

Putting learners at the centre: Delivering our ambitions for post-16 education

December 2011

Introduction

The FSB is Scotland's largest direct-member business organisation, representing over 20,000 members. The FSB campaigns for an economic and social environment which allows small businesses to grow and prosper. Such an environment includes a post-16 education system that meets the business skills needs and prepares young people appropriately for the world of work. We therefore welcome the opportunity to submit our response on the above consultation.

The FSB is supportive of the general aims of the reforms set out in the consultation document, namely:

- Ensuring 16-19 year olds have access to education and training;
- Refocusing the purpose of further education on preparation for employment;
- Meeting the skills demands of employers in the areas served by education providers; and
- Making the post-16 education and training system sustainable in the long term.

At the same time, we are cautious about some of the proposals being put forward to meet these aims, particularly in terms of funding sources and criteria, and we would seek assurances that further details were developed and explored further before these are implemented or legislation is proposed.

The FSB sees the reform of Scotland's Post-16 training system as an opportunity to improve relationships between colleges and businesses, which would immeasurably enhance the experience of young people entering the job market. We firmly believe this opportunity should be taken up as a priority.

While the FSB would wish to see a post-16 system accessible to people of all ages, we recognise that these proposals are being made within the context of considerable challenges. These include:

- dramatically reduced public funding for further education;
- increasing unemployment particularly amongst the 16-19 age group; and
- low business and consumer confidence, which may discourage employers and individuals to invest in training.

We understand the need to focus on the 16-19 age group as a priority, although we believe the opportunity for innovation and improvement in the system to benefit all age groups still exists within this context.

FSB values the work of the public sector in education and training. Schools colleges and universities play a vital role in developing the skills of the future workforce. There will always be a need for a well-resourced training system for the 16+ age group underpinned by public funding to provide stability. However, we did agree with the findings of the recent Willie Roe report, which highlighted the need to make the training system fit better with the needs of employers. While some pockets of really good practice show the benefits and wider potential of developing relationships between businesses and training providers, the prevalent perception amongst our members is that the publicly funded part of the post-16 system could do a lot more to meet the needs of small employers.

For example, communication between colleges and small businesses could be improved. Our members who have interacted with colleges believe that they have limited negotiating powers with publicly funding training providers both in terms of content and flexibility. They feel that they are often presented with a package that they cannot shape to meet their needs. This should be considered in the context that small businesses with fewer than 50 employees make up around 94% of the private sector employers¹ and together with single member enterprises provide 40% of the Scottish private sector employment. In addition, a substantial proportion of smaller businesses, by their very nature often occupy niche and specialised areas of their market, where there is the best chance of survival in competition with larger players. The training and knowledge exchange needs of smaller, specialist firms can therefore be more complex than an off-the-shelf package might be able to meet. These businesses are also those with have great potential for growth.

Changes to the funding mechanisms and structure of the system have the potential to help make further improvements in this regard. However, these in themselves do not create good communication and understanding of local small employer needs. As the consultation document states there are some areas of good practice where colleges engage well with the local business community and actively involve businesses in course management. This kind of interaction breeds its own reward as businesses are far more likely to reciprocate with contributions in terms of placements, advice on industry standards, sponsoring local training events, procurement/hire of college facilities etc.

We believe that some investment contingent on improved relationships between providers and business might bring about the changed behaviour required to make the

¹ Scottish Corporate Sector Statistics 2011

system more responsive to employer needs. Specifically, we would expect more on site visits from college staff, which would improve their understanding of the work environments their students might have the opportunity to progress to and the training needs of those environments.

The small business experience of Scotland's Post-16 system

An FSB survey of members in March 2011 revealed that 49% of the members responding from Scotland had invested in training in the past year, either for themselves or their staff. Of these, well over half (58%) had hired a private provider to deliver the training required, compared to 16% who used the local college. This suggests that businesses requiring training for their staff are willing to pay for it, given the right conditions.

The feedback we have received from our members who have interacted with the publicly funded system is mixed. While we have heard many positive comments about elements of what colleges offer, a good business experience with a college's training provision depends heavily on whether college staff have an up-to-date understanding of industry requirements – particularly from the small business perspective; whether there has been good, ongoing communication with the business, with staff regularly visiting local businesses in the area; and where the expected level and type of skill has been the result.

Where satisfaction is lower with college provision, the following feedback gives a flavour of the issues encountered:

- *College staff are too far removed from the industry as it is now. We're five minutes' walk from the main campus, which specialises in offering courses for our industry, and yet nobody has ever come to see what actually goes on here. The college does not offer courses in the technical skills required for the available jobs, while the popular courses they offer relating to our sector lead to only a handful of jobs UK-wide. We've mentioned this, but college does not see this as a problem. (Textiles business)*
- *While some of the course content was excellent and the modern apprenticeship arrangements manageable, the college failed to keep us up to date about the lack of progress the apprentice was making with his course-work. They were also inflexible about which technical units the apprentice should undertake, some of which were not relevant to the training required. We could have provided more support at this end or negotiated an alternative route for the candidate. We now find we've invested for a year in a young member of staff whose skills are still not suitable for the job. That's also public funding down the drain. (Precision engineering company)*
- *I would be very reluctant to take on a young person straight from a full-time college course. The attitudes needed to work in a commercial setting are just not there. I've had to deal with basic issues from timekeeping to personal hygiene. I'd expect to pay someone with a qualification a wage that reflects their training but*

it's difficult to justify when you can't let them loose on the clients. While the college course content provides a good basis in theory, it's largely work-based training that's required. (Hairdresser)

- *I was keen to get involved in developing the course and glad that the need for industry expertise had been recognised. I think the end result has been really worthwhile. Had I known all the complications and lengthy processes involved, though, I would have run a mile in the opposite direction. It was so difficult to get the academic staff to understand the commercial reality the course was supposed to be preparing students for. Luckily I was recently retired and had more time to devote to the project than those still active in the industry. (Retired hotelier)*

Overview of consultation proposals

Our response to this consultation will focus principally on the proposals which would potentially involve small business employers most. These are:

- Changes to funding arrangements – encouraging employers to make contributions and investments via new funding models (voluntary training levies have been mooted as an option) for which legislation will no doubt be required;
- Refocusing of Government investment in post-16 education and training to address the needs of employers, regional economic priorities and training priorities of key sectors; and
- Commitment to reducing bureaucracy for businesses to enable participation in training programmes.

Funding arrangements: Voluntary training levies

Voluntary training levies may provide a vehicle to elicit a quicker response from the system for new or updated skills and qualifications and there may be merit in exploring further this kind of funding model. However, we have several reservations about this model, particularly with regard to its appropriateness for smaller employers, and its ability to provide a stable funding source for the sector:

1. Levies are most likely to work in specific sectors, such as engineering, where there is a shortage of people with the appropriate technical skills and qualifications.
2. The industry would need to lead in shaping the training being procured via a levy and this will immediately favour larger businesses' priorities. There is a risk that smaller businesses' needs, upon which a larger proportion of their productivity depends, would be lost as they have fewer resources to devote to such a project.
3. The historic lack of responsiveness by publicly funded institutions in the past might discourage industry participation.

4. The consultation document says very little about how training levies might be managed, which industries might have an interest in them, how the accountability of the recipients of the levy could be assured. This would have to be very tightly drawn up to ensure that the pitfalls of previous training levies are avoided.
5. The levy would find more support from the private sector if it were to fund a finite development project, as opposed to representing an ongoing revenue stream. Such a model is very unlikely to provide the solution to the problem of reduced public funding. If it were to work, it would therefore have to be one of a package of funding models supporting the system.
6. It is clear that no education and training system can be sustainable purely by responding to market forces and undertaking short term projects. Scottish businesses still need a training and education system that will prepare its users for a variety of different work places. The bulk of skills demands from small businesses continue to be soft and core skills for the most part. Communication skills, sales and customer service skills and basic IT competency still score the highest amongst the skills that small businesses need their staff to develop². The FSB believes that it is reasonable to expect that, with employer involvement and support in-kind, and better communication with providers, these might be included in the core publicly funded provision.
7. The current economic climate must also be taken into account when considering employer contributions. Many of our members have seen their profit margins all but disappear in recent months, as they have had to cope with significantly rising costs associated with energy, fuel, regulation and difficulties in managing cash-flow to name just a few. While business focus is on survival over the next 18 months, response to the suggestion that small employers foot a larger part of the training bill at this stage is therefore likely to be guarded.

Refocusing investment: employer needs

One of the recurring issues raised by our members, mirrored in the results of the 2010 (and previous) Scottish Employer Skills Survey³ is the perception that young people's attitudes on entering the world of work in general are not realistic. Our members report a lack of ambition or drive to work hard and learn the ropes. Small businesses need reliable and enthusiastic individuals and several have told us they will go to any lengths within their power to keep, and invest in, individuals who possess these qualities, even if their technical skills are below the required level initially. This issue needs to be tackled more effectively to enable more effective transitions into the workplace. There is a role for both the pre- and post-16 education system in encouraging the attitudes which are valued in the world of work as well as the technical or academic skills. This is why many of the FSB members we spoke to have been involved in providing work experience and placements for young people from school

² FSB Member Survey March 2011

³ Scottish Government Social Research 2011: Skills in Scotland 2010

and college. It is also why the FSB has supported the focus on partnerships with employers within the Curriculum for Excellence. We believe more small businesses might be encouraged to host work placement if more on-site support, both for the employer and the individual were available.

Refocusing investment: Regionalisation

We can see the rationale behind college regionalisation and regional commissioning in order to enhance training providers' responsiveness to regional economic demand. We agree that this should be a priority. We do have a number of concerns about how this is to be brought about, however. There are several factors upon which the success of this approach depend, including:

- Good local labour market intelligence; and
- Good consultation and communication with the local business community across all subject areas relevant to it.

However, as the consultation document itself states, existing mechanisms fall short of the mark. To confirm these assumptions, we would add the following:

1. Sector Skills Councils: when polled in April 2010, around a third of FSB members in Scotland confessed to never having heard of them, while only 6% said they knew anything about what they did⁴. SSCs have gathered useful intelligence about the sectors they represent, and some have backed, developed and promoted training such as SkillsSmart's work to roll out the Mary Portas Retail Master Classes. These have found support from some of our members. As a tool for business engagement, however, their reach has been very limited.
2. Community Planning Partnerships: The Audit Scotland report published in November 2011⁵ has uncovered several shortcomings of CPPs in relation to their role in economic development planning. These findings align with feedback we have received from members. There is very little business involvement in community planning partnerships overall, with some notable exceptions where subgroups concentrate on local economic priorities, employability etc. While these might be a useful platform to determine the employment needs of large, public sector employers such as the NHS, they miss most of the private sector which accounts for 70% of Scotland's employment (around 40% provided by small businesses)⁶. CPPs may be able to perform a valuable role and getting a high level overview of the labour market situation in their area, but in order to do this, they need to involve employers in relevant discussion more effectively.

More effective interaction to determine skills needs and provision would be a combination of colleges interacting with local authority economic development

⁴ FSB Voice of Small Business Survey April 2010

⁵ Audit Scotland: The role of community planning partnerships in economic development, November 2011

⁶ Scottish Corporate Sector Statistics 2011

departments and reaching out to local businesses. This is the best way to determine and fully understand the skills needs and how these can contribute to economic growth regionally.

Commitment to reducing bureaucracy

The FSB has called for some time for the bureaucracy surrounding training programmes to be reduced⁷ and the process simplified, particularly for smaller employers. We note some progress in this area already, with improving quality of information available to employers who wish to find out about training schemes available to them and their staff. We are also pleased to contribute to the shaping of Skills Development Scotland's Employer Offer. The FSB is keen for modified apprenticeship models and alternative work-based training schemes which could feed into apprenticeships at a later date to be explored, such as the host employer model and apprentice sharing schemes. Of the smaller businesses interested in investing in training, many do not currently have the capacity to support full apprenticeships and long term staff commitments and many do not see apprenticeships as relevant to their business needs.

The FSB welcomes any moves to make post-16 education and training more flexible. Part-time and work-based provision, broken down into bite-sized units which can be invested in as budgets allow and have the capacity to contribute to the achievement of recognised qualifications are particularly valued by smaller employers. Some of our member feedback suggests that some work-based provision (modern apprenticeships) could be more flexible to enable an individual to achieve a respected qualification that also has more direct relevance to their work. We therefore welcome the commitment to develop the apprenticeship programme to deliver a wider range of progression and articulation opportunities.

Conclusion

The FSB broadly supports the general direction and aims of the reforms proposed. In particular we are encouraged at the recognition of the importance of focusing on work-readiness and employer skills demand. However, we remain unconvinced that the proposed measures put forward in the document will result, themselves, in improving the interaction between local small businesses and colleges. As any entity with a diverse customer base is aware, one model for interaction will not fit all customers. Forcing colleges to rely on more commercial income will require a more commercial approach to the wider market. This includes small businesses. Previous attempts to commercialise publicly funded services have often faltered at this hurdle. Providing incentives to colleges to work with local authority economic development departments and businesses to analyse how well they have met the needs of existing employer users of their services and how they might improve and engage with a wider employer base in their area would ensure that existing good practice is maintained and rolled out and that innovation is rewarded.

For further information on any of the points raised in this submission, please contact Mary Goodman, Senior Policy Adviser, email: mary.goodman@fsb.org.uk t: 0141 221 0775.

⁷ Modern Apprenticeships: The Small Business Perspective - A Report to FSB Scotland 2009