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Sector skills councils and employer engagement - delivering the 'employer-led' skills agenda in England

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Jonathan Payne
ESRC Centre for Skills, Knowledge and Organisational Performance (SKOPE)
Cardiff University School of Social Sciences
59 Park Place, Cardiff
CF10 3AT
Email: PayneJ3@cardiff.ac.uk

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Oxford and Cardiff Universities

Editor's Foreword

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Abstract

UK Sector Skills Councils (SSCs) are seen as critical to policy makers' aspirations to develop an education and training (E&T) system that is both 'demand-driven' and 'employer-led' and where employers 'play their part' in national upskilling. However, the concept of employer leadership remains deeply problematic in the English context, with some commentators arguing that the system is better viewed as government/target-led. More recently, the Leitch Review of Skills has offered employers a new training contract or 'something for something deal'. If this deal is to succeed much will depend upon the ability of SSCs to engage employers in their sectors and build commitment to the Leitch agenda. In light of this, the paper looks at where SSCs currently find themselves in relation to employer engagement and explores some of the main challenges they confront.

Introduction

The UK Labour government is firmly committed to the belief that a highly skilled workforce is key to national economic competitiveness, productivity and social inclusion in the modern global economy (DfES et al 2003, HM Treasury 2004). While this is a view shared by policy makers in many other countries, what is perhaps most distinctive about the UK, and England in particular, has been the reliance upon national qualification targets as a 'driver of and proxy for skill acquisition' (see Wolf et al 2006: 538, 554). At the same time, English policy makers also insist that the education and training (E&T) system must respond flexibly to the needs of employers and individuals, so that it becomes effectively 'demand-driven', with employers afforded a key role in what is supposed to be an 'employer-led' system (DfES et al 2003, Leitch 2006). In policy terms, the talk is of developing a 'partnership' between the state, employers and individuals, with all expected to 'play their part' in up-skilling the nation (HM Treasury 2004).

In terms of employer engagement, the role of the recently-formed network of UK-wide Sector Skills Councils (SSCs) is clearly critical. Their task is to provide 'strong employer leadership capable of delivering sustained improvements in public and private sector productivity and competitiveness through the better use and development of people's skills' (DfES Remit Letter to SSDA, cited in SSDA 2002: 3). As a recent Treasury document makes clear, 'SSCs are at the heart of delivering the Government's skills strategy. These are employer-led networks designed to identify and deliver the skills that employers need to raise productivity' (HM Treasury et al 2004: 31).

However, as several commentators have noted, the concept of employer leadership remains deeply problematic in the English context (see Keep and Stasz forthcoming). Coffield (2006: 11), for example, has recently questioned whether employers really want the role that has been offered them, while Keep (2006) insists that the English E&T system is now subject to such a high degree of centralised state control and target setting as to render the very idea of the system being 'employer-led' something of a misnomer. It is true that employers are the main group represented on both the national Learning and Skills Council (LSC)[i] – the body responsible for funding all post-compulsory education and training (outside higher education) in England – and Sector Skills Councils. However, these are essentially state-created institutions whose role is to deliver policy goals and targets that have been determined by central government often with little or no employer input (see Keep 2006:56-57, Coffield et al 2005, Wolf et al 2006).

The problem of ensuring that the sum of employer training decisions is optimal for society in the long run is widely recognised as being a perennial and universal policy challenge across the developed world (see also Streeck 1989, Keep and Stasz forthcoming). In the UK, it is often argued that this is particularly problematic, with many firms said to compete successfully on the basis of low skill, low value added production approaches, and trapped in, what Finegold and Soskice (1998) called, the 'low skills equilibrium' (see Keep and Mayhew 1999, Lloyd and Payne 2002, Hogarth and Wilson 2003). Moreover, in a 'voluntarist' training system and weakly regulated labour market, such as exists in the UK, there are few levers available to government to close the gap between what policy makers aspire to in terms of national upskilling and what employers, acting rationally, may be prepared to contribute and pay for (see Gleeson and Keep 2004, Keep and Stasz forthcoming).

Faced with such a problem, the temptation in England has been to fall back on levers that are closest to hand and easier to pull, whether it be expanding post-compulsory and higher education, or subsidising employers to equip members of their adult workforce with basic skills and a first level 2 qualification[ii] through the recent 'Train to Gain'[iii] initiative. In this way, employers learn that by sitting back and allowing the market to fail, they can push more of the costs of training back on to individuals and the state, thereby contributing to a situation of employer welfare dependency (see Keep 2006). Furthermore, issues of 'deadweight' loom large, with the risk that the state simply ends up paying for training that some employers would have undertaken anyway, a problem that plagued the Employer Training Pilots (ETPs) before they were rolled out across England as 'Train to Gain' (see Abramovsky et al 2005). As Keep (2006: 58) notes, 'all hopes of future progress now appear to rest on the SSCs and their ability...to link the state's E&T expenditure with complimentary efforts by employers to bring about significant upskilling.'

The pivotal role of SSCs is also acknowledged in the recent Treasury-sponsored Leitch Review of Skills (Leitch 2006), together with the government's response for

England (DIUS 2007). Here, the aim is to strengthen the employer 'voice' through the creation of a new 'employer-led' UK Commission for Employment and Skills, while affording employers, via their SSC, greater powers over the approval and design of vocational qualifications. Henceforth, only vocational qualifications approved by SSCs will be eligible for public funding. SSCs will also be able to accredit, with nationally-recognised qualifications, employers' own in-company training programmes where they meet national quality assurance standards (see Leitch 2006: 83, DIUS 2007: 41). The expectation is that employers will grasp these new opportunities to exercise their influence as well as increase their *own* investment in skills, training and qualifications, thereby contributing to a series of national qualification targets designed to place the UK in the top 8 of the OECD league tables at every skill level (basic, level 2, 3 and 4) by 2020.[iv]

In what is presented as a move towards 'post-voluntarism', employers are also asked to sign up to a Skills Pledge, whereby they voluntarily commit to helping members of their adult workforce acquire basic skills and a first level 2 qualification, with the help of an expanded Train to Gain service[v]. If progress is judged to be inadequate by 2010, consideration will be given to the introduction of a statutory individual entitlement, again on the Train to Gain model. In other words, employers who fail to voluntarily make use of public subsidy might *potentially be forced to avail themselves of state aid.*[vi] In this way, the report invokes the language of a new training contract between state and employers – what it calls a 'something for something deal' (Lietch 2006: 88).

If this 'deal' is to stand any chance of success much will depend upon the ability of SSCs to actively engage employers in their sectors and build commitment to the Leitch agenda. It is therefore both timely and appropriate to consider where SSCs currently find themselves in relation to employer engagement. Drawing upon interviews with representatives of seven SSCs, this paper explores SSC employer engagement strategies in light of the recent Leitch proposals. It begins by outlining the previous attempts that have been made to develop effective sectoral bodies in the UK training system and asks why this has proven to be so problematic. It then looks at the strategies that SSCs are currently adopting in relation to employer engagement together with the main challenges they confront. The paper concludes with a discussion of some of the potential issues and sticking points that are likely to emerge as the Leitch agenda moves off the policy drawing board and into the implementation phase.

Past imperfect: the history of sectoral training bodies in the UK

Over the last 40 years, a variety of attempts have been made to develop effective sectoral training bodies in the UK. After the Second World War, the UK training system was essentially a 'voluntarist' one, with training decisions left in the hands of employers and individuals (see Keep and Rainbird 1995). In the early 1960s, however, as the economy failed to match growth rates on the Continent, politicians became increasingly concerned about the ability of employers to provide training of sufficient quantity and quality (Kenny and Reid 1985).

Consequently, the Labour government's 1964 *Industrial Training Act* established a system of Industrial Training Boards (ITBs), consisting of both employers and trade union representatives, with powers to operate a levy-grant system. By 1969, 27 ITBs were in place (later reduced to 25), covering around three-fifths of the workforce. However, the system was criticised for being overly bureaucratic and for failing to take account of the specific problems faced by small firms (see Keep and Rainbird 1995). As a result, the 1973 *Employment and Training Act* replaced the existing levy grant system with new levy exemption arrangements and established a tripartite Manpower Services Commission (MSC) to oversee manpower planning, government training schemes and the ITBs.[vii]

The general election of 1979 brought to office an avowedly anti-trade union Conservative government committed to the development of a more market-based, employer-led approach to training (Keep and Rainbird 1995). The ITBs were gradually dismantled to be replaced with new business-led Non-Statutory Training Organisations (NSTOs), devoid of any levy raising powers, and where trade union involvement was by invitation only. At the time of their abolition, there is evidence to suggest that the ITBs had functioned reasonably well and had met with some success in terms of raising the overall quantity and quality of training (see MSC 1980, 1981). Only two ITBs however were to survive the process of demolition – the Construction Industry Training Board

(CITB) and the Engineering Construction Industry Training Board – which remain to this day.

Around 90 NSTOs were established during the first round of ITB abolitions, with individual employers free to choose whether or not they joined them (Berry-Lound, Chaplin and O'Connell 1991). However, the new bodies did not get off to a very auspicious start. Many of the original proposals for NSTOs that were submitted to the MSC were little more than shells with extremely minimal functions (MSC 1981). In private, even CBI staff voiced alarm at their prospects for success (see Stringer and Richardson 1982: 37).

The NSTOs confined their activities mainly to providing information, helping to define sector needs and exhorting employers to train more. Early evaluations confirmed that performance was patchy. A study by the Institute of Manpower Studies in 1987 found that, out of 102 designated NSTOs, only 56 were considered to be 'effective' when judged against the criteria specified in the 1986 'Effective Position Statement' (Varlaam 1987). Of the 56 that were considered effective, 15 were 'fully effective', with 36 effective 'on most measures' and 10 regarded as being 'competent'. The report found that over three quarters operated with six or less staff, and only four employed more than ten, with 'many – perhaps most – NSTOs...insufficiently staffed to meet the demands put on them' (Varlaam 1987: 77-78).

In the same year, a study by Manpower Research (Anderson 1987) indicated that while the best NSTOs were very effective, the system as a whole remained 'poorly funded, and heavily grant dependent', with many confined to a 'low-key, administrative role'. It also pointed to the problem of inadequate resources. The total revenue of the 42 NSTOs studied was just £4.2 million to cover a workforce of 1.35 million – or £3.20 per employee. The report also found that 'few NSTOs see themselves as strategic bodies', while there was a 'lack of awareness [among member firms] of much of what NSTOs say they are doing; sometimes a lack of awareness of its very existence..., and often ignorance about what an NSTO is supposed to be.' Not surprisingly, given the removal of the levy, most firms considered NSTOs preferable to the ITBs, while many were 'satisfied with a low-key level of activity, and might discourage anything beyond that.'

In the late 1980s, NSTOs were re-branded as Industry Training Organisations (ITOs). Between 1987 and 1991, their numbers rose by about a fifth to 123, covering five sixths of the workforce. They continued to focus on disseminating information and exhorting firms to increase their investment in training, as well as acting as Lead Bodies in the development of new competence-based National Vocational Qualifications (NVQs). Official evaluations suggested that while performance of the ITOs slowly improved, many lacked influence within their industries and were often forced by their members to focus on short-term issues (Berry-Lound and Anderson 1991). Once again, a particular concern was the low level of resources available to them and their consequent reliance upon a small number of core staff. In 1990/91, out of 78 ITOs studied, 54% were surviving on an annual income of less than £200,000 (Berry-Lound et al 1991: 539). Out of 81 NTOs in 1991, over a quarter (27%) employed fewer than two full-time staff and around half employed between two and six full-time equivalents (Berry-Lound and Anderson 1991). Moreover, only two of the National Council for Industrial Training Organisations' twelve-point list of 'ideal outcomes' had been achieved by more than half of the ITOs surveyed (Berry-Lound and Anderson 1991, cited in Keep and Rainbird 1995: 521).

By the late 1990s, some commentators were arguing that constant reform was itself a symptom of repeated failure, Jones (1999: 78-79) noting, for example, that, 'Despite a continual change of name, ITOs are generally powerless against the corrosive force of the unregulated labour market.' The New Labour government, elected in 1997, was also prepared to concede that while progress had been made, performance was uneven. Consequently, in 1998, it duly set about replacing the 170-180 ITOs, Occupational Standards Councils and Lead Bodies which existed at the time with 76 National Training Organisations (NTOs).

Problems persisted however, with the National Skills Task Force in England again expressing concerns about their rate of development and their capacity to make a substantial impact on skill development (DfEE 2000: paragraph 3.35). By 2000, 7 in 10 NTOs were found to have gaps in sector knowledge and around in 9 in 10 were reliant upon external researchers to provide analyses of sector labour markets and skill needs. More worryingly still, 4 out of 10 employers were found to have only limited awareness of NTOs, with small businesses also under represented in NTO boardrooms and employers generally unwilling to contribute financially to their operating costs (DfEE 2001: 19). The Department for Education and Skills conceded that 'their perceived lack of credibility means that too many senior employers and trade unionists decline to engage with them' such that there was a need to build a stronger network of sectoral bodies capable of playing a more strategic role (DfES 2001: 6). This would be achieved through the creation of a smaller number of larger and more effective Sector Skills Councils (SSCs).

Before moving on to consider the task that currently befalls SSCs, it is useful to pause briefly and reflect on why the development of robust sectoral bodies that are capable of representing and organising employer interests around skills and training has proven so difficult in the UK. In part, this may be seen as a symptom of a much deeper problem linked to the relative weakness of employer organisations in Britain (see Grant 1993, Keep and Stasz forthcoming). Finegold and Soskice (1998: 29) in their original analysis of the UK's 'low skills equilibrium', concluded that in Britain, 'The power lies not in the central [employer] federation, nor in industry-wide employers' associations but in individual firms.' At national level, the inability of the Confederation of British Industry (CBI) to impose sanctions on its members and thereby ensure that they abide by any agreements it makes was seen as a major impediment to any attempt to deliver a coordinated national training policy of the kind found elsewhere in Northern Europe.[viii]

The reasons for this are complex and lie deeply rooted in history (see Fulcher 1991). In part, they reflect Britain's voluntarist, laissez-faire tradition, where the state has done relatively little to create a climate in which effective business interest associations, that are capable of acting in concertation with government, might develop (Rainbird and Grant 1985: 7).[ix] Britain is characterised as a society in which 'one is more likely to find fragmented employer interests' (Rainbird and Grant 1985: 7). Certainly, Britain has not been able to develop anything comparable to the German chambers of commerce, for example, which have traditionally played a vital role in committing employers to the provision of broad transferable skills required for the functioning of the German 'dual apprenticeship' system (see Culpepper 1999).

Compared to Northern Europe, where employer associative behaviour has strong legal underpinnings, many UK employer organisations have relatively low membership and remain poorly resourced, with many large multi-national firms opting not to join (Sisson 1994). Such weaknesses have been compounded by the collapse in multi-employer, industry-level collective bargaining in the UK and the shift towards de-regulated product and labour markets. While in other North European countries then a significant amount of training is designed, planned and funded by groups of employers, often through collective bargaining arrangements above the level of the individual firm, in the UK such arrangements are noticeable mainly through their absence (see Keep and Stasz forthcoming). This does not mean that one cannot find examples of employer coordination around training in Britain as happens for example in the construction industry where the alternative to a levy would be severe skill shortages (for other examples of inter-firm cooperation, see Gospel and Foreman 2006). However, compared to many other North European countries, such activity tends to be on a rather more limited scale. Consequently, the state has been forced to step in and try to create sectoral bodies that can represent, concert and mobilise employer interests around skills and training (Keep 2006). Given the legacy of previous initiatives in this area, the question facing SSCs is whether they will be able to succeed where previous iterations have failed.

The UK Skills for Business Network

Since 2002, 25 Sector Skills Councils have been established in the UK covering sectors as varied as passenger transport, retailing, hospitality, health, social care, freight logistics and the audio-visual industry (see www.ssda.org). Together with their central coordinating body, the Sector Skills Development Agency (SSDA), they make up the Skills for Business Network (SfBN) which today covers around nine-tenths of the workforce. Licensed by the Secretary of State for Education and Skills in England and ministers in the devolved administrations of Scotland, Wales and Northern Ireland, SSCs have four core strategic goals. These are: to reduce skills gaps ands shortages; improve productivity, business and public service performance; increase the opportunities to develop the productivity and skills of everyone in their sector; and improve learning supply through the development of apprenticeships, higher education and national occupational standards. To achieve these objectives, SSCs are expected to have key employers represented on their boards, while working more broadly with employers in their sector to identify what the main priorities are and how they might be addressed. Unlike their predecessors, SSC are also required to appoint at least one trade union member to their board (see DfES 2001).

As part of their work, all SSCs have been required to draw up Sector Skills Agreements (SSAs) in accordance with a five-stage process due to reach its conclusion in March 2008. These are essentially designed to help employers identify their present and future skill priorities and to act as a basis for collaborative action with education and training partners. By 2007, nine such agreements had been put in place (see SSDA 2007a). Drawing upon information obtained from this process, SSCs are also expected to develop a Sector Qualifications Strategy (SQS) and to work closely with awarding bodies and other regulatory agencies involved in the development of qualification and credit frameworks.

In England, SSCs were originally expected to feed detailed information on employer skill needs into a highly complex, multi-tiered planning system, presided over by the LSC, aimed at ensuring that the supply of publicly-funded E&T (in terms of numbers, levels and types of courses and qualifications) might be matched to employer demand (see Keep 2002). More recently, Leitch (2006: 72) has argued that previous approaches to delivering skills have been 'too "supply-driven"' and over-reliant upon centralised planning mechanisms. In part, this can be seen as an acknowledgement of the huge problems involved in getting employers to accurately predict their future skill needs (see Keep and Gleeson 2004). If the system is to function properly and deliver 'economically valuable skills' in the future, then, according to Leitch (2006: 71), government and the LSC must foreswear planning and ensure that the system becomes 'fully demand led'. Quite where this leaves SSCs work in relation to the planning contained within their SSAs is, at present, anyone's guess (Keep and Stasz forthcoming).

The early indications are that SSC performance is fairly patchy, with 'some lacking effective engagement with key employers' (Leitch 2006: 78). An employer survey commissioned by the SSDA (2006a) found that, in 2005, just over a quarter (27%) of establishments had heard of their own SSC under its current branding (the figure rising to 35% when 'legacy names' were included). Recognition of own SSC was also found to vary markedly across different sectors, ranging from 77% of employers to just 4%. Of those employers that were aware of their own SSC, only 14% had had any dealings with it, and only 9% had done so during the previous 12 months. Contact was higher among larger firms, while around four-fifths of all dealings with employers were accounted for by just three SSCs. The 2005 survey found that overall only one in twenty UK establishments had had any direct dealings with their SSC. The evaluation of the four Pathfinder Sector Skills Agreements, undertaken by *Constructionskills*, *e-skills UK*, *SEMTA* and *Skillset* – also noted that:

> While the SSA provided the basis for a new and richer dialogue with employers, the pathfinder SSCs found it difficult to translate that into a substantive commitment to action. This is partly because those involved in shaping the SSA represent a small number of employers (SSDA 2005: 3).

That the development of the UK Skills for Business Network should be both limited and uneven is, of course, hardly surprising given that SSCs have such varied historical backgrounds and are still relatively new (see Sung et al 2006: 14-17), a fact acknowledged by Leitch (2006: 78). Clearly, the hope is that their reach will continue to expand and there will be further progress in the future. Nevertheless, there are already genuine concerns among many stakeholders regarding the ability of SSCs to act as an authoritative voice of employers on skills issues. A recent House of Commons Select Committee notes, for example, that SSCs 'face real challenges in representing the views and needs of very diverse sectors, and of small and medium-sized enterprises in particular' (House of Commons 2007a).

To date, however, there has been little qualitative research specifically examining the strategies that SSCs are currently adopting in relation to employer engagement and the kind of challenges they face. How are SSCs actually approaching the task of engaging employers in their sector? How do *they* see the challenge of employer engagement in what is said to be an evolving 'employer-led' system? More speculatively, how do they envisage the Leitch agenda playing out in their particular sector? Drawing upon interviews with key SSC representatives, the remainder of the paper seeks to probe questions which are central to any discussion of the prospects for developing an 'employer-led' skills system.

Sector skills councils and employer engagement

The research is based on interviews with key representatives of seven UK SSCs, conducted between June and September 2007. The SSCs which formed the basis of the research were as follows:

- *Cogent* – the SSC for the chemical, nuclear, oil and gas, petroleum and polymer industries;
- *Skillfast-UK* – the SSC for the apparel, footwear and textiles industries;
- *Skillsmart Retail* – the SSC for the retail sector;
- *Energy and Utility Skills* – the SSC for electricity, gas, water and waste management;
- *Improve* – the SSC for the food and drink manufacturing and processing industry;
- *Automotive Skills* – the SSC for the retail motor industry; and
- *Skills for Justice* – the SSC for custodial care, community justice, court and prosecution services, policing and law enforcement.

The aim was to obtain a varied sample of SSCs which covered both manufacturing and service industries and the private and public sectors. The research consisted of semi-structured interviews with either senior members of the operations team engaged in direct project-based engagement with employers or Heads of Research in their respective SSCs. Nine interviews were conducted in total. The first part of the interview focused on the nature of the sector, the strategies that were being adopted or developed in relation to employer engagement, and what were regarded as the main successes and challenges. During the second part, interviewees were invited to comment more broadly on the Leitch proposals and the likely impact in their sector. The interviews, which lasted between 1 ½ and 2 hours, were tape recorded and subsequently transcribed.

Before turning to the actual findings, it is important to bear in mind the following. First, as Sung et al (2006: 14-17) have pointed out, SSCs have varied historical backgrounds and operate in sectors that are often vastly different in terms of the markets in which employers are located, the balance between large and small firms, and the kind of skills they require. Hence, the challenges that SSCs confront in relation to employer engagement, together with the strategies they adopt to deal with them, will vary considerably.

Second, employer engagement is very much a *political* issue for SSCs as it is a central factor in decisions relating to their re-licensing. This may mean that SSCs might be somewhat reluctant to talk candidly about the more problematic aspects of employer engagement. Indeed, recent SSDA (2007b&c) guidance on the development of SSC Employer Engagement Action Plans notes that, 'It was...a commonly held perception [among stakeholders] that SSCs were not always as transparent as they should be about the level of employer engagement that they have achieved.' Nevertheless, some interviewees were willing to talk openly about these issues and to shed light on what they regarded as the main challenges. Where controversial opinions were voiced, particularly in relation to aspects of government policy, it was felt essential to disguise the sources and preserve anonymity.

What is employer engagement?

Recent SSDA guidance on the development of SCC Employer Engagement Action Plans defines employer engagement as 'the process through which employers directly participate in an activity facilitated by an external organisation (SSC) in pursuit of shared objectives' (see SSDA 2007b). The report goes on to identify five levels of engagement:

1. *Employers engaged in SSC strategy and organisational development* – for example, through participation in the SSC Board, working groups, focus groups, consultations, or the making of financial contributions.
2. *Employers engaged in the design and delivery of initiatives and provision* – for example, helping to ensure qualifications are employer-led.
3. *Employers utilising initiatives and provision* – for example, where employers take up grants, subsidies, skills brokerage services, apprenticeships or purchase FE provision.
4. *Research and intelligence* – where employers are surveyed by post, telephone, face-to-face or focus groups in order to understand their competitiveness and skills issues.

5. *Mass communications* – through web-sites, newsletters, advertisements etc.

The report notes that levels 1 and 2 above depend upon more proactive engagement, with relatively fewer employers likely to be involved in this way, while the 'lower levels are generally associated with more passive engagement, but can bring more credible quantitative results.' Furthermore, although level 5 'may not be considered "employer engagement" in the strictest or most rigorous sense', mass communications can still act as a potential stimulus to more intensive forms of direct or indirect involvement. Consequently, it is recommended that SSCs strive for an appropriate balance between these different levels.

Despite these recent attempts at definition, many interviewees argued that there was still a good deal of confusion and ambiguity surrounding what constituted an 'engaged employer'. For one interviewee part of the problem was that, 'The SSDA has never really defined what employer engagement is.' Does responding to a survey, or signing up to a newsletter, really count as employer engagement? As one interviewee noted, 'It all depends upon what you mean by contact? Is it a face-to face meeting, is it a telephone call, is it a letter, is it an email?' Another stated that assessing SSC performance in relation to employer engagement was 'like trying to nail jelly until we have a more robust definition of what it actually is.'

Contact with an employer through a strategy/focus group or field-based project was one thing, but many interviewees agreed that the main challenge revolved around how to measure the quality and impact of any such engagement. A representative with one SSC was concerned that there were 'expectations around the volume of employer engagement so, to put it bluntly, you are a good SSC if you've got lots of employers engaged.' Another was:

> ...worried that the target will be purely quantitative so that we will be haring round the country just getting in front of employers rather than thinking about what our core offer is. OK, tick the box, you've been in there, but so what? We have to have a qualitative measure in there when it comes to employer engagement. At the moment, it is purely quantitative.

While there was a general agreement that more qualitative measures of employer engagement were needed, it was recognised that developing such measures would be difficult. As an interviewee with another SSC commented:

> You might try assess a meeting in terms of its value and strategic importance. The danger is that everyone will be having wonderful meetings with great outcomes all of a sudden. Equally, if you measure me on the number of employers I talk to you will be amazed at how many, so that can be counterproductive too. It becomes even harder when you try to tie employer engagement to its impact on the skills and productivity agenda because an individual piece of engagement may not have any measurable effect. I think it's something for discussion: how do you measure the quality and impact of employer engagement?

Employer financial contributions

One concrete measure of employers' willingness to back SSCs is whether they are prepared to contribute to their funding. Originally, the intention was that the government would provide some start-up money and that within a few years SSCs would become self-financing on the basis of industry contributions. However, the SSDA Phase 3 Evaluation found that only a relatively small proportion (6.8%) of SSC income came from employers (see SSDA 2006b: 45).

Several interviewees spoke of the difficulties that they had encountered in this area. A representative with *Cogent* explained how they had just started a paid membership scheme over the last couple of months but had so far managed to get only 'ten or a dozen employers signed up.' *Skillsmart Retail* had originally been given seed corn funding of £2 million and was expected to produce a business plan and become self-financing by the industry. A spokesperson conceded that they failed to receive the level of employer contributions which they had originally hoped for. As a result they had been forced to 'restructure the business in order to ensure its effective operations.' Any hope of sustainability through employer contributions has since been shelved.

The experience of *Skillsmart Retail* is far from unique. *Automotive Skills* had abandoned its membership scheme at the end of the previous year having only received the support of 'about fifty employers, may be a few more than that.' The chief executive of *Skillfast-UK* also recently told a House of Commons Select Committee that they had managed over the previous three years to source an extra £3million of funding in addition to the £1.3million a year they received in core funding from the SSDA. However, the majority of this additional funding had come from a range of bodies, including RDAs, with 'very low investment into the SSC from the industry' itself (House of Commons 2007b).

Both *Automotive Skills* and *Skillfast-UK* operate in sectors with high concentrations of SMEs and micro-businesses where the problems involved in securing employer donations might be considered to be particularly acute. However, the experience of *Skillsmart Retail* suggests that even in a sector with large, extremely profitable retail corporations, getting employers to put their hands in their pockets and back SSCs has been extremely difficult. The exception is private-sector SSCs, such as *Construction Skills* (the SSC for the construction industry), where there is a levy scheme in operation, and the public sector. A spokesperson for *Skills for Justice* commented, 'We get £1.5 million from employer subscriptions, £1.5 million from the SSDA in core funding and £1.6 million from projects, one third of which comes from employers. It is perhaps one of the advantages of being in the public sector that we can operate that kind of subscription scheme.'

SMEs

It was generally accepted by interviewees that larger firms were on the whole easier to engage at all levels and that the main challenges were in relation to small and medium-sized enterprises (SMEs) and micro-establishments. As spokesperson for *Cogent* commented, for example, 'Your BSAFs, BPs, Shells – major employers like that – are all engaged. They will have a representative on the board and they will be involved in regional groups.' In the nuclear sub-sector, where the total number of employers numbered around 200, the presence of five or six big employers covering 80% of the workforce meant that, 'we have really strong employer engagement. British Nuclear Group, British Energy, Ministry of Defence, UKAEA, the Nuclear Decommissioning Authority – you've got them and they are the industry if you like.' They added, 'The challenge is the SME community and they are particularly difficult to get on board so it's actually quite a lot of work to go out and talk to them, get them involved.'

In the energy and utilities sector, employer engagement was also felt to be aided by having a 'relatively small number of big players...the 26 water companies, the big companies like British Gas, Centrica and the electricity generators…'. However, it was a different story in waste management and downstream gas (those involved in the installation and maintenance of domestic gas appliances), where there existed a 'big raft of SMEs and sole traders' who had to be engaged indirectly through trade bodies such as Corgi.

A representative with *Skillsmart Retail* considered that they had strong employer engagement, with 'major employers', notably Sainsburys, Tesco, John Lewis, Debenhams and B&Q, represented at board level, together with:

> 30 of the top 50 retailers actively engaged according to our own definitions and SSDA measures, that is supporting our sector qualifications strategy, attending meetings and advisory groups, responding to surveys, and that's measurable, we've worked it out, they cover 66% of the workforce.

According to the 2006 Skills for Business Survey of Employers conducted on behalf of the SSDA, however, awareness of the SSC remained limited to just 6% of retail establishments, while, as noted above, attempts to secure financial backing from employers had failed. Furthermore, uptake of National Vocational Qualifications (NVQs), even among large employers, such as Sainburys, ASDA and Tesco, was, prior to the Skills Pledge (see below), extremely limited and declining.

A representative with *Automotive Skills*, the SSC for the retail motor industry, gave an insight into the challenges faced by SSCs with an especially high density of SMEs and micro-businesses in their footprint. As they explained:

> 90% of our footprint is made up of micro-businesses employing less than 10 people and they are very difficult to engage at all levels. They tend to be busy and overstretched…They literally don't answer the phone and if they do they either hang up or think that you are trying to sell them something.

When it came to engaging employers at a strategic level, while there were companies 'such as Phoenix Honda' who were 'prepared to give a lot of time to us,' they were 'literally a handful to be honest.'

In the justice sector, the presence of large public sector organisations, such as the prison service in England and Wales, was seen to afford distinct advantages when it came to engaging 'employers' and determining what their needs and priorities were. As a representative with *Skills for Justice* commented:

> They [the prison service] employ 60,000 people and so you actually have one organisation that you are dealing with...If you talk to a senior person about what their priorities are, you are actually working in the context of one whole organisation.

Nevertheless, while this could help with employer engagement at board level, they also conceded, 'if you walk into any prison and ask a training manager what the training needs are you will often get a different view and they will tell you that the head of the prison service knows nothing.'

Representing the employer view

A key research question, then, is whether SSCs are able to accurately articulate and represent employers' views on skills. In the end, the ability of SSCs to do so rests upon two central claims. First, that SSCs structure their governance arrangements, for example the SSC board, advisory councils for different sub-sectors and regionally-based standing groups, so that they are broadly representative of the sector as a whole. Second, they conduct large-scale, high quality labour market intelligence (LMI) and data gathering exercises, not least those underpinning the construction of SSAs.

As noted above, however, employer engagement in higher level governance groups tends to pick up mainly larger employers, with SMEs often poorly represented at these levels. Moreover, as a representative with one SSC remarked, there is always the potential danger that one is simply tapping into the view of a 'steadfast minority'.

> What you find is that in some of the strategy groups you get the same people turning up each time and what you are actually getting therefore is the view of the steadfast minority rather than necessarily an inclusive view, and yes it's an issue. What I have asked for, and been seriously knocked back on, is some tracking of who attends these meetings and how representative strategy managers feel they are.

Indeed, they were 'not convinced that there is such a thing as "the employer view"', particularly when you moved from 'higher level scenario planning' to the detail of what employers were actually looking for or how they perceived the solution:

> There are certain common elements identified by employers which are in our SSA. At a high level, you could say there is a consensus. Where it often fragments if you like is how this should be addressed. Some companies like NVQs, others prefer to do in-house training mapped against national occupational standards and others just do their own thing.

Another SSC interviewee commented:

> The policy assumption is that employers are this homogeneous entity that speaks with one voice and that is just plain nonsense. They don't. You are talking to people at the end of the day, senior managers who have their own personal view and they are often vastly different.

A representative with one SSC even went so far as to question whether employers were capable of exercising leadership on skills issues:

> I am starting to think, and this is my own personal view, that the whole employer-led skills agenda is a load of bunk actually. It cannot work because time and time again, I have been in focus groups...and you ask employers about their skill needs, and they sit there in silence because they don't know what they need, they don't have any solutions, they expect us to come up with them.

They added:

> You talk to an employer about what they want and often what they want is free stuff basically that they would otherwise have to pay for themselves or else can't afford. There's no two ways about it, they think that the government should pay for everything, they don't see why they should which, I suppose, is the biggest single flaw in the whole idea of an employer-led skills agenda

Engaging employers directly through project-based activity

Many interviewees also spoke of the challenges involved in engaging employers directly through field-based project work. In a sector like the retail motor trade where problems with managerial skills and leadership quality loomed large (the sector has the lowest proportion of managers qualified to level 4 and above of any SSC), 'trying to engage with a relatively poorly qualified employer base on matters of education, training and workforce development present[ed] only very limited opportunities'. As a member of the operations' team at *Automotive Skills* commented:

> It's difficult...the very issue of communicating with people in the broadest sense is that there has to be a good reason why the other party to the conversation – the employer in this case – wants to talk to you and hear what you have to say and that, frankly, is often the problem. And it's always overlain with the same basic question: what's in it for me, why should I talk to you, why should I be interested in your agenda?

While there was 'an opportunity to develop a coalition of the willing', in this case the willing consisted of only a small minority.

A member of the operations' team at *Improve* also drew attention to some of the challenges involved in directly engaging with employers through projects, commenting:

> It's hard. We don't have enough resource. It's difficult to get through to employers. They don't understand who you are and what you're trying to deliver...They never return your calls, you have to constantly badger, bang on doors...Oh hell yeah, it can be an upward struggle, it's tough. And once you're in there you've only got an hour if that because they are too busy to talk to you often. Then, what's in it for me? What's the impact on the bottom-line?

Such comments were echoed by a representative with *Cogent* who said:

> The first question they [employers] will always ask is what impact will it have on the bottom line? So you need to be able to demonstrate that and that can be really hard...There are some very enlightened people who really want to get heavily involved, who are absolutely committed and want to make a difference. But you also have this enormously long-tail of employers who recognise the issues, no doubt, but who just have no interest.

A number of SSC representatives alluded to the challenges involved in getting some firms to contemplate the move to higher skill, higher value added approaches. A member of *Cogent* argued that the challenge was getting through to the owner-managers of small companies, people who had put off the move into higher value added production and who, in many cases, were 'just looking to carry on doing this for another five years and then sell up.' In the clothing and textiles industry, a representative with *Skillfast-UK*, acknowledged that 'there is still an element of the low skill equilibrium problem', noting that some companies were 'sticking within fairly narrow parameters in terms of product strategy which means that they can stick with fairly basic skills development strategies.' In an industry exposed to low cost competition from overseas, this was not necessarily a considered response, given the alternatives, but was more a case of 'putting the blinkers on even though margins are tight and sustainability's not that great.' By contrast, a spokesperson for *Skillsmart Retail* noted that in the mass retail sector, insulation from such global market pressures meant that for many of the large multiples, 'Price-based competition is doing well, so their skill needs can sometimes be relatively modest; what they need is the logistics and supply chain management.'

Tailoring strategy to resources

A key research question is whether SSCs are adequately resourced and have sufficient staff to undertake their responsibilities (see House of Commons 2007a). SSCs differ markedly in terms of their staffing levels as illustrated by the examples provided in **Table I** below:

Table I: Selected SSC staffing levels

SSC	Number of staff
Construction Skills	1400-1500
Skillset	Circa. 150
Skills for Justice	65
Energy and Utility Skills	62
Automotive Skills	36
Improve	33
Cogent	30
Skillsmart Retail	28
Skillfast-UK	28

For smaller SSCs, current resource and staffing levels meant that there were limits to the scale of direct engagement with employers through project work that was possible. As a representative of *Automotive Skills* explained:

> In many cases, SSCs just don't have the resources to do what they are tasked to do. Some are much better off in this respect. *SEMTA* and *Construction Skills* for example employ many more people but most have only a few individuals working on employer engagement.

At *Improve*, where the operations team numbered just six, one interviewee commented, 'We just can't be all things to all people.' A representative with *Skillfast-UK* also asked, 'How do you resource a campaign to engage with every chunk of the 41,000 businesses in our footprint?...Other SSCs may be in a different place on this, for example the *Skillsets* and *Construction Skills* of this world. They've got a levy and the resources for that kind of mass engagement. We haven't.' At *Skillsmart Retail*, the SSC had launched 'upwards of 70 projects' aimed at helping 'around 2000 small independent retailers' in a number of local areas to 'raise their game through skills'. However, as one representative explained the reality was that 'we are just not resourced to undertake the volume of this type of project as we would like.'

Faced with resource constraints, some SSCs had therefore begun to re-think their employer engagement strategy. *Improve*, for example, had recently adopted a system of what it termed 'key account management', using different forms of engagement for different segments of the employer constituency. This essentially involved identifying an 'upper tier' of 40 'key employer contacts', usually senior level executives drawn from the UK's top 100 food companies, to help inform SSC strategy. Below this was a 'second tier' of 20-30 key employers in each of six regional areas with whom the SSC would work on a regular basis 'to develop key actions emerging from our SSA'. All other employers, particularly SMEs, would be engaged indirectly through 'third party arrangements', such as food groups, trade associations and Train to Gain brokers. Overall the aim was to 'deliver employer engagement in a more strategic way with a smaller number of key account employers.'

Similarly, *Skillfast-UK* had recently sought to evolve what it saw as a 'more strategic and targeted approach'. As a spokesperson explained:

> In the early days, we were much more focused on an operational project-based approach, sourcing funding for employers to undertake training in the workplace, developing the capacity of employers to develop a training plan etc. Now we see our role more as a strategic body engaged in the development of products, services, strategies that will produce a more demand-led infrastructure...

Once again, the aim was 'to work with key employers' in pursuit of high quality engagement for a specific purpose, such as developing a qualification or action plan, 'rather than simply raising awareness'.

At the apex of the new system would be a group of 100 'Skill Champions' – high profile, well-connected employers who would act in an 'ambassadorial role' in support of mechanisms and products to develop 'economically-valuable skills'. Below these would be another tier of around 100 'Skill Developers', 'again typically employers that we are already working with', who would liaise closely with the SSC, through its sector/country advisory groups and technical work groups, to inform the development of products, services and qualifications. Owing to the logistical problems of getting employers together in one place at any one time, the aim was to have 'virtual groups' covering each sub-sector and coordinated by a business development manager.

Below Developers would be a broader group of 250 'Skill Verifiers', 50 for each of five sector advisory boards, whose role would be to regularly participate in telephone-based surveys to help test whether decisions taken by Champions and Developers accurately reflect the needs of employers in the sector. Here, the aim was to develop a systematic and sustainable mechanism for a process that was previously conducted on an *ad-hoc* basis, whilst at the same time 'avoid[ing] consultation fatigue'. Finally, there would be 'skill users' – in effect, employers who use the products, training and qualifications developed by the SSC and who are typically engaged indirectly through intermediaries such as trade bodies.

Employer-led versus state-led

Several interviewees argued that the challenge of employer engagement was often compounded by the role of government and the fact that the E&T system had over many years been subject to frequent and recurrent bouts of change. Not only was the institutional landscape regarded by many employers as incredibly complex but a hyperactive state could engender a deep mistrust of the short-term nature of government initiatives. As a representative with one SSC put it, 'There's a natural suspicion in the private sector of any government initiative being a flash in the pan, a here today, gone tomorrow, six month wonder.' Another commented:

> Employers get frustrated with yet another initiative, yet another government body, yet another quango, always knocking on their door and they are becoming very confused as to what is out there because the system is becoming so incredibly complex, with so many different training providers and agencies.

The same interviewee also questioned whether the E&T system was really employer-led and cited the example of government-driven initiatives like 'Train to Gain':

> They [employers] often don't feel that their voice has been heard or that they have really been listened to...They are really fed up with the prescriptive nature of government in terms of dictating what the solutions will be. Train to Gain is an excellent example of that.

Several interviewees also expressed concern about the way in which Train to Gain was being implemented and the failure to pay sufficient attention to the needs of particular sectors or firms. One commented, for example:

> It's not about going into companies and looking at how to improve the bottom line by changing skills. No, it's about what training, what level 2 is available and how you can get funding for that...For us, that's a real limitation because a lot of our people have non-accredited training to level 2 and actually the priority for us is level 3, the advanced apprenticeship. What benefit does a company get then by doing the NVQ 2? The company already has the skills so the company won't see any big change except now the employee has got a bit of paper.

Another made a similar observation, noting:

> The supply-side still drives it. Even now with Train to Gain we go in [to the firm] with our brokers. They do a kind of organisational needs analysis but inevitably they bring in a provider to offer the solutions and it is they who will determine whatever the employer takes up.

In what appears to be a positive move, however, a group of five manufacturing-based SSCs – *SEMTA, Proskills, Skillfast-UK, Cogent* and *Improve* – are working together with the LSC in the West Midlands to try to develop 'specialist' Train to Gain brokers with a more in-depth knowledge and understanding of the specific sectors that they are dealing with.[x] As one SSC interviewee commented, 'although there are always going to be issues with deadweight around something like Train to Gain because if you are target-driven you are not going to make things hard on yourself', tailoring the Train to Gain offer could yield improved results and had the potential to 'really unlock some added value.'

More generally, many interviewees were concerned about the use of national qualifications targets that failed to take account of the particular needs of different sectors. One interviewee noted for example that, 'The problem with the level 2 target is that it has become a perverse target. It has turned into a desperate search to qualify people to level 2 but most people working in our sector are at level 3 or 4, so there may be other priorities that the government is not funding at all.' For another interviewee, it was the case that, 'The government's PSA [Public Service Agreement] targets around a level 2 qualification are irrelevant to a lot of our sector.' They argued in favour of a 'loosening of the policy obsession with level 2' and the need for policy makers to develop a better appreciation of sectoral needs. Without this, there was always a danger that an SSC could be asked to help meet targets that simply didn't make sense as had happened in the past with apprenticeships:

> We're always the one to try to bail out the LSC with company X and company Y because it's missing its apprenticeship target and we have to sit and work out how were going to help them meet that. We were the first SSC they came to because they could see this pool of unqualified people out there who could be corralled into this and they could tick the box and say they've all got an NVQ 2 now which is short-sighted.

Implementing Leitch

Interviewees were also invited to comment on the Leitch agenda and how they saw this playing out in their sector. The discussion focused on two key areas – the role of employers/SSCs in redesigning vocational qualifications, and delivering the Skills Pledge.

Qualifications reform

Central to the Leitch agenda is the idea of enabling employers to certify, with nationally-recognised qualifications, their in-company formal and informal training. Here the aim is to 'allow individuals to gain credit for what they achieve through their company's training scheme, and put that towards a nationally-recognised qualification', thereby 'marrying... [employers'] specific skill requirements with widely recognised, portable qualifications held by individuals' (DIUS 2007: 41). For government, this is seen to offer a potential mechanism for linking employer provided training, the vast bulk of which is currently non-accredited, to policy efforts to boost the nation's stock of qualifications.

One question which emerges is whether it will be possible to do this in a way that is non-bureaucratic and cost-efficient, especially given that the existent methodologies for certifying workplace learning (particularly anything that is not a formalised off-the-job course) tend to complex, time-consuming and expensive (see Evans et al 2006). As a representative with one SSC acknowledged:

> It certainly has the potential to be costly and bureaucratic. We know at the moment that there is in-house training being carried out and if it is subject to any form of internal verification it is normally company staff doing that as part of their role. Once it becomes part of an accredited qualification you need external people, assessors, to

look at it...Even if you avoid the worst traps of the NVQ, history suggests that the external audit is going to be complex and bureaucratic.

Nevertheless, many interviewees welcomed the Leitch proposals to give employers a bigger role in qualification approval and design, and regarded the accreditation of employer-training within a more modularised, credit-based approach as particularly helpful in terms of developing qualifications that were more in tune with what employers wanted. A representative with *Improve* argued that:

> The NVQs to date have been too general and sometimes inappropriate and so what employers have done is that they have completed the relevant modules for whatever job role and ditched the rest. They are not bothered about completion rates and so the NVQ system has had a bad name.

The aim of *Improve's* Sector Qualifications Strategy (SQS), therefore, was to 'have more bite-sized chunks of learning' with 'a range of different modules that employers can choose from to ensure that the training a person has is fit for purpose.'

A representative with *Cogent* was 'absolutely certain' that employers wanted more say in how qualifications were designed and packaged and saw the accreditation of employers' in-house training provision as positive and fitting well within a modularised approach:

> I don't think we are talking about accrediting massive amounts of employer training though. Our aim is that some of the modules will come out of employers and be put into a qualifications framework, so people take the modules, get credits for that, and build them up into a full qualification. We are already running a pilot with the LSC on the NVQ 2 for polymers and level 3 for chemicals breaking it down into modules that can then get accreditation.

A spokesperson with *Skillsmart Retail* explained how larger firms in the retail sector, such as the big supermarkets, had developed sophisticated systems of record keeping for logging and mapping the training that staff received.

> There is a lot of in-house training going on...But where the big retailers will run a mile is when it comes to the accreditation and quality assurance of these things. They don't want the sort of systems that government imposes on them, the perceived bureaucracy if you like.

However, they went on to add:

> You can look at the training and development activity and compare that to national occupational standards and see where the overlaps and the gaps are. If their HR system is a good substitute for verification and assessment, if they meet the criteria [for the NVQ], then you can envisage this in-house training being accredited. They will do it with our help.

In general, then, what we are likely to see is the provision of public subsidy for some limited accreditation of prior learning.

Delivering the Pledge

Most interviewees remained open-minded about whether employers in their sector would be prepared to commit to the Leitch targets, arguing that it was still too early to say how this would play out. One area where interviewees did voice concerns, however, was in relation to the Skills Pledge. A spokesperson for one SSC argued that the real skill challenges in their sector were at level 3 rather than level 2. Although they had 'taken one employer down to sign the Pledge' at its public launch in London, they had been concerned to modify its wording to include 'a full-level 2 or equivalent'. As they explained, 'In our sector, employees are often well trained but not necessarily accredited so the idea that a 40 year old has to go away and do an NVQ 2 just doesn't make sense. So we wanted the word 'equivalent' included and that's what we signed off.'

In other sectors, particularly those with low levels of formal qualifications, there was a concern that employer buy-in would be limited and that they would be drawn into a difficult situation of having to 'sell the Pledge' to employers. One interviewee commented that, 'for those working at operative level, the real issue is that they don't need a full NVQ 2 to do the job, with the result that they [employers] don't want to pay for it and an even bigger factor is not wanting to release employees from work.' They added:

> There is some evidence that they [the government] are beginning to see SSCs as a kind of LSC equivalent at sectoral level and a delivery mechanism for the government's agenda. If we allow ourselves to be pushed into that role it will, I think, create major problems...We don't think it [the Pledge] is appropriate or rather our employers don't, in fact they've already told us it isn't. As an SSC we have signed up to it but we are in a difficult position on this one.

Another SSC interviewee commented upon how they 'didn't have any employers prepared to sign the Pledge on the day of the [London] launch'. They went on to add that getting employers to do anything about the 'basic skills' element of the Pledge would also be extremely difficult because 'employers will always say it's the fault of the school system and it's the government's job to sort this out, not theirs.' A spokesperson with another SSC felt that, 'the issue will be trying to explain to employers the value in this. They may very well turn round and say we don't need a level 2 qualification for these people because a lot of our training is in-house and non-accredited. What we are trying to do therefore is see if we can map some of this in-house training against national standards so that they can build towards a full qualification.'

A spokesperson for *Skillsmart Retail* explained how some of the big employers in the retail sector, such as Sainburys, B&Q and Dolland and Aitchison, had already signed the Pledge. The assumption would appear to be that the big retailers will be able to offer opportunities for their staff to acquire a full NVQ level 2 largely through the accreditation of the company's existing internal training provision. Indeed, *Skillsmart Retail* has actively lobbied for this as a way of building employer commitment to the Pledge. With large employers, such as Sainsburys already signed up, it is expected that others, such as ASDA and Tesco, will soon follow suit.

The sticking point as far as the big retail employers are concerned may not be delivering the NVQ level 2 then so much as committing to the 'basic skills' element of the Pledge. The level of literacy and numeracy demanded *within the job* of a 'shelf-stacker' or checkout operative, where the machine instructs the assistant what change to give, may be relatively limited. Sir Terry Leahy, the chief executive of Tesco, in a speech to a CBI summit on skills, has already warned ministers that while business 'can – and should – add to the basics in the training we offer', it cannot be expected to 'act as a bandage or sticking plaster for the failings of some parts of our education system' (Elliot 2007). Persuading retailers that they need to provide staff with opportunities to develop basic skills is likely therefore to represent a real challenge. *Skillsmart Retail* is, however, currently engaged in developing sector specific numeracy and literacy qualifications which are expected to be similar to national tests at level 1 – the level expected of an average 11 year old.

One might ask a number of questions at this point. To what extent can an NVQ level 2 in customer service, achieved mainly through the accreditation of prior learning and with a level 1 literacy and numeracy component, offer a stepping stone to progression? What currency will such a qualification have in the labour market, given that research has already shown that many level 2 vocational qualifications fail to attract any wage premium (Dearden et al 2004, Wolf et al 2006)? What benefit will employees derive in terms of their actual skill level, wages, or progression opportunities and will this be sufficient for them to want to acquire such a qualification? Given that the business strategy of the organisation remains unchanged, and employees return to jobs which are essentially the same as before, how will this lead to improved performance and productivity?

If the benefits might be in doubt, it is also worth remembering that government may, through Train to Gain, find itself effectively paying for the accreditation costs of some of the richest corporations in Britain. Furthermore, public funding for so-called adult 'leisure' and 'personal development' courses in FE – learning that has been seen to have measurable benefits in terms of health, citizenship and personal well-being (see Schuller et al 2004) – is currently being cut back in England, with the result that the cost of such courses to learners is rising sharply (see also Wolf et al 2006: 557). Ironically, some of these learners will be in relatively low skill, low paid jobs in areas like retailing where the offer will be an NVQ level 2 awarded through the accreditation of the company's existing training provision.

Discussion and conclusions

UK sector skills councils are seen by policy makers as playing a pivotal role in moving towards an employer/demand-led skills system as outlined in the recent Leitch Review. In light of this, the paper has explored what SSCs *themselves* regard as being some of the main challenges in relation to employer engagement – the very lynchpin of an employer-led system – together with the strategies that they are devising to address them.

The research suggests that there is still some confusion among SSCs in terms of what 'employer engagement' means and what counts as an 'engaged employer' which feeds into debates as to how SSC performance might be effectively measured and evaluated. Given the problems of getting private-sector employers to provide financial backing to SSCs, there is a growing argument that this may not be the best measure of employer engagement or, for that matter, an appropriate focus of SSC activity (see Leitch 2006, House of Commons 2007a). However, the question remains: if employers are not prepared to engage with SSCs to the point where they are willing to fund them in what sense can they really be described as 'employer-led' bodies as opposed to state institutions?

The research confirms that the challenge of engaging SMEs and micro-businesses is one that is keenly felt across *all* SSCs. On quantitative measures, SSCs with a high proportion of such establishments in their footprint effectively start four furlongs behind the rest of the field in 'the employer engagement stakes' and face a particularly difficult challenge in terms of ensuring that the views they express are fully representative of their sector. Even in sectors with a more concentrated employer base, however, there is always the potential danger, as alluded to by one interviewee, that the involvement of key employers in 'strategy groups' risks tapping into the view of a 'steadfast minority'. Another suggested that with SSCs now being asked to determine which qualifications are fit-for-purpose, 'SSCs could run the risk of responding to the minority views of "warm" employers who may have specific influence over the management of SSCs.'

The research found that some SSCs were however beginning to rethink their employer engagement strategies, moving away from direct project-based work towards a more 'strategic and targeted approach' focused upon a number of 'key employer contacts'. Although presented as a more strategic approach to employer engagement as well as a practical response to resource constraints, it is possible to interpret these moves as an attempt to come to terms with the problems SSCs face in engaging a long-tail of non-committed employers, particularly in sectors with high concentrations of SMEs. Inevitably, with limited resources, the default may be to try to engage, through 'standing groups', those already persuaded of the importance of the skills agenda, while using other intermediaries, such as trade bodies, as a proxy for the rest. Whether this will be enough to satisfy stakeholder concerns as to the ability of SSCs to act as representative voice of employers in what are often highly heterogeneous sectors, however, remains to be seen.

This research cannot, of course, provide a definitive assessment or measure of the ability of these seven SSCs to engage employers in their sector. Indeed, with employer engagement the main criteria for re-licensing decisions, SSCs might be said to have a vested interest in downplaying the problems that they face in getting employers to back them and support their work. Even so, these voices do provide an insight into some of challenges that SSCs confront which, in some cases, may give cause for concern. The experience of trying to engage employers in one sector for example had left one interviewee questioning the very concept of employer leadership.

Clearly, the challenges are not uniform and vary significantly from one SSC to another depending upon the nature of the sector and its propensity to engage in training and development. Nevertheless, many of the challenges alluded to by interviewees, such as the reliance upon state funding, inadequate resources and relatively low staffing levels given what SSCs are expected to deliver, and, in some cases at least, what appears to be weak employer buy-in, are distinctly reminiscent of the problems faced by earlier voluntary sectoral bodies in the UK. This inevitably begs the question of whether history may once again be about to repeat itself.

It is also clear from the research that interviewees perceive significant tensions between the interests and priorities of the state and employers in the area of publicly-funded education and training provision, with many prepared to question whether the system is really 'employer-led' as opposed to state-driven. Particular concerns were voiced in relation to the use of blanket qualification targets and 'one-size-fits-all' programmes, like Train to Gain, which often failed to take account of the particular needs of sectors and firms. Many interviewees would appear to agree with a recent comment made by John Stone of the Learning and Skills Network to a House of Commons Select Committee when he described Train to Gain as 'the sort of demand-led you get in your Russian supermarket, you can have anything as long as it is a level 2, anything as long as it is potatoes, whereas employers, Sector Skills Councils, providers, are all screaming actually "This is not what people want"' (House of Commons 2007a). More generally, the fact that sectors have very different needs raises important questions surrounding the balance of current funding priorities in the post-Leitch era. In a supposedly 'employer-led' system, what will happen, for instance, in situations where SSCs request funding for items in their SSAs which do not fit with the Leitch targets?

Many interviewees did however welcome the move to allow employers to accredit their own in-house training within a modular, credit-based qualifications framework and were insistent that employers were often frustrated by a centralised funding regime which encouraged providers to focus on full accredited qualification. This echoes a comment made by the 157 Group of Colleges to a recent House of Commons Select Committee, namely that 'the largest single complaint from employers [is] that unless they sign up their staff to a full qualification then they can receive no funding support' (see House of Commons 2007a). The Committee goes on to state therefore that while 'the move toward a credit-based system is very welcome...[it] should be accompanied by parallel changes in terms of what is fundable.' A representative with one SSC raised the question however: 'Is the government going to fund modules? Because if they turn round and say no you've got to build it into a full qualification then the whole concept has vanished.' It should also be noted that the construction of a coherent Qualifications and Credit Framework that is needed to underpin such a system is itself likely to prove a complex undertaking and one which, as yet, remains some way off in England.

Another potential sticking point going forwards is likely to be the Skills Pledge, whereby employers are asked to voluntarily commit to helping members of their adult workforce acquire basic skills and a first full level 2 qualification. There are clear indications that some SSCs, particularly in less formalised sectors, do not expect employers to buy into this and fear that they will be placed in a difficult position of having to 'sell the Pledge' to a largely disinterested employer constituency. Indeed, why should the owner of a SME voluntarily commit to helping meet an arbitrary government target where this has no relevance to their business requirements, especially given that the state's 'threat' is one of *compulsory subsidy* (through Train to Gain) should progress be judged inadequate in 2010?[xi] In some sectors, such as retailing, however, it looks increasingly plausible that some of the larger employers, concerned about their own corporate 'image' as well as that of their sector, will take the Pledge, provided that they can meet its requirements through the accreditation of their on-the-job training at limited cost to themselves. What benefits this will bring, whether to the business or their employees, however, is another matter.

There are, of course, many other questions that might be posed about the state's latest quest to develop an 'employer-led' E&T system in England. How much influence will employers be able to exercise over skills policy through the new UK Commission for Employment and Skills, given that the government has already indicated that, 'It will not have significant executive or operational functions, but will be primarily advisory...' (DIUS 2007: 38)? How does Leitch's aim of moving away from supply-side planning square with the heightened emphasis on blanket qualification targets – what might after all be regarded as state planning by another name? What is the likelihood of employers signing up to a Leitch 'deal' which is purely of the government's own making (normally 'deals' emerge from a process of negotiation)? What will happen then should the sum of employers' voluntary training investments, particularly at levels 3 and 4, fail to add up to the Leitch targets? The history of national learning targets, many of which have been missed in the past, does not augur well here. Furthermore, if the desired 'step change' in employer investment is not forthcoming, will the state be willing to resort to even higher levels of public subsidy in a bid to secure employer 'buy in' and are there any limits on this? How are problems of 'deadweight' and the wastage of tax-payers' money to be avoided and how far can one realistically describe such as system as being 'employer-led'?

If concepts such as 'employer leadership' and 'demand-led' are to have any real meaning, government may need to step back and consider why employers do not always behave in the way that they expect them to – an opportunity seemingly passed up by Leitch. For many organisations, skills are often a third or fourth order issue dependent upon first and second order decisions around product market positioning, work organisation and job design (see Keep and Mayhew 1999: 12). In other words, skills (still less qualifications) may not always matter quite as much to some employers as policy makers believe, and, even where they are a priority, employers often find that the state's offer of assistance does not meet their particular requirements. Thinking ahead, greater consideration may need to be given to how the Leitch targets might be broken down and made more relevant to different firms and sectors. Policy makers might also consider how skills policies can be better integrated with wider economic development and business improvement initiatives that are capable of *raising* employer demand for skill (see House of Commons 2007a, and for some recent Australian attempts, see Payne 2007). There are indications that in Scotland at least policy makers are now beginning to turn their attention to this (see Scottish Government 2007). Devising ways of helping employers to work together and take more responsibility for the development and deployment of skill is perhaps the greatest challenge currently facing skills policy in the UK.

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Notes

[i] Employers are allocated 40% of the seats on the LSC where they serve in an individual capacity (Keep 2006).

[ii] Equivalent to five 'good' GCSEs at grades A*-C, what the government regards as the minimum platform for employability in the labour market.

[iii] The Employer Training Pilots (ETPs) were launched in England in September 2002 to provide low skilled workers with free, or heavily subsidised, training to achieve basic skills and a first level 2 qualification. Employers who gave staff paid time off to train were provided with wage compensation (of varying degrees depending on pilot area). In 2004, ETPs were rolled out across England in the form of the Train to Gain programme. This broadly follows the ETP model by offering heavily subsidised training to level 2.

[iv] 'Basic' refers to functional literacy and numeracy skills, level 2 equates to five 'good' GCSEs at grades A*-C, Level 3 equates to two 'A' levels, level 4 equates to a degree *or their vocational equivalents* as specified in the national qualifications framework. The targets are ambitious aiming for example to have 90% of adults qualified to level 2, and 40% of adults qualified to level 4, by 2020 (see Leich 2006: 3, DIUS 2007: 9).

[v] Government funding of Train to Gain will exceed £900 million by 2010/11 (DIUS 2007: 10).

[vi] The government has ruled out statutory levers, such as training levies, except in sectors where SSCs can demonstrate that they have the full backing of both employers and trade unions (see Leitch 2006, DIUS 2007).

[vii] The MSC survived until 1988, largely because the Conservative government after 1979 needed a body that could help administer training programmes for unemployed youth and the long-term unemployed. It was subsequently replaced with local 'employer-led' Training and Enterprise Councils (TECs) and later the LSC where employers were to serve in an individual capacity (see Keep 2006).

[viii] There have been several practical illustrations of such weakness. As Williams (1999) notes, while the CBI was an enthusiastic supporter of NVQs, it soon discovered that it could not direct its members, let alone its non-members, to take them up. It was much the same story when in 1989 the CBI called for an end to 'jobs without training' for young people, only to discover a decade later that nothing much had changed (see Keep 1999: 328).

[ix] There are of course exceptions. For a brief period in the 1970s Britain experimented with neo-corporatist institutions such as the National Economic Development Council. However, as Rainbird and Grant (1985: 7) note, such interventions have been largely *ad-hoc* and limited.

[x] SEMTA is the SSC for science, engineering and manufacturing technologies industries. Proskills is the SSC for the manufacturing process industries.

[xi] Even if government were persuaded to introduce an individual entitlement to training at level 2 on the Train to Gain model (see Leitch 2006: 96), it would still have to be enforced through employment tribunals which may prove problematic.