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ISBN 1 84185 617 7

PP80D10/44844/1001/53

## Meeting the Sector Skills and Productivity Challenge

# Introduction

1. This policy statement is the government's response to the "Building a Stronger Network" consultation on the future of National Training Organisations (NTOs) published in January 2001. The statement has been agreed by the Lifelong Learning Ministers in the four administrations across the UK.
2. This is an important statement in an on-going process to build a stronger sector network and bring employers more centre-stage in tackling the UK's skills, productivity and competitiveness challenge. Many employers already invest significantly in their workforce, and a number of achievements have been secured by NTOs in recent years. A step-change in performance, however, is needed. The new network of Sector Skills Councils (SSCs) will enable employers to build on this and give them a stronger voice in the planning and delivery of learning and skills. This statement sets out the key policy principles we wish to follow in building a stronger sector network and the steps we believe are necessary in order to do this.
3. Over the coming weeks we will publish a detailed development guide which will set out how the new sector network can be formed. We also recognise the need to engage more fully with the business and employer community. Government departments and the devolved administrations will work together to win the support of more employers and business in the sector skills challenge. The new policy framework set out in this paper will enable us to do this.

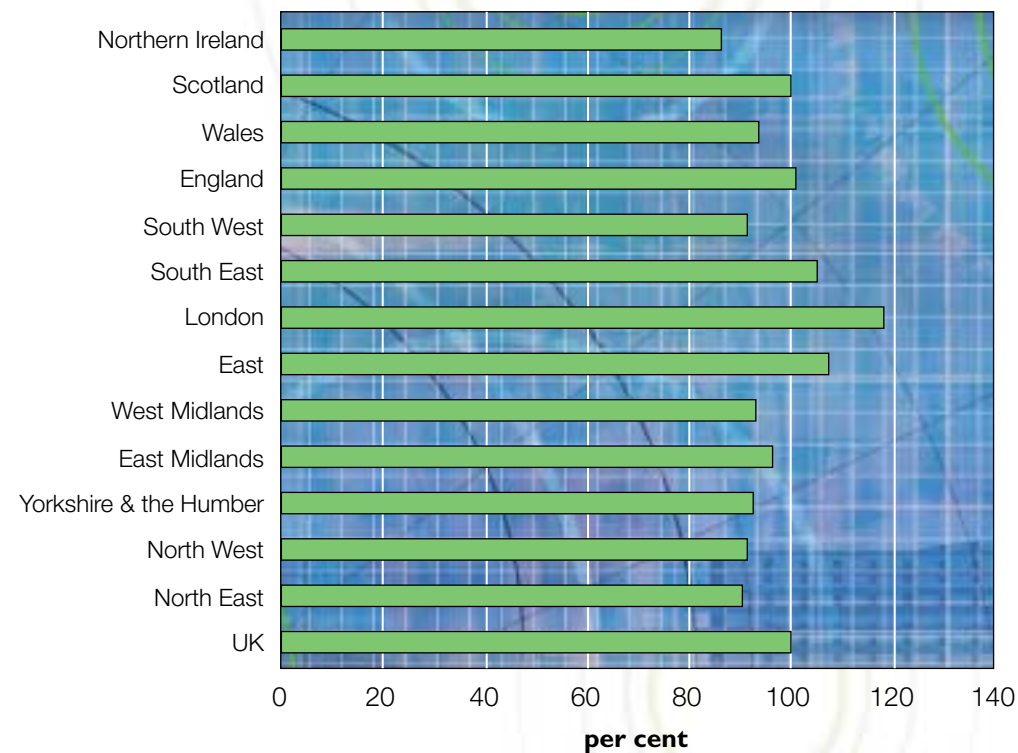
## We will forge a new relationship with employers – public and private – to help make a step change in UK productivity

4. Today's employers operate in an environment that demands new and constantly developing skills. That demand is driven by the need to be more competitive and to modernise our public services. In response government<sup>1</sup> is increasing investment in education and training as a proportion of national income.
5. While many employers in both public and private sectors invest significantly in the development of their own workforce, they also expect that publicly funded provision and initiatives meet their requirements. But many employers are concerned that the system seems dominated by colleges, training providers and their teaching staff rather than the consumer voice of employees and employers.
6. That is why we intend to ensure that government, employers and individuals can contribute better to the planning and delivery of training and education. We plan a new partnership bringing together public institutions, the private and voluntary sectors, and employers to meet the UK's medium and long-term skills and business needs for the 21st century. Our approach will build on the important advances made by NTOs.
7. But the response to the consultation argued for a step-change in performance of NTOs to meet better the demands of employers. We believe this step-change is essential if we are to achieve the fastest rise in productivity among our international competitors. We must better match skills supply with demand and take more account of the skill needs of different sectors.
8. Substantial public investment is devoted to promoting competitiveness and productivity on a sectoral basis, through the Department for Trade and Industry (DTI), devolved administrations and other departments sponsoring business sectors. This includes programmes to support innovation and good practice, improve businesses' use of the workforce and their ability to apply technology. In the public sector, departments are investing very substantially in upskilling the workforce in health, education, the police and defence, for example. The Enterprise Network in Scotland has a strong sectoral focus, as does action to promote employment through New Deal programmes like Ambition IT and Ambition Retail.
9. The system for supplying the UK's skills and workforce development needs is being overhauled. The Learning and Skills Act 2000 introduced the most radical shake-up of post-16 education and training in England and Wales since 1945. For example:
  - Planning and funding of all academic and vocational post-16 further education and training outside higher education is integrated within the Learning and Skills Council (LSC) in England.
  - The National Assembly for Wales also includes higher education through ELWa – Education and Learning Wales.
  - Business-led Regional Development Agencies (RDAs), in England, have a key role ensuring that skills and productivity become the engine of regional and economic growth.
  - Targeted support for small firms is provided by the Small Business Service (SBS) in England.
  - The Scottish Parliament has launched an inquiry into post-16 provision, which has the potential for substantial proposals for change after it reports next year.
  - The Northern Ireland Programme for Government and economic development strategy provides a set of arrangements to address supply and demand for skills. The Northern Ireland Assembly is currently considering a report from the Committee for Employment and Learning on education and training for industry.
10. The UK benefits from strong economic performance. Since 1997, sound economic management has been underpinned by Bank of England independence and the lowest interest rates for 37 years. The UK has among the highest employment rates and lowest unemployment rates in the Organisation for Economic Co-operation and Development (OECD) And by pursuing economic stability and long-term growth, we have been able to invest in the modernisation of our public services. Together, these factors make it easier for individuals and business to succeed: they also encourage long-term investment.
11. Such economic strength has been underpinned by a remarkable transformation in the educational achievement of UK workers. More young people stay on in education or training. As more young people have stayed on in education the proportion of 19-21 year olds with Level 3 qualifications as their highest qualification has doubled and the proportion of 22-24 year olds with degrees has increased from 1 in 8 to over 1 in 5. These better-qualified young people are the backbone of many new information technology and service industries.

<sup>1</sup> Refers to the Department for Education and Skills, sponsor government departments and the devolved administrations in Scotland, Wales and Northern Ireland.

12. But we still face major challenges. UK productivity is lower than in other advanced economies; output per UK employee is 42 per cent below that of the American worker and 14 per cent below that of their French or German counterparts. The average American worker produces goods or services worth £6,000 more than their British counterparts each year. Productivity gaps are not just international; there are significant national and regional differences within the UK too.

Productivity measure by region, 1999



13. The key to meeting the productivity challenge is skills. At basic skill levels, for instance, over 20 per cent of the adult UK population lacks functional literacy according to the International Adult Literacy Survey, with only Ireland and Poland of the thirteen countries surveyed faring worse. In contrast, in Germany less than 10 per cent of the workforce lack such basic skills. UK performance at the upper end of the skills range is better, with a higher rate of participation in higher education than most of our competitors.

14. The traditional British deficit in technical skills is an important casual factor in our productivity gap. We have significant skills gaps at levels 2 and 3 compared to our competitors with, for example, half the proportion of our population qualified to level 3 or above compared to Germany (37% compared to 74%). And despite improvements in company-backed training, many poorly skilled non-professional employees do not receive training from their employer. Management and leadership skills are also critical throughout the workforce. There is a particular need for skilled people who can manage and exploit new technologies and new ideas. Levels of investment in skills and workforce development remain too low but, the problem, in part, has been the absence of institutions that can highlight the importance of workforce skills and mediate between employers and training providers or colleges. But it is at the intermediate, craft and technical level where we have a striking skills gap with our competitors – 44% below Germany, for example.

15. Meanwhile, recent output, growth and employment indicators suggest that both business and policy makers are paying more attention to the skills needs of different sectors. And while the global economic downturn is affecting those sectors most reliant on exports or with multi-national parent companies (particularly in the manufacturing sectors), consumer spending and confidence at home continues to support strong domestic demand. Overall output has risen by 1 per cent in the last two quarters, but manufacturing has contracted by 2% since January 2001. Confidence and consumer spending in the service industries, however, remains buoyant. But balanced growth requires us to develop new employer partnerships to work collaboratively across the UK and across sectors.

### The importance of sectors

16. Recognising the needs of different sectors is essential if we are to keep on top of changing employment patterns. Jobs in some sectors may contract with technological change and new patterns of consumer demand; but in other sectors, those same factors may provide new jobs. That has been the story of the last few years in the UK. By making the transition from contracting to expanding areas of employment easier, we help to maintain high levels of employment. Addressing the needs of specific sectors therefore, is one way of helping employers address patterns of industrial change.

17. To achieve full employment means we must ensure that people are properly trained for the jobs on offer. We need to be better able to identify how economic trends will lead to changes in employment patterns. And that requires a stronger sectoral perspective. Businesses compete within sectors; they often trade within them too. We now talk in terms

of skills shortages in the construction or IT sectors, rather than the general economy. And we seek to better meet training needs sectorally through labour market programmes, like New Deal.

18. While firms may compete and be structured differently, those operating in the same business sector often share common problems. They use similar technologies and face similar challenges. While there are skills common to every sector, firms tend to learn from within their own sector what constitutes good business practice and what works best for staff development.
19. These similarities are important for four reasons.
- Distinctive business trends and circumstances mean changes in the skills required which may be common within sectors.
  - Providers of education and training can only effectively meet these skill needs if they respond to individual sectoral requirements.
  - Businesses can only become more productive when they have appropriately skilled employees. The sectoral dimension is critical to planning and delivering this.
  - The scope for collaboration between firms in developing best practice in training is often greater for firms within the same sector.

### The missing dimension

20. While arrangements introduced since 1997 have made planning and delivery of education and training more responsive to the learner, the demand-side has remained underdeveloped. NTOs were intended in part, to respond to sectoral demands. While many have made progress and there are some strong NTOs, the network has not delivered the fundamental, wide-ranging change that is now needed. The recent consultation concluded that NTOs are unlikely to deliver the step-change required in the future. Respondents felt that stronger employer engagement and commitment are essential. NTOs are not seen sufficiently to understand employer needs; the quality of sector skills analyses are too variable; too many fail to appreciate how training might improve business performance or public services; too few have sufficient reach or influence in their sector; too little is done to articulate business expectations in schools, colleges or universities, and their perceived lack of credibility means that too many senior employers and trade unionists declined to engage with them.

21. A voluntary approach to employer training does not always create the best climate for widespread collective action by employers. Poaching or the fear of losing skilled employees can discourage sector-wide investment in improved quality and better training, as well as the framework needed to deliver them. Businesses focus on the short-term bottom-line and are less concerned about longer-term trends. There is also a need for more companies to focus on the learning of the whole organisation, not just individuals within it. The UK is no different from other market economies in this regard. Public support for employers is important if we are to achieve significantly improved skills and productivity. That is why we need new and stronger partnerships, which provide a better link between similar businesses and public sector organisations across the UK. This new employer-government partnership with sectors can reduce the deficit in specialist, trade or higher technology skills and link skills development to wider competitiveness and productivity issues.

## We are ready to give significantly more backing to employers working through sectors

22. Our new proposition will place employers firmly in the lead. It will give significantly more responsibility to groups of employers who are prepared to provide influential leadership and take action on meeting their sector's skills and business needs. In return, we are ready to offer greater support from government, greater dialogue with government departments, and greater influence with our agencies and education institutions.
23. Other sector-based stakeholders and in particular trade unions are playing an increasingly active part in promoting investment in skills and workforce development. Though the new sector-based skills bodies we propose will be employer-led, we expect to see representation and involvement of appropriate trade unions and other sector interests.
24. We want to see a strong and well-informed sector involvement in all aspects of skills supply throughout public, private and voluntary sectors. Employers have a vital role to play in articulating demand-side needs. We want to see sectors mainstreamed throughout the system bringing greater influence to bear on schools, colleges and higher education, across the whole spectrum of academic and vocational provision. And we want to see strong business-led organisations that can focus on the key drivers for improved performance in different sectors, and can take the lead in influencing employers to adopt leading edge skills and workforce development practices.
25. Strong sectoral organisations along these lines will help bring about a demand-led system that delivers better skills, increased productivity, and improved economic performance. We will do this by building on the achievements of NTOs to create more powerful alliances of employers within sectors. In return for strong and influential leadership from employers and the active involvement of trade unions, government will commit itself to a new relationship with employers and place new requirements on public agencies to work with and consult employers through sectors.

## We are inviting employers to set up a new network of Sector Skills Councils

26. We are therefore, inviting employers to set up a new network of Sector Skills Councils (SSCs). These will not be government organisations or non-departmental public bodies but will be developed by employers and others in the sector. In some cases employers will build on existing successful NTOs. Employer-led SSCs will have more authority and more impact, and they will operate in public, private and voluntary sectors across the UK. SSCs will form part of a stronger, smaller network of better-resourced organisations able to achieve real impact in their sectors.
27. The key focus for SSCs will be industry, business and public service sectors that are recognised and relevant to employers. The key characteristic of SSCs will be the critical mass of employer support and scale of sector to have a significant impact on skills and productivity. The key criterion for assessment of SSCs will be fitness for purpose. SSCs will be charged with concern for skills and workforce development of all those employed in a sector – from professional to trade, administrative, support and other ancillary workers – and all sizes of employer – from large firms to micro-businesses and the self-employed.
28. As strategic organisations, Sector Skills Councils will:
  - Lead the drive to boost skills and workforce development in their sectors and through this to improve productivity, business growth, public service improvement and employment.
  - Build unrivalled intelligence and analysis about the skills needs of the sector, professionally communicated in a way that leads to real change in the workplace and supply of skills linked to changing and future requirements.
  - Directly influence the planning and funding of education and training across the whole United Kingdom, working within the distinctive arrangements in each nation.
  - Forge strong links between employers and schools, colleges, training providers and higher education to influence the decisions of young people and adults who are not yet a part of the workforce.
  - Develop convincing evidence and share best practice to promote the business case for skills investment and the more effective use of people in the workforce.
  - Be run and owned by employers and draw on the expertise and active involvement of trade unions, professional bodies and other stakeholders in the sector.

29. There will be a new Sector Skills Development Agency (SSDA) to guide and underpin the new SSC network (see box). The SSDA's role is to secure continuous development and improvement in the SSC network. It will also ensure essential skills and workforce development functions, such as national occupational standards, are carried out in sectors where an SSC is not established.
30. We are prepared to make a substantial public investment in activities where we are convinced this will deliver improved performance for the sector as a whole. There will be core strategic funding committed through three-year contracts. The scale of funding will vary depending on the nature of the sector and additional resources being secured from non-government sources. We will publish more detailed guidance on the funding and contracting arrangements for SSCs shortly.
31. We are prepared to build on the strongest and most successful NTOs that already deliver an outstanding service to their sector. We will also work with employers who want to develop a strong SSC proposal through the merger of NTOs or stronger partnerships with Trade Associations and other bodies. In other cases we will respond to new proposals from employers to develop new and stronger arrangements. However, we believe that only a small minority of existing NTOs are currently fit to meet the new demands of SSCs.
32. While we are concerned with fitness for purpose and not a fixed number of sector bodies, there will be considerably fewer SSCs than the current network of 71 NTOs. The key characteristics we expect include:
- An employment base that is of economic or strategic significance (including, for example, a sector of key public interest).
  - Direct backing of key employers and employment interests in the sector.
  - Influential employer leadership and a Board representative of the sector.
  - Professional staff and expertise to command the respect and wider involvement of employers.
  - Credibility and capability to influence and co-ordinate action to meet sector skills priorities.
  - Capacity to operate effectively throughout the UK, including adequate arrangements to take full account of devolution and the responsibilities of the devolved administrations.

### The benefits of Sector Skills Councils

33. A strong demand side, led by influential employers and articulated by authoritative SSCs, will bring substantial benefits for employers and employees alike. SSCs will provide:
- Up to £1 million per year of strategic funding from the Department for Education and Skills (DfES) to meet the sector's needs
  - Greater confidence that new recruits and existing employees can perform on the job and develop to anticipate future sector needs.
  - Improved supply of talented people seeking work in key sectors.
  - Scope to innovate and tailor solutions to meet real employer needs.
  - Stronger voice in government on employer and business concerns.
  - A voice for small business through greater involvement in SSC work.
  - Better market intelligence helping to inform choices of people interested in the sector and plan for development and recruitment.
  - Readily available expertise about the sector in a fast changing world, available to advise and lead action on key concerns.
34. The economy as a whole will benefit through:
- A smaller and stronger sector network with a fresh employer-government partnership to meet the economy's long term skills and productivity needs.
  - Influential employer leadership on skills to improve domestic and international labour market competitiveness.
  - A clearer focus for defining and promoting collective employer skills priorities to funding agencies and learning providers.
  - Better and more robust evidence to support and promote the business case for sector-related skills investment by employers and government and to attract funding from Europe.
  - Direct involvement by employers, bringing real influence to bear, on UK, national and regional skills policy development and delivery to benefit business competitiveness, sector development and public sector effectiveness.

- Improved labour market flexibility from sectors in decline to those experiencing growth, with consequently less spending on the bills of economic and social failure.
- Government commitment to invest in the delivery of defined sector-based action that stimulates demand and improves skills supply in line with sector policy objectives.

### Delivering four key goals

35. The goals of the SSCs will be to:

- reduce skills gaps and shortages and anticipate future needs, through leverage on the supply side, and help employers and individuals to make informed career and personal development choices
- improve productivity, business and public services performance through specific strategic actions based on analysis of sectoral priorities
- increase opportunities to develop and improve the productivity of everyone in the sector's workforce, including action to address equal opportunities
- improve learning supply, including the development of apprenticeships, higher education and of national occupational standards.

36. With the minimum of bureaucracy we will measure the success of SSCs against these objectives in terms of outcomes, not process. Though we recognise that SSCs cannot control directly these high-level outcomes, we will expect them to demonstrate a significant influence on:

- reduction in skills gaps and shortages and increased speed of development and transition by sectors
- specific actions leading to improved productivity, business and public services performance
- action leading to the development of everyone in the sector's workforce
- improvements in learning supply

37. We will expect every SSC to have specific, measurable targets in these areas, including the effective engagement of sector employers, as one of the conditions of licensing and receipt of public funds. SSCs must demonstrate that their strategies are well-founded, command widespread support from sector employers and stakeholders and focus strategic priorities.

Renewal of funding will depend on demonstrating that these objectives are being met. The National Assembly for Wales will also require that SSCs meet the needs of the Welsh Language Act (1993).

### Key areas of activity

38. To achieve these four goals we will provide core funding that will allow Councils to pursue priorities agreed by employers across the UK within the following agenda:<sup>2</sup>

- **develop a forward looking skills and productivity agenda and action plan for the sector** – based on authoritative, robust, unbiased skills analyses including, for example, destinations data and earnings data for different career and occupational pathways.
- **secure commitment to the skills agenda from employers, government, key agencies and learning institutions through consultation and agreement on delivery of the sector's action plan** – to ensure public policy meets the needs of the sector; and to maximise the complementary use of public and private investment to improve skills supply for greatest impact, drawing in other sources of funding wherever possible.
- **promote employer skills investment and innovation** – to achieve “world class” skills standards and productivity, ensuring that the needs of small and micro-business are fully met – including the identification of best practice in work organisation and the use of skills, working closely with the DTI, SBS, DfES, other government departments and the devolved administrations. Innovative projects may need to draw in relevant specialist expertise to stimulate new high performance learning and work practices to support business competitiveness and organisational effectiveness. We expect some specific skills, productivity and employability projects will be sponsored and funded by relevant agencies or government departments to address sector needs.
- **build an effective employer network** – increase employer involvement in skills development, communicating effectively and stimulating joint working with employers throughout the sector; developing supply chain cooperation and collective skills action, including the development of employer learning networks, and group training arrangements.

<sup>2</sup> In Northern Ireland the functions of an SSC will relate only to the provision of UK-wide sector skills analyses, Modern Apprenticeship framework development, and priority setting and delivery of national occupational standards.



- **define key sector occupational skills and promote career opportunities** – improve substantially the quality of skills intelligence; identify specific occupational development issues relevant to those employed in a sector; and ensure the development of comprehensive national occupational standards with relevance across their sectors; careers information; advice and guidance; and curriculum design from schools to higher education.
- **promote learning and qualifications** – generally and through promotion of specific initiatives central to meeting sector priorities, such as Investors in People, Individual Learning Accounts and whatever qualifications needed for the sector, within the relevant national strategic frameworks. SSCs will develop Modern Apprenticeship and other sector-based learning frameworks, working with relevant sponsoring partners and other sectors as necessary.
- **report on the impact of public and private investment in meeting sector skills priorities and raising productivity** – including, for example, the effectiveness of existing national occupational standards and any need for revision or replacement of them; relevance of learning frameworks and qualifications; quality of sector education and training provision (working with the inspection agencies); and publishing an authoritative annual report on sector skills performance.

39. SSCs may choose to undertake a range of other activities, some of which may attract additional public funding in England, or specific projects funded by the devolved administrations, to provide a more comprehensive service to their sectors. They will be free to sell services to employers and generate commercial income so long as potential conflicts of interests are managed properly in line with agreed guidance.

### Working with trade and professional bodies

Sector Skills Councils (SSCs) will be in a strong position to work with a range of other business and employment related bodies that also operate throughout the UK.

**Trade Unions** – SSCs will work with trade unions to help develop employees in a sector and influence investment by employers. Skills intelligence provided by SSCs will help trade unions develop their support for individuals to prepare them for new opportunities and changes in the sector. Where sectors are in decline, SSCs, working with trade unions and the Employment Service, will work to provide help to employers and individuals with transition to new opportunities including, for example, skills to diversify or retraining to adapt or develop skills for new work.

**Professional bodies** – have a long tradition for promoting and facilitating lifelong learning (continuous professional development) at intermediate and higher skill levels. There are considerable advantages in drawing on this tradition in meeting the skills priorities, especially in those sectors where the critical shortages and gaps are in these intermediate levels.

**Trade Associations** – Trade Associations offer SSCs access to business networks and provide a source of wider intelligence about sector developments. In some cases trade associations may choose to lead or play an active role in an SSC. The level of involvement with Trade Associations will vary according to their strengths and level of employer representation, but they may be particularly valuable as partners in relating to the skills needs of smaller companies.

### Performance monitoring

40. Sector performance measures will be applied in two main areas against the four key goals identified in paragraph 35
- **Sector performance measures** – to assess the combined impact of public and private skills policy and investment on skills and productivity agenda.
  - **Specific SSC measures** – to identify the contribution provided and value added by an SSC including, for example, customer satisfaction ratings and employer involvement benchmarks.
41. Developing measures for some aspects of performance will not be straightforward. We are commissioning work on developing general sector measures which will draw on existing statistical data and identify new sources where needed. Specific SSC measures will be developed as the new SSSDA is established and negotiated with each SSC as part of the licensing process. An evaluation programme will be established between the SSSDA and the DfES, working with the devolved administrations and other government departments, to assess the impact of SSC policy over time and inform future policy development.

### Governance

42. SSCs will be formally constituted bodies owned and led by employers. We expect them to be an independent legal entity and most to become a company limited by guarantee. However, charitable status may also be appropriate. We will publish in a SSC development guide further advice on legal structures to ensure proper accountability for the use of public funds.

43. An SSC will have a Chair and Board, initially approved by Ministers, which will be accountable to employers in the sector. The Board will be representative of employers in the sector, including small business. Other members will be drawn from trade unions or professional bodies. The quality of the Board and staff will be a key factor in decisions by government to award licences. Each SSC will have sufficient high quality staff, including specialists, to deliver its primary strategic role. We also expect that SSCs will make full use of regular secondments from the sector to generate new ideas and innovate.
44. Though we expect a SSC to be an independent legal entity, we will allow some flexibility so that SSCs may work with other partners to deliver specific strategic functions. Similarly we need to allow flexibility that recognises sector differences throughout the UK, but we will not permit an SSC to be set up solely as an umbrella body for the purpose of channelling public funds to other organisations.
45. We expect SSCs to make use of full or part-time secondments from the sector and other key partners to bring in expertise and fresh ideas. Secondments to other key partners (including government) from the sector will also help mainstream the benefits of the sector approach and promote better understanding of sector skills and productivity issues.

### Funding and licensing

46. The DfES will double the funding for the new sector network by 2002/03, and will triple it by 2003/04. The DfES will also provide funding to ensure that essential projects or expertise are not lost during the transition period.
47. **We are prepared to invest up to £1 million per annum to cover the core activities of each SSC working across the UK.** We will expect this large-scale public investment to generate significant leverage by employers themselves contributing additional private investment in skills for the sector. Being satisfied that SSCs are both viable and sustainable will be a key part of the licensing process.
48. SSC contracts will run for three years subject to annual performance reviews by the SSDA. The contract will encompass an agreed programme of work to secure the delivery of the main priorities identified by employers in the sector. Payments will be against the achievement of milestones towards the four key objectives and may include an element linked to the sector's overall performance on skills and productivity. The funding of SSCs will be addressed in the development guide to be published shortly.

49. Each successful SSC will be awarded a five-year licence. The award of these licences will be conducted with the minimum level of bureaucracy. However, SSCs will report on performance annually and will need to work to stringent criteria outlined in paragraph 50 to retain a licence.
50. Proposals to form SSCs will be assessed in the following way:
- **Preparation of a proposal** – in discussion and with the guidance of the SSDA. This part of the process will include establishing broad support from employers in the sector; identifying the sector boundary and scope; engaging with government administrations to identify ways in which an SSC could deliver improvements to employers and operate effectively throughout the UK; and showing how SSC credibility will be established and increased.
  - **Assessment and confirmation of the proposal** – The SSDA will assess the proposal against the licensing criteria and obtain the views of key partners and employers in the sector. It will then advise whether further work is needed and provide assistance in preparing the final proposal for Ministers. The SSDA may appoint a panel to advise on this work.
  - **Licensing** – the Secretary of State for Education and Skills will consult Ministers in the devolved administrations prior to awarding a licence to an SSC. No provisional licences will be awarded.
51. An SSC's licence will be formally reviewed every five years by the Secretary of State for Education and Skills in consultation with Ministers in the devolved administrations and those sponsoring the relevant sector. The Secretary of State will be advised by the SSDA to ensure the quality, performance and impact of an SSC is being maintained. The SSDA may formally review an SSC earlier than this where there is cause to believe the licensing criteria are no longer being met. SSCs will be expected to continually assess their own performance. The Secretary of State for Education and Skills, in consultation with Ministers in the devolved administrations, will reserve the right to withdraw a licence if the deficiencies are not rectified within a specified period of formal notification.
52. SSCs will be accountable primarily to the sectors they serve. But they will also be accountable to government for the way in which they discharge public funds and relate to other partners, including the public sector. SSCs will be asked to report annually on progress in delivering the sector skills agenda and the four key goals.

## We will begin with Trailblazer Sector Skills Councils

- 53.** We will provisionally license a small number of Trailblazer SSCs. Trailblazers will allow us to work with some of the most successful NTOs as well as new groups of sector employers coming forward with proposals to form SSCs. They will demonstrate the added value and potential of SSCs for employers and for government. In this we will be building on some of the best practice in the current NTO network and developing the new sector skills and productivity framework in more detail.
- 54.** We will seek a mix of Trailblazer sectors offering a good spread of lessons for work on the mainstream SSCs in 2002. We will work with up to six groups of employers who demonstrate immediately that they can:
- Deliver real impact on skills, productivity and workforce development in the sector;
  - Provide well grounded support with the strong backing of the sector's employers;
  - Draw on additional employer investment to put back into skills development and their new SSC;
  - Produce top class labour market and skills intelligence that adds value for other agencies and employers in the sector;
  - Strike deals, forge partnerships and work effectively with other agencies across the UK; and
  - Represent or cover a significant part of the economy throughout the UK.
- 55.** Trailblazers will be identified by late November. They will be asked to provide a development plan setting out what they will be doing to meet the more rigorous requirements for becoming a SSC Their plan will cover:
- The impact the SSC will have on the sector;
  - Details and evidence of the employers backing the proposed SSC;
  - The sector they wish to cover and why its employment base is of economic or strategic importance;
  - How long they expect to take to develop to the point where they can meet the requirements for licensing in full if these are not met immediately;
  - The specific work that needs doing during the Trailblazer period
- The cost of the Trailblazer work and the contribution they need from government.
- 56.** Trailblazers will work closely with government, key partners and each other. The evaluation of Trailblazers will offer formative advice and support by identifying the key lessons for SSCs being licensed in 2002. The SSDA will formally evaluate Trailblazers before advising Ministers about the confirmation of SSC licenses.
- 57.** DfES will make a contribution of up to £100,000 available immediately for agreed Trailblazer work. This recognises the additional work involved in working with the sector and in due course sharing best practice with those people working in other sectors.

# Sector Skills Councils will work across the United Kingdom

## WORKING IN SCOTLAND

**“Scotland’s economic success depends on the skills of its people, their creativity and their enterprise. Our task is to create the conditions for a smart, successful Scotland. Employer investment and leadership is crucial to the matching of skills and opportunities. Sector Skills Councils will have an important role to play in Scotland to sustain and build upon the effective partnerships already forged by many NTOs.”**

**– Wendy Alexander MSP, Minister for Enterprise and Lifelong Learning**

**Future Skills Scotland** – Sector Skills Councils (SSCs) will play a crucial role in the provision of data and intelligence to the new *Future Skills Scotland* Unit on sectoral skills and labour market needs. *Future Skills Scotland* has been established to improve the availability, quality and consistency of labour market information and intelligence in Scotland, to align skills needs to relevant education and training provision, and to improve the matching of people to jobs.

**Enterprise Networks** – Scottish Enterprise, Highlands and Islands Enterprise and the 22 Local Enterprise Companies in Scotland have been challenged under the provisions of “*A Smart, Successful Scotland*” to strengthen Scotland’s businesses, integrate the Scottish economy into the world economy and ensure that every Scot is ready for tomorrow’s jobs. SSCs will build on the effective partnerships already developed between many NTOs and the Enterprise Networks. It will be particularly important to maintain and build on the successful work of the Food Skills Group, and also to focus on other priority sectors identified by Scottish Enterprise and Highlands and Islands Enterprise, which will include areas such as tourism, electronics, construction, oil and gas, information technology and financial services. There will also need to be close links maintained with *Careers Scotland*.

**Scottish Qualifications Authority (SQA)** – SSCs will play an important role in Scottish Qualifications Authority’s Advisory Groups and in ensuring relevant input to qualifications developments in Scotland.

**Scottish Credit and Qualifications Framework** – Development of a National Framework embracing all Scottish qualifications within a system of levels and credit

ratings is a leading priority in the Scottish Executive’s *Programme for Government*. SSCs will work closely with the development partners – Quality Assurance Agency for Higher Education, Scottish Qualifications Authority, Universities Scotland and the Scottish Executive – in ensuring the relevance of the Scottish Credit and Qualifications Framework, particularly in developing the methodology for incorporating SVQ qualifications into the Framework.

**Scottish University for Industry** – SSCs will work closely with **learndirect** *Scotland* to provide specialist input about sector learning priorities and career routes.

**Adult Literacy and Numeracy** – SSCs will be required to develop effective partnerships with key players in The Scottish Executive, schools, further and higher education, SQA and the Enterprise Networks in Scotland to address basic skills issues in the light of the Adult Literacy 2000 Report published earlier this year.

**National Occupational Standards** – National occupational standards provide the foundation for SVQ as well as NVQ work-based qualifications. SSCs will be the lead organisations in developing and maintaining the UK-wide approach to national occupational standards programme.

## WORKING IN WALES

**“I want to see Wales renowned as a Learning Country. We need to work in partnership with employers and trades unions to tackle our skills and productivity challenges and I see the new Sector Skills Councils as a vital part of that process.”**

**– Jane Davidson AM, Minister for Education and Lifelong Learning**

**Future Skills Wales** – The Future Skills Wales partnership brings together all the key players in Wales with an interest in skills, including ELWa, the Welsh Development Agency, Employment Service and other public sector bodies, business organisations, the Wales TUC, Careers Wales, local government and the current NTO network. It has established an excellent track record of undertaking skills research and tackling the lessons arising from it. SSCs will be a key part of the partnership which will be further strengthened by setting up an Employer Group with membership including the SSCs.

**ELWa** – This new organisation, which has responsibility for post-16 learning in Wales and already houses a Skills Unit, will carry out a range of functions to support the new arrangements in Wales, including developing learning frameworks that apply only in Wales, such as for our new Modern Skills Diploma for Adults.

ELWa will:

- Work with SSCs in Wales to boost labour market research to produce results for local areas;
- Work with individual SSCs in Wales on joint issues such as skills shortages;
- Work with SSCs and learning providers in Wales and the Community Consortia for Education and Training to meet employer needs;
- Work closely with the Sector Skills Development Agency to support SSC activity in Wales

**The Wider Picture** – SSCs will help Wales in other ways too such as: working with Careers Wales to provide top quality all-age careers advice and guidance; working with the Welsh Development Agency on productivity, investment and other economic challenges; and helping the Business Connect network to provide help to small businesses.

## WORKING IN NORTHERN IRELAND

**“Northern Ireland’s future prosperity lies in developing and sustaining a competitive, highly skilled, productive, knowledge based economy – advice and guidance from Sector Skills Councils on national skills forecasting and standards development will assist my Department in meeting the skills needs of the Northern Ireland economy”.**

**– Sean Farren MLA, Minister for Employment and Learning**

Northern Ireland’s training and funding arrangements and priorities are geared towards the specific needs of the Northern Ireland Programme of Government. This incorporates the concept of investing in education and skills and developing competitiveness and the economic development strategy (Strategy 2010).

Northern Ireland has its own unique sectoral arrangements within which Sector Training Councils, covering key private sectors of the economy, broadly reflect and complement the role of NTOs. The community, public, voluntary and private sectors are represented on a NTO Consultative Forum that conveys cross-sectoral views on skills, education and training to government.

As we move to a more value added, knowledge-based economy, the influence and importance of the wider Irish labour market on the whole island is crucial.

More recently in response to a tightening labour market, Northern Ireland has developed arrangements for the identification of current and future skills needs, through a programme of research commissioned by the Northern Ireland Skills Task Force. The Skills Task Force was established in response to our economic development strategy to advise on the demand and supply of skills in the private sector priority areas where a shortage of skills has the potential to impede the growth of our economy.

The Department for Employment and Learning (DEL) working through employers has a major role to play in addressing the skills, productivity and competitiveness challenge. Working with sector bodies will also help us deliver on a more inclusive society.

We will concentrate the relationship with SSCs on skills forecasting, national occupational standards development, and Modern Apprenticeship framework development. The skills intelligence provided by SSCs at national level will help to inform local policies in relation to raising skills levels and enhancing the quality of education and training in Northern Ireland.

## ENGLAND

**“Sector Skills Councils will be at the centre of a new demand-led strategy to engage more employers – large and small – in meeting the skills and productivity challenge. We will expect employers running SSCs to build strong strategic alliances with other partners, in particular the Learning and Skills Councils and Regional Development Agencies.”**

**– John Healey MP, Minister for Adult Skills**

**Learning and Skills Council** – The national and 47 local LSCs have a responsibility to discharge over £6 billion per annum to meet the skills needs of employers and individuals. The LSC also has a statutory responsibility to take account of sector employment needs and promote workforce development. The LSC Corporate Plan depends on an effective network of Sector Skills Councils (SSCs) being established to engage the maximum number of employers in workforce development – large and small. The LSC and SSCs will want to work closely together on gathering sound labour market intelligence, maintaining and developing national occupational standards, frameworks and employer-focused qualifications. They will also want to take forward and build on the successful sector initiatives already underway with NTOs.

**Regional Development Agencies (RDAs)** – The regional level is a critical point of strategic planning for skills, employment and economic development activity. SSCs will provide valuable skills intelligence, disaggregated to regional and sub-regional level, to help in the development of regional economic strategies. SSCs may also become involved in regional or local initiatives and projects, and support the development of regional sector groupings to work with RDAs.

**Small Business Service (SBS)** – The SBS has overall responsibility for government policy towards small businesses. It also provides a range of Business Link branded support services to SMEs through a local network of Business Link operators. The SSCs will work closely with SBS to ensure that the needs of small businesses are properly reflected in SSC plans and activities. The SBS, through its Business Link network, provides a vital two-way communication and intelligence channel for SSCs to ensure that small business skill needs are understood and acted upon. It will seek to support SSCs in their objectives where appropriate and practical to do so.

**Employment Service (Jobcentre Plus) and Connexions Service** – SSCs will provide intelligence on skills priorities and career opportunities for use by both the Employment Service and Connexions Service. This intelligence, and materials produced by an SSC, will support the information, advice and guidance functions of these organisations. SSCs will also be able to advise these organisations on job preparation, training, placement and career development options for their clients. Sector information provided by SSCs will also be used increasingly in the development of Worktrain. Specific interventions, such as the Ambition initiative, will target skills shortage areas identified by SSCs and help identify retraining needs to assist job transition during industry restructuring at national and regional level. This will continue when ES and the Benefits Agency merge to become Jobcentre Plus next April.

**Ufl/learndirect** – Sector Skills Councils will provide intelligence about learning priorities and occupational and career development routes. Specialist knowledge about sectors will help Ufl develop and target materials in the most appropriate way. Some SSCs may operate learning hubs to help service their sectors. Further development of the Ufl/learndirect service targeted at employers could be envisaged and developed in partnership with SSCs and the Small Business Service. This might include sector-specific materials developed in collaboration with SSCs.

**Qualifications and Curriculum Authority (QCA); Higher Education and Quality Assurance Agency (QAA); Schools and OFSTED** – Working with the education and training sector and regulatory authorities at all levels SSCs will offer invaluable intelligence about sector skills development. This will inform the development and delivery of learning frameworks, curriculum and qualifications to meet sector needs and increase the employability of students. SSCs will work with the inspection agencies to ensure education and training provision meets the needs of employers and to work with them to resolve any quality problems. SSCs will be well placed to advise and promote work placement opportunities and lifelong learning to employers in a sector. Specific sector initiatives, such as Centres of Vocational Excellence, will be enhanced by the close involvement and leadership provided by SSCs.

## We will support the development of cross-sectoral skills

58. Cross-sectoral skills such as administration and IT are increasingly in demand from employers as changes in technology and production demand a core set of competencies relevant to their business needs. They are also valuable to individuals contributing to employability and labour market mobility.
59. The recent consultation found that current all-sector arrangements were not consistently meeting the needs of sector-based employers. We want the SSDA to have an overall co-ordination role in respect of cross-sectoral skills. This will help ensure that each SSC pays full attention to such skills in all its work and does so in co-operation with other SSCs and stakeholders. In doing this the SSDA will need to work closely with Departments and other agencies with interests, for example in engineering, management and leadership, or small business. In consultation with government departments and the devolved administrations the SSDA will determine the best way to achieve this – and the approach may be different for different types of cross-sectoral skills.
60. In some cases it may be possible for cross-sectoral skills to be the responsibility of a SSC covering a related industrial sector. Elsewhere it may be decided that the best approach is to set up an in-house specialist unit or contract with a specialist organisation able to offer expertise and other services to SSCs. Whatever arrangements are put in place will have full involvement from employers.
61. We also need to avoid the risks of creating artificial barriers in the job market and duplication of effort that might result from an uncoordinated approach to the skills needed across our economy. Unlike NTOs, therefore, SSCs will be expected to deal with the range of occupations employed in their sectors including cross-sectoral skills previously covered by all-sector NTOs such as management, employment, administration and customer service. These are skills that all employers regard as essential in the effective working of their business. It is important that every employment sector gives them the prominence they deserve. In the area of management we will look to the Council for Excellence in Management and Leadership, and the equivalents in the devolved administrations, for advice.
62. The national occupational standards and frameworks managed by the existing all-sector NTOs are an important part of the current training structure in all parts of the UK. They are widely used by employers, individuals and providers. We will pay particular attention to their delivery as part of the transitional arrangements to ensure minimal disruption. We will ensure the SSDA makes this an early priority once it becomes operational in early 2002.

## The Sector Skills Development Agency will underpin and develop the new network

63. We will fund and support the new network through a new UK-wide Sector Skills Development Agency (SSDA). Its role will be to underpin and develop SSCs. It will:
- Actively assist employers in sectors in bidding to become SSCs
  - Fund, support and monitor the performance of SSCs across the UK
  - Ensure quality and consistent standards across the network
  - Provide the minimum cover for essential functions in sectors without an SSC
  - Ensure skills provision is designed to meet sector needs
  - Ensure generic skills are effectively covered in the work of SSCs
  - Promote best practice sharing and benchmarking between sectors
  - Provide a website portal for public bodies and individuals to access high quality sectoral labour market intelligence across the UK.
64. The SSDA will be a private company limited by guarantee. It will have responsibility to deliver, directly or indirectly, essential functions for those sectors not covered by a SSC. The SSDA will also have responsibility for cross-sectoral skills. This includes the work previously undertaken by all-sector NTOs, such as the delivery of cross-sectoral national occupational standards, and advice to sectors on specialist areas such as equal opportunities and sustainable development.
65. The new SSDA will not have a representational or lobbying role for SSCs or other sector-based organisations. It will be concerned that sector based skills and workforce development does not restrict labour market flexibility. We will expect the SSDA to consult widely with SSCs, employers and other stakeholders before implementing major policy or operational changes.
66. We will also task the SSDA with organising an annual skills convention working with other relevant national bodies. This will reflect UK-wide interests and draw in both employers and stakeholders in SSCs. The convention will be a consultative forum and will help the SSDA prepare its annual report on progress to the Secretary of State for Education and Skills and Ministers in the devolved administrations. We will make it a requirement of licensing that at least one SSC board member attends the skills convention.

## We will ensure an effective and successful transition

- 67.** The SSDA will have an influential business Chair and employer-led Board. The initial appointment of the Chair and Board will be made by the Secretary of State for Education and Skills and Ministers in the devolved administrations following Nolan principles. The Chief Executive and senior staff will also be recruited through open fair competition.
- 68.** The SSDA will be a unitary organisation with a Board and Chief Executive suitably representative to operate effectively throughout the UK. The SSDA will actively and formally involve other key stakeholder bodies, including trade unions, in its work. In this way it will reflect each part of the UK, trade unions and the main organisations with which it must work.

- 69.** We want to see an effective transition to the new network. NTOs are specifically affected by these changes. We will offer support for all NTOs in the process of determining whether or not, and if so, how they may have a place in the new sector skills network. A DfES-led transition team will manage the process, including shadowing the functions of the SSDA until it becomes operational.
- 70.** We began the consultation in October 2000 to bring about a smaller, stronger network. Most NTOs have been carefully considering their future options since then and were aware that recognition would cease in March 2002 at the end of the recognition period. The SSDA will be tasked by the four administrations to ensure their functions are transferred successfully. Where government departments or other organisations have existing contracts with NTOs to deliver programmes we will be considering how most effectively to collaborate with the new sector bodies, including the issue of whether to invest through them. They will need to be closely consulted by the SSDA during the process of transition.

### Support for the existing NTO network

- 71.** Our principles for supporting existing NTOs during the period of transition will be:
- Additional funding available to help NTOs deal with the extra demands of transition
  - Retention of the expertise of NTO staff and their contribution to key areas
  - Minimal disruption to essential work on apprenticeship frameworks, qualifications-related work and national occupational standards and skills intelligence.

In exceptional circumstances transitional funding to NTOs will be made available beyond March 2002. Funding will be provided if this is needed to secure NTOs led by employers that are actively working toward significant SSC proposals or secure the continuation of essential national occupational standards and qualifications-related work.

All funding to NTOs will cease by August 2002 as we expect the SSDA by then to have taken on responsibility for sectors not covered by an SSC.

- There will be no deadline for prospective SSCs to apply to the SSDA for a licence. We expect the numbers and coverage to increase as SSCs demonstrate their value to employers and employees in other sectors.



## Next steps

### Keeping people informed

- 72.** The creation of the new SSCs means significant change for existing NTOs and many other partner organisations across the UK involved in the funding, planning, delivery and quality assurance of learning and skills provision. Central to our concern will be the need to ensure effective communications with employers, key partners and everyone affected by this change.
- 73.** We will therefore develop a dedicated website and provide regular updates so that employers, partners and NTOs are kept informed of the latest developments. We will also publish a Transition Plan and operate a telephone support line to deal with inquiries or concerns. See paragraph 76.
- 74.** We plan to set up a number of key consultative groups on issues affecting transition to the new sector network such as the management of Modern Apprenticeships and national occupational standards. We also aim to organise a series of events over the coming months to involve employers and partners in the benefits of SSCs. Further details of our plans to communicate the new SSC across the UK will be published shortly.

### Timetable for the establishment of Sector Skills Councils

#### November 2001:

Sector Skills Council network development guide published  
 Advertisements for Chair and Chief Executive of the Sector Skills Development Agency appear  
 Trailblazer Sector Skills Councils announcements

#### December 2001:

Closing date for applications for Chair and Chief Executive of the Sector Skills Development Agency  
 Advertisements for the Board of the Sector Skills Development Agency appear  
 Trailblazer development contracts agreed

#### January/February 2002:

Chair and Chief Executive of Sector Skills Development Agency appointed  
 Sector Skills Development Agency begins work. Senior management are also recruited. In the meantime staff are seconded from government departments, devolved administrations and the NTO network to run the agency  
 Proposals welcome from employers interested in setting up a Sector Skills Council

#### March 2002:

NTO recognition ceases  
 Contracting for exceptional continuing funding for NTOs completed

#### April 2002:

Sector Skills Development Agency fully operational with arrangements for essential work where Sector Skills Councils are not operating or development underway.  
 Contracting for mainstream Sector Skills Council development completed  
 Awarding of contracts to Sector Skills Councils commences

#### August 2002:

Exceptional funding to NTOs ceases. Sector Skills Development Agency takes responsibility for sectors not covered by an SSC

## Further details and information

75. We will publish the SSC Development Guide covering the aspects of setting up Sector Skills Councils shortly. This will contain detailed information on funding and contracting, bidding criteria, performance management and transitional arrangements for NTOs.
76. If you would like further information on the contents of this policy statement you can contact us:
- By post to Sector Skills Council Team  
Level E4C  
Moorfoot  
Sheffield  
S1 4PQ
  - **By the telephone helpline 0114 259 4440**
  - By Fax 0114 259 4969
  - By e-mail [clare.worsdale@dfes.gsi.gov.uk](mailto:clare.worsdale@dfes.gsi.gov.uk)
  - Via the DfES's internet site at [www.dfes.gov.uk](http://www.dfes.gov.uk)

## More copies?

77. Braille (SSC1B); audio (SSC1A); large print (SSC1LP); and Welsh (SSC1W) copies of this document are available on request from:

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