner care. The scale of colleges, their values and their passion leads to world-class learning. They are profoundly moral organisations which continue with social education because it is right, despite funding streams discouraging such action. They are part of the infrastructure of the nation, and would be happy to compete with the private sector if given a level playing field upon which to do so. The questions from colleges thus consider the future; what are the long-term plans and directions for colleges, and what is the risk management plan laid out for them?

b. THE PRIVATE SECTOR PROVIDER

Peter Marples looked at the benefits and risks of opening up the market in Further Education from the perspective of the largest vocational training provider in the country. Learners and employers are at the heart of the training experience for Carter and Carter, something which it was stated was often forgotten within the wider machinery of the FE sector.

However, in trying to meet the needs of both learners and employers, confusion is too frequently the common denominator. Again it was recognised that the advice and guidance support that learners receive is often inadequate. What is wanted by learners is high quality delivery of training, to be both stretched and supported, to have recognition for achievement attained, and to have clear career progression or career entry following a period of training.

For employers, it is important that they are not seen as a homogenous group having the exact same needs. The differences between employers and between sectors are crucial to providing quality provision and skills councils should help in highlighting some of the basic differences in needs. However, with this in mind, there is significant common ground in the needs of employers. They all want improved employee retention and improved basic skills and significantly they all want clarity of approach in FE provision. The issue of qualifications is more ambiguous, with some sectors finding measurable qualifications more helpful than others. Businesses do want more help in understanding what forms of training might support their business needs and tend to prefer a single source of interaction with a provider who understands those needs. Most businesses do want to outsource the majority of their training activity as it is not the core of their own business.

Does the present system serve learners and employers well? Despite the confusion, the answer is a cautious yes. Levels of achievement and employee retention are both improving and the quality of FE provision is also improving. Accreditation systems for existing employer programmes are
beginning to have an impact, and there is increasing support for key skills and skills for life. However, there is of course much more to do, and crucially more employers need to become involved. ‘Train to Gain’ may potentially help, but the jury is still out on this.

What benefits will competition bring to Further Education? It is important to remember that choice already exists, to a far greater extent than any other country in the European Union. Currently the largest single provider (Carter and Carter) has significantly less than 1% of the market. It is this situation, with a decentralised state sector that creates confusion and lack of clarity. It also means that the state sector does not benefit from economies of scale. Government must understand that procurement policies will drive future behaviour, whether for good or for bad. Funding policy needs to take more account the behavioural impact of their policies. Within this confused market place, the key to improvement is increased clarity, and opening up the market should help rather than prevent this. There is, Marples suggests, a real opportunity for collaboration and partnership between different forms of training providers, learners and employers. This would be a sign of a mature market place, and one in which all parties were working towards a common goal of clarity and ‘best’ provision.

From this perspective, the future is one in which Colleges remain at the heart of local community work. They are good at this and should be supported and valued in doing so, they should also remain focused on what they are good at, acknowledging that this is not and should not be everything. There should be true partnership working between PTP’s, Colleges and other providers to deliver optimal solutions to meet learner and employer needs. Public funding policy will provide a key role in encouraging this. There needs to be a robust and joined up procurement policy between all agencies and there needs to be improved value for money for each pound of public investment. Opportunity to support marginalised and disadvantaged groups needs to be driven forward. This is not about the amount of funding, but more about the current funding rules that prevent access. It is also suggested that significant improvements might be made through a change in the ‘branding’ of FE, which might address the often rather poor perception of FE and create something that is significantly more positive for both learners and employers. Finally, more needs to be done to identify real excellence amongst providers and reward that status, while at the same time, employers should be given more choice within a system of joined up funding and increased business engagement.

Opening up the market does bring risks. The issue of quality assurance becomes more difficult, especially as new entrants take up position within existing markets, and others try to gain access into new market areas. There is a danger that in a relaxed market, the existing conditions of confusion might only get worse, and as increased numbers of providers compete for a share of the market, there are significant value-for-money considerations about the marketing waste this will create.

It is the conclusion of Carter and Carter that the best way forward is that of partnership and collaboration between providers, who might work through a considered and mature procurement platform. Further consolidation is inevitable and therefore should be progressed in all areas of the sector in a sympathetic manner. It should also be acknowledged that freeing up the market will in fact require (in the short term at least) tighter rather than less control and it must be continually questioned whether this does in fact deliver quality and value for money. It might also help if the Further Education brand was addressed to improve perception of a valuable sector. Most importantly the engagement process for learners and employers must be simplified, and employers and learners should become centre stage in what must become a truly demand led system.
c. THE THIRD SECTOR

Tim Cooper made a case for opening up competition in public services as a means to more effectively tackle the problem by which disadvantaged sections of the community are currently largely excluded from effective FE training, and thus the skill-base for entering employment.

Currently budget provision for Further Education is almost wholly locked into existing training providers; in the main colleges. It may be judged that this system is quite sufficient. Learner surveys show good levels of satisfaction with existing provision, OFSTED is largely favourable, and the LSC is in the main happy with the outcomes delivered. However, Leitch’s report suggests that the entire Further Education sector in the UK, including policy makers, funders and providers is working within a comfort zone, with levels of attainment rather less than those of our international competitors. There is also a significant population of ‘potential learners’ who are not participating within Further Education. It is in this challenge of widening participation that competition is well placed to play an important role.

There are currently 5 million people of working age who are not in work and are claiming welfare benefits of one form or another. Alongside this group, there are 1.2 million young people not in education, employment or training. This is a huge economic challenge for the UK, with £79bn spent every year on welfare benefits, compared with £73bn spent on education. This disadvantaged population has a huge skills deficit. One third of the 5 million lack basic skills. 43% of all jobless lack Level 2 qualifications. Over 50% of lone parents on Income Support and 40% of individuals on Incapacity Benefit have no qualifications at all. This lack of skills puts people at a huge disadvantage in the labour market. They are less likely to find work, less likely to find jobs that pay well and are less likely to be hired by employers that train their workforce. This situation can only get worse as employers demand higher skills and jobs requiring no qualifications decline.

Increased competition, with its associated pluralism of delivery holds an answer to this problem of reaching out to traditionally excluded groups. Too often the view is held that public services have to be delivered by some part of the state. This is a recent viewpoint that ignores the history of public service delivery of charities prior to the creation of the welfare state. Outside the FE sector, there is real growth in delivery of services by the third and private sectors; in health, in housing and in employment. Key to the advantages that a competitive third sector can bring to public service delivery is increased performance, cost-effectiveness and adaptability.

The presence of other competitors in a market can have an electrifying effect upon the performance of all providers. Costs and outcomes are benchmarked against other providers, services have to be improved and be delivered ever more effectively. The third-sector is accustomed to using resources wisely, and placed in a competitive market will encourage cost-effectiveness across the sector. The third sector is also more able to push the boundaries of processes and systems, challenging those that do not work to best advantage and establishing new ones that do. This flexibility can encourage better working practice across the sector. By establishing a mix of different public service providers change may thus be brought about most thoroughly and quickly.

If competition will herald these benefits it requires strong partnerships, good procurement methods and strong supplier relationship management. Competition should help all providers to develop stronger and genuine partnerships in order that they can present a stronger service proposition. But none of this will work if providers face poor quality and overly bureaucratic procurement procedures. This requires commissioners to develop tendering processes which are fit for purpose. Key to this is strong supplier management built up through longer term contracts which are fair to both parties and which reward over performance and penalize under performance.
Competition does bring risks, but in the words of John F Kennedy; “there are risks and costs to a programme of action but they are far less than the long-term risk of comfortable inaction”.

**DISCUSSION**

In discussing the issue of branding within the FE sector, it was widely agreed that the FE sector did have a something of an image problem, in part caused by the confusion over what the FE sector actually was, but also because it was too often seen as the poor relation to HE. There was less agreement on how this problem of image might be addressed. Could we move from a system by which each individual institution brands itself and its particular services to an overarching FE brand? It is probable that with confusion running deep about what constitutes the FE sector, that this is too great a challenge. However, the question itself again raises issues of clarity within the sector that should remain at the forefront of policy-makers minds as being key to the future of Further Education. For now it was suggested, branding might be more effective if it concerned differentiation within the system. As for the question of overall status of FE, this seems a fairly intractable problem when faced with a political, economic and media elite that by dint of their own educational backgrounds are too often biased in favour of HE at the expense of FE. Awareness of this issue at all levels must be continually re-stated.

In examining issues of procurement and partnership, it was generally agreed that systems are too frequently complicated, difficult and do not adequately share risk. Procurement within partnerships was particularly onerous and off-putting, and partnerships generally had large unaccounted costs of time and resources put into them purely to maintain them. This means that there is significant wastage of energy not put into delivering services. Significantly it was stated, that while partnerships might be a driver for efficiency, this was too frequently at the procurement rather than delivery end. Partnerships are therefore valued by funders, but too often all the risk is placed upon the delivery partner and not the funding body. Risk needs to be shared or innovation will be stifled.

There were also calls for a decrease in central control of the sector, with particular mention of the policy shifts under which providers have had to react and change bureaucratic structures. Can you have true competition under such strong central policy guidance, which is inevitably focused on a short term centralised agenda? Would it not be better to have self regulation from within the sector?

In looking at the role of the third sector, it was questioned whether funding policy was too focused upon employment as the only valid outcome from FE training. Could community well-being be a valid outcome indicator? While it is only through income generation that the UK can compete globally and therefore an emphasis is required upon jobs, social engagement and skills are closely linked and that the FE sector plays an important part in reaching out to the disadvantaged. In light of this, it was suggested that government policy agenda and government funding agenda was mismatched. There is a large body of people that do want to engage with the FE sector, but funding contradicts and prevents colleges from engaging with them.
Do learners and employers really know best? How best do we inform choice?

Looking at the question of whether learners and employers know best, Rob Wye analysed the ways in which choice might be best informed so to create a positive demand-led FE system. An informed public is an essential requirement of a fully functioning market system. However, the market also requires direction and LSC not only matches supply to demand, it also works to intervene where supply might not meet the full range of services required by society. When marginal services are required, the market must be incentivised in order to meet government targets and priorities.

The concept of demand led is that the customer has the power to choose and that funding follows their choice. This means that learners and employers need to know what they want from the system. Currently 7 million adults are actively put off learning, while many employers are looking only for a ‘quick fix’ and focus only on what is free or very cheap. There is thus a considerable challenge to convince both learners and businesses that skills training will bring long term benefits in raising personal confidence, career potential and overall economic competitiveness. This can only be done through enabling learners and employers to be fully informed, allowing them to become demanding and intelligent ‘customers’ and by putting real purchasing power and decision making into hands of learners, employers and communities.

Good marketing of the benefits and availability of FE training must be backed up by relevant support services. For young learners, 14-19 partnerships offer a range of opportunities. These together with guidance and advice from the Connexions service and the September Guarantee (whereby every Year 11 learner will be supported into an offer of an appropriate learning programme or employment by the end of September after the completion of Year 11) will help fulfil young people’s needs and aspirations. There is also commissioning of new and innovative provision to engage those not in education, employment or training.

For adults there have been significant initiatives in improving information flow. Personal Community Development Learning (PCDL) is a vital step to matching demand and supply allowing communities to work together and decide the best methods of spending available funds. Learner Accounts were highlighted in the Leitch report and should be made universal. Skills Health Checks are a partnership between LSC and Jobcentre Plus providing a detailed analysis of the skills required by the individual to get back to work. Overall though there is considerable room to improve Individual Advice and Guidance (IAG) services for adults. Learners need to know specific information about the state of the labour market, whether they need to re-skill, how they might do that, and whether funding is available.

Similarly, improvements have been made in providing relevant information to employers. Train to Gain gives a choice of provider and provision which is no longer constrained by geography. The National Employer Service is there to focus particularly on the needs of large employers. The Pledge is a voluntary commitment for employers to train their workforce to a minimum of level 2. Sector skills councils are driving up demand from employers and the Commission for Employment and Skills brings together the Sector Skills Development Agency, the Employment Panel and employers to bring people back to work with a skills package that will equip them for life.

For those unable to articulate their needs, there are Learner Panels to provide a learner voice. There needs to be specialist commissioning to engage those who are marginalised and most excluded from learning. Overall there needs to be protection for vulnerable learners including those with learning difficulties and disabilities.
In conclusion, in order to beneficially maximise choice and competition LSC will free up the system to enable it to respond to customer demand, but will still incentivise the market to respond to government targets and priorities. Greater investment from individuals and employers in skills training is required as well as from the state, while competitions and commissioning will meet identified gaps in provision.

**THE MINISTERIAL ADDRESS**

**Where is all this taking us? Government’s vision and expectations for the next ten years**

Bill Rammell began by setting out the government's vision of Further Education as a powerhouse of prosperity, social mobility and opportunity. Further Education was portrayed as a necessary tool by which the UK might engage with vital competition on the global stage, while government policy was pushing forward initiatives to improve the ability of the FE sector to do this. These centre on an increased focus upon the needs of both learners and employers and enabling the FE sector to take a lead in driving up the UK skills base, partly by increasing the fluidity between the Further and Higher Education sectors.

Acknowledging that the UK wage structure means that we cannot compete globally on price, we must instead focus on becoming the best. This is creating a climate of enormous opportunities for FE providers, employers and learners as skills are developed that genuinely empower and improve the quality of life, while pushing forward the British economy. Much has already been done over the last decade; there are three times as many apprentices, and more than ever are going to university. At the same time there remain significant weaknesses. There are still too many in the workforce without skills and too few in post-16 education. This will increasingly become a problem as it becomes harder to keep and progress in a job without recognised skills.

The vision of Leitch is right: As skilled jobs are increasing relative to unskilled, there is an urgent need to equip people for this change. Creating a truly demand-led FE system in which learners and employers are central stage is vital in doing this. Reforms are currently underway to develop this vision. The FE Training Bill is currently in parliament, while radical changes are occurring within the school and college system through specialised diplomas. The latter will help bring an equality of esteem between the HE and FE sectors, although work needs to be done to encourage the HE sector to recognise these diplomas. Increased co-operation between these sectors is also required if more HE learning is to be conducted through work-based learning. Higher Education Train to Gain pilots are important, while the entire Train to Gain programme should be extended. Crucially where FE colleges are successful they should be rewarded, and should be able to award their own foundation level degrees.

There also needs to be an increased response to the needs of employers. The role of brokers has been strongly welcomed and needs to be extended and there is real potential for the FE sector to work directly within the workplace. Overall Further Education has never been more centre-stage than it currently is, and there are significant opportunities available to all concerned. These need to be embraced as improved skills are vital in allowing the UK to be able to compete globally.
DISCUSSION

There were questions for the Minister directly following from his speech.

The long term trajectory of FE policy was the focus of some concern. In light of demographic trends including a decline in numbers of young people, and probable longer working lives, had the government done any modelling to work out the impact of these changes? In particular, it was feared that under the impact of these trends and the increasing pace of change within the workplace, qualifications would ever-more quickly become out of date. How might this problem be averted? Assurances were given that adult training was a vital element of government policy and was given considerable funding. The fact that Train to Gain schemes have more adults 45+ involved than any previous schemes was held to demonstrate this commitment.

It was noted that in a recession, training is one of the first things to go. In such a climate, would the voluntary Pledge undertaken by employers be strong enough to maintain effective training? This fear was acknowledged, however the government strongly felt that compulsion does not effectively work for employers. Thus ‘The Pledge’ may be used as a lever to move those employers that are not currently committed into giving greater commitment. Incentives rather than compulsion is the way forward.

It was asked how the government might help to increase participation in learning by the nation as a whole, including by those who currently do not value education and learning. The Minister agreed that currently there is a real imbalance between the amount spent on encouraging HE participation and the amount spent in widening participation at lower skills levels. This should change, and the intrinsic benefits of training should be widely disseminated among the public.

In terms of creating coherent funding structures, it was said that there needs to be much greater communication between the funding bodies of HEFCE and LSC.

In examining the role of the new specialist diplomas, there was concern about how they might be accepted by HE institutions. This was certainly something that the government was aware of. Specialist diplomas should not simply be an entry route into newer universities or the result would be a two-tier university system. Discussions with the Russell Group are in progress. Overall there needs to be more publication of the FE sector as being a valued and positive place in which to learn. Colleges provide a real community service and the training provided by the FE sector makes a real difference to the lives of individuals and to the economy as a whole.

THE SOCIAL POLICY IMPORTANCE OF THE FURTHER EDUCATION AGENDA

How do we protect the interests of disadvantaged and excluded learners in a market economy? How do we ensure that further and continuing education delivers on social goals?

Tom Wilson focused on the need to target the low-skilled populations that are often excluded from mainstream FE provision. It was suggested that many potential learners are hostile to anything that looks like a learning institution, and that they are not ready to embrace the market of learning opportunities. In particular, courses leading to qualifications can be very off-putting. There is therefore considerable need to establish means of learning at a pre-qualification stage. This would involve developing basic skills and preparing people to enter qualification level learning. Three obstacles currently block progress to develop such a system.
Firstly there is a lack of available money for such training. Funding streams at the foundation level are either funded by unit of progression or by time. Funders like measurable outcomes and therefore focus upon qualification-based learning. This is too formal for many learners. The problem is in devising a funding system to meet all FE training needs, and it was suggested that in fact a separate system of pre-qualification funding was required in order to reach out to those alienated from existing qualification systems. Secondly there is not sufficient information available to potential learners. For a population currently hostile to the idea that they have training needs, any advice and guidance must be particularly sympathetically provided. It must also go directly out to people rather than waiting for people to ask for guidance. Thirdly, the current mindset of government and funders must change from seeing such provision as worthy additions to being part of mainstream provision. Unfortunately Leitch says very little about these currently excluded but potential learners. However, according to the TUC it might involve up to one in five of the population. This should be a priority.

The cost of this current social exclusion is enormous, and much money would be saved if we could get these people into long-term work. The situation is only going to get worse in a future in which there is a huge shrinkage of jobs available below level 2. Many of these people occupy a transitory position in work, often in and out of employment. It is therefore necessary to work directly with the industries that employ these people in order to develop skills.

The TUC currently does a huge amount of work in developing the skills base of people within employment from basic skills to level 4. The role of Union Learn is particularly important as reps propagate information about training needs and opportunities to other employees. However more state support and structures are required. In particular it would be helpful if there was a particular central division that focused upon excluded sections of the population in order to give it the policy priority that it deserves.

DISCUSSION

There was a fear among employers that the drive to get employees to level 2 was not matched by a measurable increase in productivity. Therefore, should the onus be upon employers to develop training, and can it be sold to employers in means that will encourage them to develop training? The response from LSC was that there is a direct link between skills and productivity, however, while the state is currently focusing on Level 2 skills, the real change for employers will be at levels 3, 4 and 5.

It was also considered, that Level 2 is currently a crude one-fit-all device of getting people to a skill level required by employers. It was suggested that it would be helpful, for both individuals and for employers if this could be broken down into component parts.

Considerable concern was voiced over the effectiveness of advice and guidance services. All agreed that better funded IAG systems would save money in the long-term.

CONCLUDING COMMENTS

The summary led by Sydney Roper, Managing Director of the Centre for Public Policy Seminars restated the importance of increasing skills in a post-Leitch world. Themes emerging from the day were again brought out. Clarity, both in terms of what FE provision actually meant, and particularly
in how it was funded was clearly crucial if providers and learners were able to successfully navigate the system and create a fully demand-led FE provision.

The importance of co-operation and collaboration is vital, not only between the different providers (colleges, private training providers and the third sector) but also between providers and the funders, central government and employers. This will not be a simple task; partnerships are not always easy to either manage or fund, while increasing the number of players means that effective communication can be even more difficult. However, the advantages of such joined-up approaches are considerable, not only for learners, but also for providers who are able to exploit the opportunities available.

Through collaboration, state, private and third sectors should be able to pool their respective strengths to work most effectively, as individually none can meet all learning and training goals. However, the position of colleges within this system does need further examination. Although colleges have never been more centre-stage than they currently are, the question might be why are they not more loved? Does it come down to an issue of class? Might the problem be helped by better branding of FE? Crucially though, if FE colleges are to operate in a fully contestable market, they need to be free to operate financially on an equal playing field with other sectors. Again, funding clarity is crucial.

Acknowledging the positive role that colleges play in working with disadvantaged and excluded groups, what more might be done to encourage wider participation in learning among those currently hostile to formal training? Certainly the market has to be directed or incentivised to target such priority groups, and LSC sees its role in helping to do this. It is also pushing forward with providing the relevant information to both employers and learners which will create the right climate to establish a truly demand-led system of Further Education.

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