

Workforce Development

January 2011

Introduction

The Federation of Small Businesses (FSB) responded to the original *Post-16 and Vocational Education* consultation in December 2010. Below is our response to the supplemental questions the review group issued on workforce development. Much of our original response covers the questions posed in the supplementary consultation. However, our comments below, based on interviews with a group of six business owners across a range of sectors, may help inform the review group.

How the public sector can engage with employers on workforce development

As we have stated in our original response, the FSB believes that the public sector's top priority for supporting workforce development is to improve its marketing and communication of the provision and support already available. This should involve more direct and tailored marketing on a broad sector basis. Our additional interviews with members, who have varying approaches to workforce development, all seem to support this position.

Many of the requirements for workforce development such as management skills are common across sectors, but the business owners we talked to all approached workforce development from the point of view of their business's specific need first and the belief in the wider value of developing individual staff second. Backing this up, a recent FSB member survey¹ showed that 79 per cent of respondents stated the purpose of formal or informal staff training was to "improve skills to benefit my business" or to "develop individuals within the workplace".

We pointed out in our previous response (section 7)² that the person responsible for staff training in a small business is likely to be someone whose expertise lies in the core functions of the business, rather than in workforce development. The competing priorities they have to deal with mean that employer engagement with the public education and workforce development initiatives is often weak. Our members' average working week was 55 hours in 2008³ and many report that they are working more hours to compensate for loss of revenue due to current economic pressures. If the public sector is to have a role in supporting workforce development, it needs to meet and contact businesses where they are, showing that it has something of value to offer them.

Action which depends on business owners and managers taking time to seek out and engage in a strategic dialogue with the education sector will have very limited success. Improved engagement and communication are therefore key to any future interaction on workforce development between businesses and the public sector. Get the marketing strategy right for

¹ FSB Scotland – Survey Panel – April 2010

² FSB response to Review of Post-16 and Vocational Education

³ FSB Report – Barriers to Growth 2008

what the education sector already provides, establish the lines of communication, and wider strategies can be developed from there, using intelligence gathered from businesses and their staff. This is the single most important action the public sector can take in respect of its involvement in workforce development.

In considering the issue of marketing, the review group might find some of the feedback we have gathered from business owners about their approach to workforce development useful. This falls well short of market research, but it may provide some initial insights.

- Some businesses indicated that they unaware that publicly funded training provision could be open to – or of benefit to – their staff.
- One member we interviewed said that he tends to find the training he is looking for ‘by accident’.
- Businesses with specific trade training requirements (e.g. hairdressing, construction) who are aware of relevant college sector provision rate this highly, particularly with regard to flexible, day-release, work-based training they have been involved with.
- Most businesses were unsure whether there was any public financial support available for staff training.
- One business owner said she had arranged college attendance for her staff in the past because they were able to get funding to cover their course and travel to and from college as young learners, but was unsure whether this would continue in view of the well-publicised proposal to withdraw the Education Maintenance Allowance in England and Wales.
- Budgets for businesses with small turnovers are extremely tight. These businesses are less likely to have a dedicated training budget for staff and tend to consider the need for staff training as the business need or skills gap arises which cannot be filled by day-to-day, on-the-job supervision. Faced with the unknown additional cost of training, small businesses find staff development decisions difficult. Knowing more about what funding is available to support their staff to undertake training, even if it were part-funding, would help them to continue or begin a commitment to staff training.
- Businesses we spoke to with dedicated training budgets (financial services, software development) are willing to pay for staff development and have done so at significant cost through private training providers and professional bodies. They would rarely approach the public sector except to address key core skills gaps in staff.
- Businesses with dedicated budgets to spend on training told us they sourced training as a result of internet search, direct marketing (leaflets through the door; emails) and sector knowledge, word of mouth.
- One business we spoke to was part of a franchise and sourced all external staff training via franchise headquarters.
- One business mentioned their use of the *Investors in People* website to inform in-house motivational staff training and appraisal system.

Further analysis of business approach to workforce development along these lines might help inform a public sector marketing strategy.

Infrastructure

As we have noted above, particularly for very small businesses without a sufficiently large turnover to allow for a dedicated training budget, some financial support to enable their staff to undertake externally provided training may mean the difference to continued commitment to staff training. The FSB strongly supports financial support such as Skills Development

Scotland's (SDS) *Flexible Training Opportunities* scheme. Again however, the uptake of this scheme has been low because most businesses are unaware of its existence.

Whether a public sector body should be designated as the 'lead agency' for workforce development, is less important than the interface the public sector presents to the business community, and how well co-ordinated partner public bodies are in delivering support in this area.

Given that only 3 per cent⁴ of our members would approach Skills Development Scotland when considering staff training, and 93 per cent⁵ of our members have heard of Business Gateway, it makes sense to capitalise on the business-focus of this existing brand. Business Gateway as a brand has work to do in improving its profile amongst small businesses since many, while aware of the brand, believe that its remit and local business advisors' time is restricted to start-ups.

From the sector-specific point of view sector skills councils may have a role to play in reaching business on a sector basis, packaging provision and support for their relevant sectors. Again, however, 91 per cent⁶ of our members know little or nothing at all of sector skills councils and their role in workforce development. Bringing their sector expertise and offerings under one brand which is well recognised would greatly improve their reach and effectiveness.

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

⁴ FSB Scotland – Survey Panel – November 2010

⁵ FSB – UK Survey Panel November 2010

⁶ FSB Scotland – Survey Panel – April 2010
