



Federation of Small Businesses
The UK's Leading Business Organisation

Atif Rafique
Department for Business, Innovation and Skills
1 Victoria Street
London
SW1H 0ET

22 September 2010

Dear Atif,

RE: FSB response to consultation on the skills for sustainable growth

The Federation of Small Businesses (FSB) welcomes the opportunity to respond to the above named consultation.

The FSB is the UK's leading business organisation. It exists to protect and promote the interests of the self-employed and all those who run their own business. The FSB is non-party political, and with 213,000 members, it is also the largest organisation representing micro and small sized businesses in the UK.

Small businesses make up 99.3 per cent of all businesses in the UK, and make a huge contribution to the UK economy. They contribute 51 per cent of the GDP and employ 58 per cent of the private sector workforce.

We trust that you will find our comments helpful and that they will be taken into consideration.

Yours sincerely

Colin Willman,
Chairman of Education and Skills
Federation of Small Businesses



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FSB response to consultation on the Skills for Sustainable Growth

September 2010



Principles for a skills strategy

1. We welcome views on these principles and whether there are others we should consider.

The FSB supports the wording in the consultation document to “develop the informal life-long learning opportunities”. The skills system is currently not meeting the needs of the majority of businesses in the UK. Micro businesses make up around 85 per cent of all businesses yet many are put off by an overly complex skills system.

Small businesses prefer bite sized, informal learning to accredited qualifications that often require day release and are ‘one size fits all’ by their nature.

See Question 4 for information on how to accredit informal training as a further principle.

2. In view of the current fiscal deficit, what areas of public investment in skills could be reduced and where could private investment be increased? What are the main constraints on changing the balance between public and private investment and how could these be overcome?

This public investment is critical to encourage the majority of micro businesses to grow their business. Funding needs to be taken away from larger companies as it is estimated that £10-12 billion are spent every year on government-funded business support. However, only 5 per cent of this goes to the micro-business sector, which accounts for 95 per cent of all businesses together with the lion’s share of innovation and job creation.¹

This does not mean that small employers should not pay for training – they simply want to contribute to a skills system that they know will bring benefits to their business and not having to provide basic literacy and numeracy qualifications that should have been obtained at school.

Small businesses will pay if they can access the training in a way that suits their business – too often publicly funded programmes are for the benefit of the college not the learner or the business.

3. We welcome views on how best to support people who might in time benefit from an Apprenticeship but who do not currently have the skills to begin one.

The FSB supports the creation of 50,000 apprenticeships with £150 million allocated out of the Train to Gain budget. However, our concern with Train to Gain centred on the problem of deadweight loss. The allocated funding should be targeted along the lines of a dedicated “Micro and Small Business Apprenticeship Fund” as called for by the FSB in our Manifesto.²
<http://www.fsb.org.uk/policy/images/fsb%20manifesto%202010.pdf>

¹ ⁴⁴ SfEDI, <http://www.sfedi.co.uk/sfedi-news/six-killer-facts> (Nov 2009)

² <http://www.fsb.org.uk/policy/images/fsb%20manifesto%202010.pdf>



In a recent FSB/ICM survey of 1,300 businesses 37 per cent said they would take on an apprentice with an upfront financial contribution. The success of the scheme earlier this year to provide £1,000 up front followed by £1,500 after three months was due to its simplicity in creating 5,000 apprenticeship placements within small businesses.

This model should be replicated for businesses with fewer than 50 employees. The FSB is therefore calling for a fund to be applied to **small businesses only** – through £1,000 up front followed by £1,000 after a six month period. The FSB deems this approach suitable to ensure an increase in completion levels and it should be extended to apprentices of any age as opposed to the original scheme of simply 16 and 17 year olds.

4. How should we ensure that training leads to real gains in skills, knowledge and competence and not just the accreditation of existing skills?

The 'accreditation' industry was generated by government paying for qualifications and not real skills. The FSB believes that accreditation of the informal learning that takes place in a small business is critical. The focus on qualifications needs to be replaced with a focus on skills. On a daily basis business owners and fellow workmates are passing on their wisdom yet it has proved difficult to accredit this form of learning.

The FSB supports the concept behind a skills passport which records what an individual had done. This would be a good way of recording real skills with examples of work done.

5. How can we better promote enterprise education in further education colleges and throughout the training system?

It is vital that the self-employed, in particular, are encouraged to engage with education. Entrepreneurs should not be discouraged from going to into schools and colleges because of regulation and criminal record checks. Students need to experience life in a small business at the earliest juncture which is why work experience, mentoring, young enterprise activities are so crucial.

Teachers of enterprise should spend a considerable amount of time in a business as it will make it easier for them to edify. There will often be new regulations that they will need to be aware of.

Enterprise Education has its place in school. It is vital that potential business people develop skills which involve practical exercises and application and not simply classroom based input.

The majority of the Education Business Partnerships (EBPs) no longer liaise with small businesses as they are 'difficult to reach' – and as EBPs have to be self sustaining anything that puts their costs up is avoided.



FSB members are developing ways of enabling schools to develop leadership and team working skills in a way that can be independently evidenced. This should be carried out on a commercial basis with schools and colleges paying out of their budget for exams.

Funding and entitlements

6. Should Government continue with an entitlements based approach? How can we ensure that Government money is targeted where it is needed most and where it will achieve most value?

The FSB is concerned by the balance of entitlements being predominantly for younger employees. This is due to the fact that cuts in public sector budgets could result in large scale redundancies. The older generation will also need to retrain. These employees will be more acceptable to employers having already had experience of the workplace.

Classes which include both mature and younger apprentices are much harder working as the mature students act as unofficial mentors and help maintain a proper work atmosphere – so more mature apprentices could actually result in better completion rates amongst the younger ones.

Helping individuals and employers choose the learning they want

7. We welcome views on how best to ensure employers are able to shape the skills system to meet their needs.

The FSB believes that a properly functioning Local Enterprise Partnership, Group Training Association or Apprenticeship Training Agency can provide the solutions for local small employers. This will require a fair balance between business (particularly small who make up 99 per cent of all businesses), academia and local government.

We support Job Centre Plus data of skills shortages being made quickly and easily available. At the moment all Department for Work and Pensions data work is handled nationally. The data is needed faster and on a more local basis to be of real value in shaping provision.

8. We are interested in views on what more might be needed to make the system responsive to employer needs.

Small employer training needs are considerably different to larger business needs. Local colleges and small businesses need to partner more effectively to make the system more demand led as opposed to programme led. Colleges and private providers need to offer solutions to small businesses that will improve their competitiveness.

Government should focus on promoting training rather than regulating on it. Businesses need to be socially aware of the benefits that training can bring to a business' competitiveness. Bodies such as the National Apprenticeships Service and the Skills Funding Agency should focus business' attention to what benefits



training has brought to other businesses in their locality. This builds on the principle of “nudging” businesses into training rather than making it a burden. Furthermore, colleges and private training providers should be engaging with Group Training Associations and Local Enterprise Partnerships to ascertain what the local skills needs are of business.

9. Which qualifications have most value for employers and learners? Which do not have value? How do we evolve the Qualifications and Credit Framework so that it focuses on the former and removes the latter?

The QCF needs to be flexible by its very nature. Small businesses want to accredit informal learning that takes place on the job. Foundation Degree Forward (FDF) works on the premise of accrediting employer based training and this needs to be looked at further.

Qualifications are not held in the same regard to an employee as the skills that an individual holds. Ability and experience is what employers are predominantly looking for in employees. Qualifications are important to individuals/employees as they demonstrate levels of ability and skills than can be transferred to another employer.

Small businesses are confused by the continual change in qualifications. We need a simple glossary or map with details of what someone can do as a result of gaining a particular qualification. This should be providable, as when a course is devised, the first question asked in the process is 'what change will this course make to an individual'.

Government must restrain from changing qualifications and only implement new ones if business says it needs them.

10. How can we enable colleges and training organisations to be more efficient and responsive to the needs of employers, learners and their community but without adding new layers of control by local bodies?

Colleges and training organisations need to build close working relations with local employers. Constructive dialogues on Local Enterprise Partnerships and Group Training Associations are a starting point. However, for providers of training to understand what is relevant for small businesses they need to have a greater knowledge of business needs and diagnose training that suits that need. A fully functioning demand led system (with a focus on the outputs of the training) will sharpen a businesses' overall competitiveness.

11. What mechanisms could we use to hold colleges and other training organisations to account for their performance in responding to employers' needs and for prioritising training that adds real economic value?



A national database of training providers, akin to the UK Commission for Employment and Skills Talent Map, would be suitable. Small businesses should be able to assess the credibility of training by providing e-bay style feedback. This is a way of ensuring that employers can access high quality labour market information.

12. Do we need a framework that will enable and encourage employers and individuals to invest in training in priority areas and for colleges and other training organisations to provide appropriate courses?

Employers do not need to be encouraged to engage in training as they already train. Most induct new employees into the culture and teach them the skills that generate income, reduce waste and improve efficiency.

Most small employers do not engage in government funded course as they do not relate directly to their needs, are not delivered at a speed required. Employers are discouraged because of the functional skills elements which are delivered by people with teaching qualifications but not the relevant skills and knowledge of the skill they are teaching. Larger businesses start their own training schemes as they too are disillusioned with the public funded provision.

13. We welcome views on ways in which businesses can be encouraged to increase the UK's leadership and management capability to create better run and more highly performing businesses.

The FSB were pleased that the provision of Leadership and Management skills were extended to businesses with five employees or more in 2009. However, it still meant that sole proprietors and businesses with fewer than five employees were precluded from funding.

Local Enterprise Partnerships and Group Training Associations should advocate the benefits of Leadership and Management to micro businesses. For businesses to survive and thrive they will need these skills coming out of a recession.

Leadership and management needs to be part of any business start up programme – time management and deciding priorities are key skills that most people [new to business] would greatly benefit from. If the skills are utilised then they are more likely to try and develop those skills as they progress in their business.

Measuring success

14. We welcome views on those indicators of success would be most useful to you or your organisation.

The FSB will use its survey panel of 4,500 small business owners to ascertain how successful the changes in the skills system have been. It is the most definitive voice of small businesses and we will look to work with BIS on how we can target questioning to those businesses that have and want to continue to invest in the skills for their workforce.



For further information

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