



# Building Skills, Transforming Lives

## IoD response to Conservative Party consultation

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### ***Building Skills, Transforming Lives: A Training and Apprenticeships Revolution***

Dear Ms Narozanski,

Thank you for inviting the Institute of Directors (IoD) to respond to the public consultation on the Conservative Party's recent skills Green Paper: *Building Skills, Transforming Lives: A Training and Apprenticeships Revolution* (Opportunity Agenda Policy Green Paper No. 7, July 2008). Policy relating to education, skills and training is of the highest interest to the IoD and its members and we are delighted to participate in the consultation exercise. This paper presents some thoughts on and around the particular questions and topics highlighted in the Green Paper. We hope you find our comments useful and look forward to discussing some of the key issues in more detail in our meeting with David Willetts later this month.

#### *About the IoD and its members*

The IoD was founded in 1903 and obtained a Royal Charter in 1906. It is an independent, non-party political organisation of approximately 50,000 individual members. Its aim is to serve, support, represent and set standards for directors to enable them to fulfil their leadership responsibilities in creating wealth for the benefit of business and society as a whole. The membership is drawn from right across the business spectrum. 83% of FTSE 100 companies and 64% of FTSE 350 companies have IoD members on their boards, but the majority of members, some 71%, comprise directors of small and medium-sized enterprises (SMEs), ranging from long-established businesses to start-up companies. IoD members' organisations are entrepreneurial and resolutely growth orientated. More than two-fifths export. They are at the forefront of flexible working practices and are fully committed to the skills agenda: over 90% of members' organisations provide training for their employees and 70% provide training leading to qualifications.

#### *IoD response: summary*

There are many positive aspects to the Green Paper. It recognises the fundamental importance of skills to the UK's future competitiveness and correctly observes that problems with basic skills in large measure reflect failings in the education system. The initiatives to strengthen Apprenticeships and improve their delivery tackle some of the key performance issues. The moves to reduce bureaucracy and increase choice in the further education sector are also very welcome – greater autonomy can only increase colleges' ability to respond to employers' training needs. The IoD also supports the determination to overhaul careers advice and guidance: all young people must have

access to significantly better information about potential careers and qualifications, so critical at a time when the choice of educational options is expanding.

There are, however, two areas where the IoD has particular concerns about the proposals. The Train to Gain scheme is not flawless, but the principle of the initiative has great merit and the focus of policy should be on improving the service rather than diverting funds away. Secondly, in making the expansion of Apprenticeships the centrepiece of the proposed reforms, the IoD believes that the Green Paper risks repeating the same mistake that the Government makes: assuming that one model of training is suitable for every circumstance. Apprenticeships should not be regarded as a man for all seasons. Apprenticeship-style skill formation will never be appropriate for all organisations – many employers have other preferred methods of recruiting and training that suit them better. This is perfectly legitimate and this flexibility of approach must be preserved.

### *IoD response: consultation questions*

Section 4.1 of the Green Paper poses a range of specific questions on the proposals. For coherence, we have grouped our comments and reflections on some of the key issues under the headings below.

## **Apprenticeships [Questions 1; 3; 4; and 5]**

The IoD has followed the development of the Apprenticeship programme very closely in recent years.<sup>1</sup> We particularly welcome the focus within the Green Paper's commentary and policy proposals on the following issues:

- **The level of training that Apprenticeships increasingly represent.** Section 1.3.2 makes the important observation that, despite being a scheme originally designed to address weaknesses in intermediate, technician level skills (Level 3), the Apprenticeship programme has progressively come to be dominated by participation at Level 2. While the total number of learners in Apprenticeships has increased in recent years, this disguises a fall in both absolute and proportional in the number of Advanced (i.e. Level 3) Apprenticeships. In the context of the clear signal the Leitch Review issued on the need to raise the stock of Level 3 skills, this needs to be addressed.
- **The importance of off-the-job training.** Section 1.3.3 cites the IoD's own evidence to the House of Lords inquiry into Apprenticeships on the subject of off-the-job training. We strongly endorse the indication in section 2.1.4 of the Green Paper that Apprenticeships should blend job-specific and transferable skills. In the IoD's view, theoretical knowledge gained via structured off-the-job training is an absolutely vital underpinning of every Apprenticeship and should be a mandatory feature of all frameworks. Not only does it complement the core on-the-job skills, it also gives apprentices a more solid platform for further progression in education and training. Wherever possible, it should take the form of a separate qualification.
- **Progression.** Building on the previous point, there needs to be a significantly higher level of progression through the Apprenticeship system, both from one Apprenticeship level to another, and from Apprenticeships to higher education – a realistic chance of the latter is particularly

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<sup>1</sup> See, for example, Harris, M., *Modern Apprenticeships: an assessment of the Government's flagship training programme* (IoD, August 2003); IoD written and oral evidence to House of Lords Economic Affairs Committee (January 2007); IoD written evidence to House of Commons Education and Skills Select Committee (January 2007); Templeman, M., "What Business Wants from Apprenticeships", in *Staying the Course: Changes to the Participation Age and Qualifications* (Social Market Foundation, March 2008), pp. 63-73; IoD response to *World-class Apprenticeships: Unlocking Talent, Building Skills for All* (DIUS/DCSF, January 2008); and *Apprenticeships: from 'ugly duckling' to swan?* (IoD Education Quarterly, July 2008).

critical to the esteem in which the programme is held by young people. If the qualification components of some Advanced Apprenticeships do not provide an adequate basis for higher study, then this must be addressed. The proposal (2.1.4) to ensure all such Apprenticeships contain qualifications recognised by UCAS is a sensible one.

- **Employer involvement and ‘ownership’.** The depth of employer engagement in Apprenticeships is central to their quality: inspection evidence suggests that some of the best apprenticeship programmes are those run by employers themselves. Endeavouring to secure greater involvement by employers in directly delivering Apprenticeships should be a key policy goal. To this end we support both the emphasis on fresh support for Group Training Associations (2.2.2) and also the caution expressed regarding ‘programme-led’ apprenticeships (1.3). With regard to the latter, young people should only enter pre-apprenticeship training when there is a *realistic* expectation of getting a bona fide Apprenticeship place in the *very short term*. Places on such preparatory training courses must therefore be closely linked to the overall supply of Apprenticeship places with employers. The training should act as a genuine preparation for an Apprenticeship and focus on developing transferable skills, competencies and qualifications.
- **Bureaucracy.** The Green Paper rightly identifies red tape, real and perceived, as an issue that prevents some employers from using Apprenticeships and others from not offering more Apprenticeship placements. Further details on how existing hurdles might be removed would, though, have been useful.

In addition to these positive points, there are a number of areas where the approach outlined in the Green Paper causes us concern, or where it omits to cover important issues. These include:

- **Apprenticeships are not a universal training solution.** Apprenticeships, and apprenticeship-style skill formation, are not suitable for all organisations or all circumstances. Many employers, quite understandably, have other preferred training and recruitment practices. This simple fact is in danger of being overlooked as both main political parties appear to be striving for a programme that is, to quote the Government, “geographically and sectorally mainstream”,<sup>2</sup> and effectively the default training option not only for young people aged 16-25 looking for a work-based educational route, but also for adults.

This raises two issues. Firstly, it entrenches Apprenticeships’ anointed position in the training hierarchy, to the potential detriment of other well-respected vocational qualifications. This is not necessarily beneficial to either young people or employers. Secondly, from the capacity point of view, not all employers will want, or be able, to be involved in Apprenticeships. IoD research shows that employer incentives only go so far.<sup>3</sup> And, in retrospect, many of the efforts expended in recent years on stimulating greater employer participation, including a multi-million pound advertising campaign, delivered relatively little. In view of this, the Conservatives must take care not to repeat past Government mistakes. If employers have other preferred training solutions, using alternative vocational qualifications where appropriate, that is perfectly legitimate. There should be a level playing field.

- **The supply-led policy approach to Apprenticeships.** An historical weakness of the Apprenticeship programme – contrary to the traditional pattern of apprenticeship recruitment – has been its supply driven, rather than demand driven, orientation. Section 1.3 rightly notes that Apprenticeship recruitment has been orchestrated by the education department, the LSC and

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<sup>2</sup> *World-class Apprenticeships: Unlocking Talent, Building Skills for All*, paragraph 5.2, p. 33.

<sup>3</sup> In the IoD research conducted in February/March 2008, 40% of directors representing organisations not offering apprentice places said that none of the suggested sweeteners would encourage them to do so. See *Apprenticeships: from ‘ugly duckling’ to swan?* (IoD Education Quarterly, July 2008).

training providers, with a central target set to ensure a particular proportion of young people participated. This emphasis on quantity has been damaging to quality and performance, and the supply driven approach has also had the unfortunate corollary of sidelining employers, who have often taken a back seat to training providers in the provision of Apprenticeship frameworks. In proposing “A massive expansion in the provision of real apprenticeships”, the IoD is concerned that the Green Paper could if anything further embed the focus on numbers.

- **Funding.** On funding, the Green Paper includes two innovative proposals: the direct payment of employers for Apprenticeship provision (2.2.2); and a £2,000 bonus for apprentices taken on by SMEs (2.1.1). Funding is clearly an influential tool when seeking to increase Apprenticeship uptake. The IoD’s own research has shown that the incentives proposed by the Government – financial inducements for large companies to ‘over-train’ and a contribution to the wage costs of Apprentices employed by small businesses – would indeed help to encourage (i) organisations already using Apprenticeships to offer more places; and (ii) more organisations not using Apprenticeships to start offering places. However, the IoD does have a residual concern over whether more generous financial incentives should in fact be offered from the public purse to prompt more employers to offer Apprenticeships. After all, further preferential subsidisation of Apprenticeships over other valued forms of vocational training would not necessarily ensure a better training solution for the employer or potential apprentice, nor is it the only – or most effective – way of securing employer engagement.
- **Training quality and completion rates.** One of the most important ways to encourage employers to offer apprentice places is to ensure that Apprenticeship programmes represent high quality training. It is disappointing to find no coverage of training quality or completion rates in the Green Paper: a continued focus on these issues is an essential prerequisite for maintaining (or even stimulating) employer and learner respect for Apprenticeships. The stated intention to boost the number of young people on Apprenticeships makes it ever more important for a no compromise stance on completion rates, training standards and framework demand. For too long weaknesses in these areas blighted the programme. In parenthesis, it would also be worth looking at the impact of Ofsted’s increasingly ‘light touch’ approach towards inspection and the consequences for the availability of detailed specialist inspection reports that enable employers to judge training providers. Inspection is, after all, the vital first step towards quality improvement.

As a final footnote on this topic, the Conservatives could examine further systemic improvements to Apprenticeships and their delivery. The Party should look at the case for introducing an initial ‘probationary period’ into Apprenticeships, as is a feature of the German system. The commitment to ensure funding mechanisms continue adequately to incentivise completion is welcome. Effective follow-up procedures should also be implemented to track those apprentices leaving their Apprenticeship prematurely: some might be encouraged to continue in training. As noted above, boosting the range of Apprenticeships and improving the speed of response to demand is important: the faster development of new Apprenticeships would encourage those already using the programme to offer more Apprenticeship places, whilst not being covered by an Apprenticeship framework is often cited by organisations as a principal reason why they do not use the programme. Finally, although it is clearly right to intervene to tackle obvious weaknesses or make important improvements, the programme would subsequently benefit from a period of stability. It is difficult to think of another scheme that has been so relentlessly reviewed, reformed and tinkered with.

## **Train to Gain**

In large measure, the policy proposals outlined in the Green Paper are to be funded by ‘reengineering’ existing funding streams, particularly the Train to Gain budget. Indeed, the Train to

Gain service as it currently exists looks set effectively to disappear. The Green Paper does not explicitly invite views on this strategy, but it is worthy of comment. It is necessary firstly to acknowledge that Train to Gain is not a flawless scheme; that it requires greater flexibility; that the skills brokerage network does not universally work well; and that there is a continuing need to raise employer awareness.<sup>4</sup> The service also needs to promote higher level skills as well as the basics and Level 2 skills, as the Green Paper rightly observes. We do not dispute, therefore, that improvements can be made, nor seek to argue that Train to Gain is yet the finished article. However, the principle of the initiative has great merit and the IoD believes that the focus of policy should be on improving the service rather than diverting funds away.

The Green Paper criticises Train to Gain for not “letting employers and employees choose which courses and levels are the best fit for them” – that the service is constricted into a ‘one size fits all’ model.<sup>5</sup> This criticism has some validity, and yet the central proposal of the Green Paper may simply result in a different form of restraint on employer and learner choice. To paraphrase the observation by John Stone, cited on p. 19, the choice offered by the Green Paper could in fact be another manifestation of the Russian supermarket variety: that employers and learners may embark on any training scheme as long as it is an Apprenticeship. Section 2.2 proclaims the desire to instigate a ‘demand-led training revolution’, and yet the choice available under this system may in actuality be more limited and constrained than at present.

The Green Paper correctly notes that “businesses of all sizes...require genuine skills training that is not part of, or does not lead to, an apprenticeship.”<sup>6</sup> This is a critical point and ought to underpin improvements to Train to Gain, with the goal of matching the right training to the right business need. However, the proposed Business Skills Development Fund is to consist of just £60 million a year, compared to over £700 million a year being earmarked for Apprenticeships. In the IoD’s view, this is an insufficient counterbalance. The majority of funding ought to be geared towards a flexible, Train to Gain-type service, with perhaps subsidiary funding for initiatives specifically targeting skills development in shortage areas, such as STEM. This might take the form of Apprenticeship, but it might equally take the form of other valued and respected vocational qualifications.

## **Further education [Questions 2; 7; and 8]**

The IoD warmly welcomes the emphasis in the Green Paper on reducing bureaucracy and regulation in the further education sector, and on increasing colleges’ autonomy – this can only aid the sector play its crucial role in the efforts to increase the skills base and respond more effectively to employers’ needs. Colleges are, quite simply, vital components in the skills system and we absolutely agree that most will, to quote question 8, ‘respond to the opportunities created by greater freedom.’ Indeed, the IoD’s research has shown many members’ organisations are already very engaged with FE colleges: almost half use colleges to train some of their employees, with the majority considering the quality of training provided to be good or better.<sup>7</sup>

The proposals to streamline the organisational landscape in FE are also attractive and should help to reduce costs and red tape. The goal to move FE towards greater self-regulation, as in higher

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<sup>4</sup> Research conducted by the IoD in February/March 2008 revealed that only 8% of IoD members’ organisations had used Train to Gain, though this may now underestimate the extent of usage given that the IoD subsequently worked with the LSC to raise awareness of the scheme. In the IoD survey, directors of organisations which had not used Train to Gain were asked the reason why. 44% knew of the service, but had not used it, while 56% had not heard of Train to Gain.

<sup>5</sup> *Building Skills, Transforming Lives: A Training and Apprenticeships Revolution* (Opportunity Agenda Policy Green Paper No. 7, July 2008), 1.5.2, p. 19.

<sup>6</sup> *Building Skills, Transforming Lives: A Training and Apprenticeships Revolution* (Opportunity Agenda Policy Green Paper No. 7, July 2008), 3.3.7, p. 29.

<sup>7</sup> Source: Q1 2006 IoD Business Opinion Survey, fieldwork conducted 20-31 March 2006.

education, also has the IoD's backing. There is, though, an important balance to strike here in constructing appropriate audit and inspection systems. The IoD fully supports the overarching principle of inspection in proportion to risk: the inspection burden should be the lightest that is consistent with delivering three principal aims: giving an accurate picture of quality across the sector; improving standards; and maintaining public confidence. The IoD is concerned that without extreme care the current push towards an ever 'lighter touch' inspection regime for colleges might hamper attempts to:

- **Underpin a demand-led skills and training system** – from the perspective of employers, detailed specialist inspection can play an important role in providing an independent evaluation and verification of the quality of courses and training programmes, as well as of providers themselves. The demise of such inspection evidence could result in the system becoming, if anything, more opaque.
- **Identify best practice** – the drift away from detailed inspection has the unfortunate side effect of making instances of exceptional provision more difficult to identify, in what the former Chief Inspector of Adult Learning described in 2006 as the “progressive invisibility of what is excellent”.
- **Drive up performance** – lighter inspection and regulation will place increasing emphasis on colleges' self-assessment procedures. Not all are sufficiently robust to bear the weight. In addition, internal procedures alone – while allowing good providers to be self-critical – may not act as a sufficient spur to improve quality to world class levels.<sup>8</sup>

The IoD shares the Green Paper's vision of autonomous, responsive, high quality further education colleges. We are confident that the sector will rise to the challenge of greater autonomy, both in meeting employers' skills needs and delivering in areas such as the NEET agenda and adult learning. However, the steps towards this goal need to be carefully managed, particularly with regard to inspection and on developing self-regulatory expertise. One area where some additional focus might be valuable is in the sharing of best practice. The IoD has consistently argued, for example, that Ofsted ought to take a more proactive part in supporting quality improvement. In this way it would build on the successful philosophy and legacy of the former Adult Learning Inspectorate.

## Sector Skills Councils [Question 10]

The Green Paper invites comment on how the extra resources proposed for Sector Skills Councils – an additional £35m – would best be deployed. In proposing an increase in SSCs' responsibilities and resources, the Green Paper builds on Government policy, informed by the Leitch Review, which bestowed upon SSCs the task of making a practical reality of a demand-led, employer-shaped, skills system. A pressing policy priority, therefore, is to build a more dynamic and consistently successful network of SSCs.

Previous IoD research has highlighted directors' concerns relating to the performance of the skills infrastructure, including the SSCs. Despite this, the IoD believes that the emphasis of public policy should be on making the current system work more effectively rather than initiating further reorganisation and disruption. As far as the SSCs are concerned, this requires action on two fronts. Firstly, a significant increase in employers' awareness of, and engagement with, the SSCs is necessary for them to fulfil their representative and strategic brief. Surveys conducted both by employer organisations and the former Sector Skills Development Agency indicate that awareness

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<sup>8</sup> For further discussion of these points, see the IoD's response to the 2007 government consultation on proportionate inspection for FE colleges, available on the IoD's website at: [http://www.iod.com/intershoproot/eCS/Store/en/pdfs/policy\\_consultation\\_prop\\_inspection\\_further\\_education.pdf](http://www.iod.com/intershoproot/eCS/Store/en/pdfs/policy_consultation_prop_inspection_further_education.pdf).

runs at about the 20-30% level. This is too low, and the Conservative Party should push for a particular improvement in Councils' engagement with small and medium-sized enterprises (SMEs).

The second area where action is required is endeavouring to secure a more consistent level of performance across the SSC network. For some perfectly understandable reasons, including longevity and legacy, some SSCs perform more impressively than others. As explicable and well-known as this may be, it isn't sustainable in the long term and the IoD was pleased to see the new UK Commission for Employment and Skills instigate a re-licensing process for the SSCs and move towards a transparent performance management regime for the Councils. The IoD has long argued for the latter, and although we welcome the steps that have been taken to implement it, it remains our view that the performance assessments ought ideally to be conducted by an independent body such as the National Audit Office rather than the UKCES. Nevertheless, together these two initiatives will help to increase employer engagement and drive up SSC performance, both necessary conditions for confidence that the additional public investment proposed in the Green Paper will be well spent.

### **NEET fund [Question 11]**

Paragraph 3.3.6 details the plan to ring-fence £100m for training aimed at those not in any education, employment or training. Much policy focus has inevitably been trained on the NEET issue. We comment later on the Government's principal approach to reducing the proportion of young people NEET: the flawed policy to raise the education leaving age. With regards to the Conservative proposal for a NEET fund, we agree that "small steps back into education, rather than substantial courses leading to full qualifications, can offer a less challenging prospect for someone who has not got on with the school system first time around."<sup>9</sup> However, whilst the Green Paper argues for greater flexibility in the form of training the fund will consequently facilitate, it simultaneously acts to limit flexibility by indicating that the preferred outcome will be an Apprenticeship.

As noted previously, this form of training will not be suitable or realistic for all. If the NEET fund is genuinely to act to "prepare young people for apprenticeships" (to the extent that it "will be branded pre-apprenticeship training"), then the ensuing training will probably have to tackle basic skills problems or lead to a Level 2 qualification – the very outcomes for which the current system is implicitly criticised. It must be remembered that, alongside incorrect initial occupational choice, under-preparation has played a very significant role in Apprenticeship non-completion. In the past, too many young people have started programmes that proved too demanding – for instance, beginning Level 3 Apprenticeships despite not having completed a Level 2 qualification. Before young people embark on an Apprenticeship, it is essential that proper account is taken of their prior level of qualification. If they do not have, or are unlikely to develop in the time available, the foundation skills likely to be necessary to complete an Apprenticeship, they should not be compelled to journey down this path. The IoD's concern is that many in the NEET group will be precisely in this position. Under the NEET fund proposal, young people may benefit from more flexible or tailored training, but they should be given a wider range of outcomes rather than be funnelled into Apprenticeships. "Small steps back into education" are arguably unlikely to be sufficient preparation for an Apprenticeship, particularly at Level 3.

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<sup>9</sup> *Building Skills, Transforming Lives: A Training and Apprenticeships Revolution* (Opportunity Agenda Policy Green Paper No. 7, July 2008), 2.1.2, p. 22.

## Information, advice and guidance [Questions 12 and 13]

High quality and impartial information, advice and guidance are a prerequisite for any education system that is to equip young people with the facts they need to make the right choices. At a time when the choice of educational options is expanding, it is ever more critical that young people are supported and guided by an excellent careers service, staffed by professionals with credible experience and expertise in the field. The IoD consequently supports the Green Paper proposal to place a careers adviser in every secondary school and FE college in the country. If implemented effectively, this resource ought to help ensure that careers information, advice and guidance is genuinely available to all young people, and not focused on those at most risk of dropping out – as has previously been a criticism of the Connexions Service. The IoD also supports the plan for an all-age careers service. Rather than consider the two separately, however, there are clear benefits to be gained by facilitating movement between the youth and adult career services. This would help to make sure that those in charge of advising and guiding young people have up-to-date experience of the labour market and employment pathways.

## Lifelong Learning Accounts [Question 14]

The Green Paper advocates a “move towards a [training] system that is much more responsive to consumer demand.”<sup>10</sup> This has the IoD’s support. We also agree that, in principle, Lifelong Learning Accounts could act as a vehicle to encourage adults to make additional top-up payments to support their learning. In practice, however, this is unlikely to be realised if the only training individuals are permitted to purchase is an Apprenticeship. The vision of a training system driven by consumer demand will depend on a much wider array of options.

## Other key priorities [Question 15]

### Continue to make the case for better performance in the compulsory education system.

Paragraph 8.6 of the 2006 Leitch Review noted:

*“If the UK wants world class skills, it needs world class attainment among young people. Despite significant improvements in schools, there is further to go to ensure all young people leave school with the platform of skills they need in the modern labour market.”*

Similarly, the Green Paper observes:

*“Problems with basic skills in our economy stem from failings in our education system, going right back to our primary schools.”<sup>11</sup>*

This is absolutely right. Despite the oft-cited statistic that the majority of the 2020 workforce has already completed compulsory education, it is important not to lose sight of the fact that we must ensure a better flow of skills into the workforce. Evidence published in the IoD’s 2008 *Education Briefing Book* suggests that the challenge of delivering a world class education system is likely to be even greater than official statistics suggest.<sup>12</sup> The IoD believes that the Conservative Party should continue to make the case for raising standards in education as the foundation for all efforts to

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<sup>10</sup> *Building Skills, Transforming Lives: A Training and Apprenticeships Revolution* (Opportunity Agenda Policy Green Paper No. 7, July 2008), 2.2.1, p. 25.

<sup>11</sup> *Building Skills, Transforming Lives: A Training and Apprenticeships Revolution* (Opportunity Agenda Policy Green Paper No. 7, July 2008), 1.1.1, p. 9.

<sup>12</sup> *Education Briefing Book 2008* is available on the IoD’s [website](#).

improve the nation's skills base. The Party should also continue to oppose the policy, contained in the current Education and Skills Bill, to raise the education leaving age. It is a policy that will add to the burden of red tape on employers, risks damaging the youth labour market<sup>13</sup> and which takes aim at entirely the wrong target.

### **Oppose the unnecessary 'Time to Train' proposals.**

The IoD would like to see the Conservative Party set itself the goal of increasing employer investment in skills and training without recourse to compulsory collective measures or legislation. The Government recently consulted on its 'Time to Train' proposals,<sup>14</sup> which propose granting employees the right to request time off to undertake training. 'Time to Train' is an unnecessary, poorly thought-through and damaging policy that will add to the red tape burden borne by employers without delivering the envisaged benefits. The argument that the proposals represent a good deal for business, with the 'quid pro quo' of a few years' delay in the UKCES 2010 review was, in the IoD's view, a smokescreen. The assessment could not feasibly have happened in 2010 in any case. Rather, it is a classic example of how Ministers too often proceed from the premise that 'something needs to be done' to the search for a State solution. The best way to encourage businesses to train their employees is for government to reduce the regulatory and tax burdens so that employers have more resources to invest in skills development, and simultaneously to raise awareness of initiatives such as Train to Gain to help organisations access skills advice and support.

### **Prioritise particularly acute skills deficiencies.**

Skills shortages and gaps are one of IoD members' most pressing business concerns. In a survey of 500 directors conducted last year on the IoD's behalf by GfK NOP, over half (54%) thought the supply of skills had got worse over the past decade, compared to a quarter (24%) thinking it had got better. The skills deficit is broad and encompasses both foundation and specialist skills. 'Employability skills'<sup>15</sup>, together with the fundamental basic skills of literacy, numeracy and IT, form a foundation skillset necessary for success in the workplace and the wider world. In addition, our members are particularly affected by shortages of management skills and STEM skills. Indeed, a third of IoD members' organisations are currently affected by a shortage of graduates in science, technology, engineering and mathematics, and half (51%) anticipate being affected by a shortage in the next ten years.

Thank you once again for inviting the Institute of Directors to participate in this consultation. We hope you find our comments useful and look forward to further dialogue on the issues raised. If we can provide any further information, please do not hesitate to contact me.

Yours sincerely,

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<sup>13</sup> In a recent survey of IoD members, 48% of directors said that businesses would be less inclined to employ 16-18 year olds if the new law was passed. Clearly, being theoretically 'less inclined' to employ does not necessarily translate in practice to 'will not' employ. Nevertheless, the risks of this imminent regulation to the youth labour market are clear.

<sup>14</sup> The IoD's consultation response is available via the following link: [http://www.iod.com/intershoproot/eCS/Store/en/pdfs/policy\\_consultation\\_Time\\_to\\_Train\\_Sep\\_08.pdf](http://www.iod.com/intershoproot/eCS/Store/en/pdfs/policy_consultation_Time_to_Train_Sep_08.pdf).

<sup>15</sup> A recent IoD report on this subject, *Graduates' employability skills* (IoD, December 2007), is available for free download: [http://www.iod.com/intershoproot/eCS/Store/en/pdfs/policy\\_paper\\_graduates\\_employability\\_skills.pdf](http://www.iod.com/intershoproot/eCS/Store/en/pdfs/policy_paper_graduates_employability_skills.pdf).