This report is a summary of a research project carried out by the Policy Research Institute, Leeds Metropolitan University and the Institute for Employment Studies, University of Sussex, on behalf of the Sector Skills Development Agency.

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SKILLS FOR BUSINESS NETWORK:
PHASE 3 EVALUATION
MAIN REPORT

A REPORT PREPARED FOR:
SECTOR SKILLS DEVELOPMENT AGENCY (SSDA)

By Policy Research Institute,
Leeds Metropolitan University &
Institute for Employment Studies,
University of Sussex

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A report prepared for:
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August 2006
In October 2002 the Department for Education and Skills formally launched Skills for Business (SfB), a new UK-wide network of employer-led Sector Skills Councils (SSCs), supported and directed by the Sector Skills Development Agency (SSDA). The purpose of Skills for Business is to bring employers more centre stage in articulating their skill needs and delivering skills-based productivity improvements that can enhance UK competitiveness and the effectiveness of public services. The remit of the SSDA includes establishing and progressing the network of SSCs, supporting the SSCs in the development of their own capacity and providing a range of core services. Additionally the SSDA has responsibility for representing sectors not covered by an SSC and co-ordinating action on generic issues.

Research, and developing a sound evidence base, is central to the SSDA and to Skills for Business as a whole. It is crucial in: analysing productivity and skill needs; identifying priorities for action; and improving the evolving policy and skills agenda. It is vital that the SSDA research team works closely with partners already involved in skills and related research to generally drive up the quality of sectoral labour market analysis in the UK and to develop a more shared understanding of UK-wide sector priorities.

The SSDA is undertaking a variety of activities to develop the analytical capacity of the Network and enhance its evidence base. This involves: developing a substantial programme of new research and evaluation, including international research; synthesizing existing research; developing a common skills and labour market intelligence framework; taking part in partnership research projects across the UK; and setting up an expert panel drawing on the knowledge of leading academics, consultants and researchers in the field of labour market studies. Members of this panel will feed into specific research projects and peer review the outputs; be invited to participate in seminars and consultation events on specific research and policy issues; and will be asked to contribute to an annual research conference.

The SSDA takes the dissemination of research findings seriously. As such it has developed this dedicated research series to publish all research sponsored by the SSDA.

Lesley Giles
Head of Research at the SSDA
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- Graham Thom, Neil Shaw and colleagues from EKOS
- The SSC directors and staff that participated in the contextualisation exercise

Responsibility for the contents of this report lies solely with the authors.
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Executive Summary

Background

The Skills for Business network (SfBn) consists of the Sector Skills Development Agency (SSDA) and the employer-led Sector Skills Councils (SSCs). The network’s strategic objectives revolve around improving the productivity and competitiveness of the UK economy through better use and development of people’s skills, an issue which continues to be high on the policy agendas of national government, devolved administrations and regional agencies. The strategic objectives of the network are summarised below:

<table>
<thead>
<tr>
<th>Strategic objectives of the Skills for Business network</th>
</tr>
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<tr>
<td>1) 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;</td>
</tr>
<tr>
<td>2) To improve productivity, business and public services performance through specific strategic actions based on analysis of sectoral priorities;</td>
</tr>
<tr>
<td>3) To increase opportunities to develop and improve the productivity of everyone in the sector’s workforce including action to address equal opportunities; and</td>
</tr>
<tr>
<td>4) To improve learning supply including the development of apprenticeships, higher education and of National Occupational Standards.</td>
</tr>
</tbody>
</table>

This report presents an overview of the results from the Phase 3 evaluation of the network, based on analysis of the extensive data sets that have been assembled, together with qualitative research evidence. It summarises how the network has progressed against a range of strategic and operational objectives established for the Skills for Business network. It draws on surveys of employers and stakeholders, qualitative research with both these groups, broader evidence relating to the strategic objectives and discussions with SSCs around the data.

Some key emerging findings are as follows:

Steady progress at strategic level

The strategic indicators that the Skills for Business network was established to influence through developing skills at sector level are, broadly, moving in the desired direction. UK productivity is improving steadily but is not catching up with productivity levels in the USA. The relative significance of skills gaps within the existing workforce is on a clear downward trend, particularly in England. Skills shortages are less important than they were in accounting for hard-to-fill vacancies across England and Wales. The proportion of employees received job-related training has remained steady for a number of years, with some indications of widening participation across different groups across the workforce.

The proportion of employers stating that lack of knowledge of provision is a barrier to external training increased in 2004 but declined in 2005. The proportion feeling that lack of suitable provision has prevented them from getting involved in externally-provided training has remained broadly unchanged.

More committed employers

The evaluation evidence provides clear indication of a continued improvement in employer training, development and HR practices since the establishment of the Skills for Business network. More employers are providing some training for their staff. More employers are committed to the Investors in People standard and
employers of all sizes and across most sectors are adopting practices that, taken together, can be described as High Performance Working Practices (HPWP).

There is evidence from the Skills for Business Employer Survey that employers that are aware of and/or deal with the Skills for Business network in some way are more likely than average to adopt HPWPs, individually or as a whole. While this does not imply causation – and more work needs to be done to establish causal links between the Skills for Business network activities and employer behaviour – it is likely that some employers have improved their practices as a direct or indirect consequence of the network’s activities.

The evaluation highlighted the relatively low levels of training activity and HPWP among small and micro businesses. Given that such organisations are the least likely to be aware of the Skills for Business network or SSCs, there is a strong case for the network to target its activity on raising awareness among this group and encouraging greater commitment to skills development, with potentially positive results for productivity and business performance.

Mixed trends in employer awareness and engagement

Ironically, given the broadly positive results described above, the messages emerging from analysis of the awareness, understanding, engagement and satisfaction of employers in relation to the network are mixed. More employers were aware of the network and its component parts in 2005 than was the case in previous years, although the rate of increase has been slow relative to the challenging measures of success set for the network.

This increase in awareness is, in the vast majority of cases, superficial. Most employers that are aware of an SSC know only its name and do not have any detailed understanding of its roles or objectives.

Both SSCs and stakeholders reported that the network does many things that do not rely on direct contact with large numbers of employers, such as awareness campaigns, qualification and national occupational standard development. Furthermore, concern was expressed about the limited resources that many SSCs have available to engage with large numbers of employers of different sizes, in different sub-sectors and in different locations.

A very small proportion of establishments report any direct dealings with SSCs and the survey suggests that they are becoming less rather than more satisfied with these interactions, although it should be noted that sample sizes are small and employers engage with SSCs in a wide variety of ways. This result is a potential cause for concern and should be considered in the light of the role of ‘word of mouth’ – in addition to other more direct routes – to engaging employers. However, evidence from employers that have closer relations with SSCs acknowledge that it is still early in the development of the network, that SSCs are improving and they expect that it will take time for activities to come to fruition. Expectation, it is noted, is high amongst employers.

Impact on skills increasingly apparent at sector level

Employers are more likely to perceive that SSC activities have had a positive impact on skills development at the sector level than in the Phase 2 evaluation and more likely to perceive an impact in the sector than in their own establishment. Stakeholders are even more likely than employers to perceive sector-wide benefits from SSC activities.
It may be the case that employers do not recognise or give appropriate credit for the impact of SSCs at establishment level, in some cases because they are unaware of such impacts or because they are very indirect (such as the impact of awareness campaigns) or delivered through intermediaries. There may also be a time lag involved in employers recognising any form of impact of SSC or wider the Skills for Business network activity on their own activities at establishment level.

Closeness to network is linked to stakeholder satisfaction
Stakeholders that are close to the network, understand its role and objectives have regular contact with parts of the network and are engaged at a strategic level are demonstrably more positive than other stakeholders about the achievements of the network. This is one of the clearest findings to emerge from the Phase 3 evaluation process.

The implications of this finding are not immediately obvious, however. One conclusion might be that it is necessary for the network to explain more clearly what it is about and to encourage ‘less close’ stakeholders – notably trade associations, sector bodies and training providers – to become more engaged at the strategic level. The logic of this argument is that such an approach would result in higher levels of stakeholder satisfaction.

Two key questions arise, however:

- To what extent is the relationship between ‘closeness’ and satisfaction a causal one? Extending stakeholder engagement may not necessarily lead to increased satisfaction on the part of newly-engaged organisations that may have differing perspectives to those of national government and similar bodies.
- In any case, is it strictly necessary for all, or even a majority, of stakeholders to be ‘satisfied’? It might be argued that in order to affect change, the network will inevitably need to disappoint some stakeholders, particularly those that have benefited from previous systems.

Variations at the micro level
While the macro picture is one of broad stability and – in general – steady progress in the desired direction, the Phase 3 evaluation has uncovered a considerable degree of variation across the network in key factors, such as employer engagement, degree of coverage across all geographies and types of activity in response to common issues that that have potentially important implications for the future development and impact of the Skills for Business network. These variations may be due to a number of factors:

- Sectors are different and part of the rationale for the development of the Skills for Business network on a sectoral basis was to ensure that solutions to skill problems were tailored to the needs and current practices of sectors. Therefore differences in approach to key issues, relative concentration of resources across geography and means of approaching employers may legitimately be explained by sectoral differences;
- The first SSC was licensed in April 2003 and the final SSC was licensed in December 2005. The ‘uneven development’ of the network noted in the Phase 2 evaluation supports, at first sight, a differentiated approach across the network, depending upon the stage of development of the SSC. This ‘uneven development’ continues to be observed in relation to both employer and stakeholder experiences of the network and feedback on its performance.
Resource constraints faced by the SSCs may also result in variations. It is clear from discussions with SSCs, SSDA and stakeholders undertaken throughout the evaluation that there is limited appreciation of the resource constraints under which the network is operating and the implications for the level and range of activities that SSCs in particular are able to undertake effectively.

It is important for the network and its stakeholders to consider the extent and nature of variation across SSCs that is to be expected given these factors. To the extent that variations are not explained by these factors, further support may be required to promote performance improvement across the network. Furthermore, the network will need to identify the main priorities for delivery in future years, in the expectation that resource constraints will continue to affect the capacity of SSCs.

**A formative role for the Skills for Business network evaluation**

Finally, it is clear that the various strands of data collection that form the overall evaluation of the Skills for Business network together represent a significant potential resource for SSDA and the SSCs to learn lessons about the first three years of operation of the network, bringing to the fore the formative as opposed to summative aspects of the evaluation process.

The research underpinning the evaluation has highlighted some key challenges which need to be addressed by the network and its constituent parts. Working together to meet these challenges, to learn from successful and less successful developments would be a valuable investment of the network's resources over the coming months.
1 Background and context

SUMMARY
The Skills for Business network (SfBn) consists of the Sector Skills Development Agency (SSDA) and the employer-led Sector Skills Councils (SSCs). The network’s strategic objectives revolve around improving the productivity and competitiveness of the UK economy through better use and development of people’s skills, an issue which continues to be high on the policy agendas of national government, devolved administrations and regional agencies.

This report presents some initial results from the Phase 3 evaluation of the network, based on early analysis of the extensive data sets that have been assembled. It summarises how the network has progressed against a range of strategic and operational objectives contained in the ‘performance scorecard’.

1.1 The Skills for Business network

1.1.1 Background and strategic objectives
The Skills for Business network (SfBn or ‘the network’) consists of the Sector Skills Development Agency (SSDA) and a network of 25 employer-led Sector Skills Councils (SSCs). It was established in 2002 by the Department for Education and Skills, the Department of Trade and Industry and the devolved administrations in Scotland, Wales and Northern Ireland with a remit to:

…replace the relative weakness of the UK’s sectoral arrangements with strong employer leadership capable of delivering sustained improvements in public and private sector productivity and competitiveness through the better use and development of people’s skills (Department for Education and Skills, Remit Letter to SSDA, 30 July 2002)

The key features of the network and the background to its establishment were set out in the Phase 1 evaluation report\(^1\), with some key points being:

- The main policy rationale for the establishment and ongoing activities of the Skills for Business network lies in the relatively poor productivity performance of the UK economy in comparison with major competitor countries
- Skills issues, notably relatively low levels of skills and the prevalence of skills gaps and skills shortages across much of the economy, lie at the heart of this productivity deficit
- Action is needed in order to both increase the demand for skills and improve the supply of skills, particularly by ensuring that education and training provision is responsive to changing employer and learner needs
- In order to address these issues effectively, it is necessary to take a sector-based approach with employers taking a leading role, hence the need for SSCs

SSCs need to work together in a network, with a national agency (SSDA) playing a key role in establishing the network and providing ‘supportive leadership’ while at the same time monitoring its activities to ensure high quality standards and financial probity.

It is recognised that not all parts of the economy will be covered by SSCs and that some key issues (such as management and leadership and employability) cut across sectors, creating a need for cross-sector activities led by SSDA and involving relevant parts of the network.

Finally, it is recognised that the network needs to work with and influence other agencies concerned with skills and competitiveness issues and with key players at regional and devolved administration level in order to achieve its strategic and operational objectives.

The strategic objectives of the Skills for Business network, following on from this analysis, were established as follows:

**Figure 1.1: Strategic objectives of the Skills for Business network**

<table>
<thead>
<tr>
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<th>Objective</th>
</tr>
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<tbody>
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</tr>
</tbody>
</table>

A number of core operational objectives were established for the component parts of the network, i.e. the SSDA and the SSCs, designed to reflect these the Skills for Business network-wide strategic objectives and the specific roles played by the component parts of the network. Specifically, the SSCs focus on achieving employer engagement, influence and consequent improvements in skill supply and use at the sector level. The role of SSDA, particularly at the early stages, is concerned primarily with establishing an effective network of SSCs; monitoring and regulating their activities; supporting, representing and promoting the network and providing basic services for sectors not covered by SSCs.

An updated ‘remit letter’ to the chair of SSDA, dated 5 May 2006, reiterates the above strategic objectives, with additional emphasis given to improving the relevance and design of vocational qualifications. Priorities set out for 2006-2007 include the continued development of Sector Skills Agreements, supporting the implementation of the National Skills Academies programme and developing the capacity, capability and credibility of the Skills for Business network.

### 1.2 Measuring performance in the Skills for Business network: the performance monitoring and evaluation framework

One of the aims of the performance monitoring and evaluation framework was to specify, measure and assess the extent to which these strategic and operational objectives are being achieved. The performance monitoring and evaluation...
framework (Framework) was developed in consultation with sponsor departments, the network and with experts in the field of policy evaluation. It is intended that the evaluation of the Skills for Business network should be both summative (reporting on progress) and formative (informing future policy and action by identifying best practices and areas for improvement). To achieve this, the Framework comprises two key components:

- A performance monitoring system of the objectives, measures and indicators, as specified in the scorecard in Annex 1;
- A supplementary and complementary programme of evaluative research.

The full theoretical rationale for the Framework which underpins the evaluation of the Skills for Business network is outlined in Annex 4. The following section first details the performance monitoring component of the Framework, and then the evaluative research, designed to complement the monitoring system.

### 1.2.1 Performance Monitoring System

Essentially the performance monitoring system covers the shared core objectives of the component parts of the network as well as SSC and SSDA specific objectives. It encompasses a range of primarily numeric indicators designed to reflect:

- **The strategic objectives** of the network in relation to improved productivity and economic performance and key factors influencing this such as reduced skills gaps and shortages, improved provision of learning opportunities and increased participation in learning activities.

- **The operational objectives** of the network, which feed into the achievement of the strategic objectives, for example improved labour market and skills intelligence and increased employer and stakeholder awareness, engagement and satisfaction with the activities of the network.

- Objectives relating to the **supportive leadership role of the SSDA**, for example in developing the network, promoting the network among partners and stakeholders and regulating its activities.

- **The overall strength of the network** as reflected in the financial viability, governance structures, capacity and capability of the component SSCs.

- **Sector specific objectives** as agreed between SSDA and individual SSCs through the contracting and monitoring process\(^4\) and which reflect the employer led business plans developed by the SSCs.

All of these objectives are captured within the Skills for Business network performance scorecard (Annex 1) and reviewed in this overview of progress of the network. Further details of the specific objectives are provided in the relevant chapters, except for sector specific objectives which were reviewed but not published.

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\(^4\) Sector-specific objectives were reviewed as part of the evaluation research, but have not been incorporated into the Network-level indicators due to the wide diversity of measures and data sources used, restricting the extent to which these indicators can be combined to provide an aggregate picture.
1.2.2 Evaluative research

The largely quantitative data collected and collated through the performance monitoring system and presented in the Skills for Business network scorecard are supplemented by evaluative research which seeks to add context to the performance scorecard and explain some of the trends and data, through for example, analysis of a broader range of survey data; review of literature around policy developments; review of SSC Annual Reports to the SSDA; workshops with SSCs to assess the sector context to the development of the SSC and bespoke qualitative research conducted to inform the Framework. Specifically, the aims of the evaluative research are to achieve the following:

A. To collect further performance and monitoring information to understand contextual conditions and to track progress against the first two phases of the evaluation, consistent with the strategic objectives.

B. To assess whether the SSDA and the SSCs have successfully adopted strategic objectives and priorities that are consistent with both the overall aims of the Skills for Business network and the contextual conditions in which they operate.

C. To evaluate the extent to which – and the ways in which – the SSDA and the SSCs are pursuing activities that cause change, have influence and meet their objectives (or are likely to do so) and to identify how their effectiveness in these terms could be improved.

D. To provide advice and assistance to the SSDA and the SSCs that will enable more effective and cost-effective use of Government funding (including the identification and dissemination of practices that work well in meeting the Skills for Business network objectives).

E. To advise on any changes that might be required in the performance monitoring and evaluation framework including the specification of the core strategic and operational indicators, the processes for monitoring and future evaluation and adequately capturing Sector Skills Agreements performance.

F. To explore issues not fully addressed through the performance monitoring system e.g. informal learning, business performance and latent skill gaps, the critical components of satisfaction, stakeholder perceptions and so on.

The performance monitoring and evaluation framework has been used to evaluate the progress of the network in two previous rounds of evaluation – phases 1 and 2 and underpins the third phase evaluation.

1.3 Measuring performance: key findings from the Phase 1 evaluation

The Phase 1 evaluation covered the early phase of the development of the network and at the time of the research, only four SSCs had been licensed. The evaluation was based upon the collection of data to populate the scorecard, supported by a number of research exercises designed to add depth to the indicators. The report established a baseline position against which future performance may be judged, as well as providing some indications of the progress of the network over its first few months of operation. Key findings included:

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- Clear evidence exists of **continuing skills problems** among employing organisations, although this was recognised more by SSCs than by many employers
- Particular barriers to training exist among **smaller organisations**
- Positive developments occurred during the first few months in relation to the **development of the network** e.g. the recruitment of high quality people and the development of business plans, with some scope to improve the quality of labour market intelligence
- **Awareness and understanding** of the network and its constituent elements was not widely developed among employers, but there was evidence of ‘quite high’ levels of **satisfaction** among employers and stakeholders that had dealings with the network
- Concern was expressed that **progress** in the desired direction had not been at a ‘sufficiently fast pace’

In summary, the Phase 1 evaluation report suggested that there was a need for:

> ...the network to get quickly but robustly to the point where it can tip-over from being concerned primarily with infrastructure and other internal network development matters to being focused on looking outwards, communicating and demonstrating what it is about at the highest level within the employer organisations that can really make a difference to skills development and performance enhancement in their sectors and across the UK economy as a whole.

### 1.4 Measuring performance: key findings from the Phase 2 evaluation

The Phase 2 evaluation took place at a time when 22 SSCs had been licenced and the process of Sector Skills Agreements had been started. The Skills White Paper was published in England in 2005 and set the strategic policy context for the development of the network. In Wales the Skills and Employment Action Plan played a similar role.

The overall assessment presented in the Phase 2 evaluation report was that considerable progress had been made, particularly in relation to **institution building** and **employer awareness**, which provided a good base upon which the network could build in future years. Progress was uneven, however, both across the different measures in the scorecard and between the component parts of the network.

A clear priority emerging from the Phase 2 evaluation was the need to undertake enhanced activity to ensure that employer awareness is translated into greater **understanding, engagement and satisfaction**, with the Sector Skills Agreements playing a prominent role in this process. Continued **capacity building** was seen as important, particularly in addressing cross-sector issues and in facilitating the spread of good practice throughout the network. Finally, enhancing the network’s **relationship with key stakeholders**, for example at regional and devolved administration level, and with partners concerned with **learning provision**, was required in order to ensure that the key strategic and operational indicators move in the desired direction.

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The report noted that the data collected and collated through the evaluation process provides a valuable resource upon which the network can build to investigate key issues and to share intelligence and best practice on what works in engaging employers, helping them to change their approaches to skills issues, providing wider opportunities for their workforces and improving individuals’ and organisations’ performance and competitiveness.

1.5 Key policy developments since 2003/04

Whilst the strategic and operational objectives are largely unchanged a number of policy developments have taken place which impact on the prioritisation of key activities for the SSCs and the SSDA and it is useful to review these, to set the Phase 3 evaluation within a broader context of UK skills policy development.

1.5.1 The Leitch Review of skills in the UK

The Government announced in the 2004 Pre-Budget Report that Sandy Leitch was to lead an independent review to examine the future skill needs of the UK economy. The interim findings of this review “Skills in the UK: The Long-Term Challenge”, were published in December 2005. The key findings of the review are summarised below:

- The UK has a strong economy and world-leading employment levels, but its productivity trails many key comparator nations; poor skills are a key contributor to this problem.
- Over the last decade, the skills profile of the working age population in the UK has improved. Despite these improvements, the UK still does not have a world-class skills base.
- New analysis conducted by the Review shows that, if the Government meets its current ambitious targets for improving the UK’s skills, by 2020:
  - the proportion of working age people without any qualifications will fall to four per cent; and the proportion of adults holding a degree will increase from 27 per cent to 38 per cent; and
  - this will have significant benefits for the economy – increasing annual productivity growth by 0.2 per cent with a net benefit to the economy of £3 billion a year, equivalent to 0.3 per cent of GDP.
- However, even if the UK can meet the current challenging targets, the nation’s human capital will still fail to be world-class. The Review presents more ambitious scenarios for 2020:
  - tackling the stock of low skilled adults without qualifications, basic literacy and numeracy;
  - investing more in intermediate skills; and
  - further increasing the proportion of adults holding a degree.
- In all of the scenarios, the analysis shows the significant economic and social benefits that would result from higher productivity and employment gained through improving skills.

Chapter five of the interim report focuses on how the improvement in skill levels will actually be delivered and states that the Skills for Business network is the main

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7 HM Treasury, December 2005. For further information see Leitch Review of Skills website: [www.hm-treasury.gov.uk/leitch](http://www.hm-treasury.gov.uk/leitch)
mechanism through which employers are able to influence the agenda. It points to Skills Academies and Sector Skills Agreements as the leading tools for identifying and delivering improved education and training courses. This will occur in conjunction with the Learning and Skills Council, the Qualifications and Curriculum Authority and the Regional Skills Partnerships in England and the devolved administrations in Wales, Scotland and Northern Ireland, all of which have well established partnership arrangements with the Skills for Business network.

### 1.5.2 England

**The Foster Review of Further Education in England**

November 2005 saw the publication of the Sir Andrew Foster review of the future role of Further Education (FE) colleges. The far-reaching review was commissioned in November 2004 to provide advice on the key strategic issues, challenges and opportunities facing FE colleges over the next five to ten years.

Of particular relevance to the Skills for Business network is the emphasis that Foster places on meeting the needs of employers. He indicates that the primary purpose of FE colleges should be to improve employability and supply economically valuable skills, and that this focus on skills needs to be clear in the mission statement for FE. Working with the Learning and Skills Councils, employers should also have a key influence in relation to local commissioning and accountability. The Review suggests that ways in which to improve engagement between colleges and employers should be examined in more detail after the Leitch Review of Skills, which will report in late 2006.

**Further Education White Paper**

Responding to the Foster Review, the Department for Education and Skills published the Further Education White Paper “Raising Skills, Improving Life Chances” in March 2006. The Paper sets out a series of reforms of FE in England in six main areas: mission and specialisation; meeting learner and employer needs; a national strategy for teaching and learning in FE; spreading success and eliminating failure; funding; and a new relationship with colleges and providers. Whilst all aspects of the Paper are of relevance to the work of the Skills for Business network, the first two areas are particularly significant.

The Paper establishes the economic mission of the FE sector, with its central purpose defined as being to ‘equip young people and adults with the skills, competences and qualifications that employers want and which will prepare them for productive, rewarding, high-value employment in a modern economy’. Delivering this mission will involve each FE provider developing one or more areas of specialist excellence, building upon the Centres of Vocational Excellence (CoVEs) programme, and an extension of the programme of National Skills Academies (NSAs). NSAs aim to deliver high quality training by establishing national centres of excellence in skills and training for the major sectors of the economy. Successful bids for the first NSAs, in construction, manufacturing, financial services and food and drink, were announced in October 2005. The prospectus for the second round of

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9 Department for Education and Skills, March 2006. For further information see: [http://www.dfes.gov.uk/furthereducation](http://www.dfes.gov.uk/furthereducation)
NSAs\textsuperscript{10} was published alongside the FE White Paper, with the aim being to establish 12 NSAs by 2008.

SSCs, and, in particular, their Sector Skills Agreements, will play a fundamental role in shaping the training that is provided through these initiatives and, along with the Regional Skills Partnerships, will advise on sectoral and regional skills priorities.

In terms of meeting employer and learner needs, there will be a strong focus on the achievement of level 3 qualifications for learners, including the development of a programme of learner accounts; and the entitlement to free training for young people to level 3 up to the age of 25.

For employers, the \textit{Train to Gain}\textsuperscript{11} programme (previously referred to as the National Employer Training Programme and developed from the Employer Training Pilots), will be rolled out. The aim of this is to deliver training, normally in the workplace, designed and delivered to meet employer's operational needs. Whilst basic skills and first, full Level 2 provision will remain a priority and be free, Level 3 provision in two trial regions will receive funding of 50 per cent of the costs, and the service will be extended in September 2006 so that employers in three pathfinder regions can facilitate training at Level 4 and above through Train to Gain brokers. Sector Skills Agreements will again play a leading role in determining priorities for the use of public funding for adult training and skills.

\textit{Qualifications} will also be reformed with the introduction of \textit{Specialised Diplomas}\textsuperscript{12} for young people and the \textit{Framework for Achievement} for adults. The proposals in the FE White Paper build on those set out in the 14-19 Education and Skills White Paper and the Implementation Plan\textsuperscript{13}, both published in 2005. The first five Specialised Diplomas, in engineering; health and social care; ICT; creative and media; and construction and the built environment, will be available for teaching in 2008 and there will be a national entitlement to all 14 Diplomas by 2013. The Framework for Achievement for Adults will be based on units of achievement allowing learners to build up credit over time towards full qualifications. They will be based on sector qualification strategies that are drawn up by SSCs. The Qualifications and Curriculum Authority will publish a specification for the framework in spring 2006, with a full period of trialling beginning in September 2006. A \textit{Foundation Learning Tier} will also be established for provision below Level 2.

Placing an increased emphasis on the linkages between FE provision and the employability, productivity and competitiveness agendas, the White Paper outlines an important role for the Skills for Business network in identifying and prioritising sectoral skill needs and working with providers to ensure that these needs are met.

\textbf{1.5.3 Scotland}

The key policy documents in relation to the work of the Skills for Business network in Scotland remain:

\textsuperscript{10} See http://www.dfes.gov.uk/publications/nsaprospectus/ for more information.

\textsuperscript{11} See http://www.traintogain.gov.uk/ for more information.


\textsuperscript{13} See http://www.dfes.gov.uk/14-19/index.cfm?sid=26 for more details.
“Life Through Learning; Learning Through Life”, Scotland’s strategy for Lifelong Learning which was published in 2003. This is due to be refreshed during 2006 and represents a key opportunity for The Skills for Business to influence the future direction of lifelong learning in Scotland.

“Smart Successful Scotland”, Scotland’s strategy for enterprise, which was published in 2004; and


In addition to these documents, reports from each of the five workstreams that are responsible for developing the Scottish Employability Framework were published in summer 2005\(^{14}\). The five workstreams are:

- NEET (young people not in education, employment and training);
- Employment demand
- Interventions
- Low paid low skill work
- Workless client groups.

An employability framework for Scotland is due to be published in July 2006, as is a strategy paper for the NEET workstream.

Of particular relevance to the Skills for Business network are issues relating to employer engagement, as outlined in the employment demand workstream report and the identified importance of intervention in particular sectors in relation to issues of low pay / low skilled work.

The Scottish Executive is also responsible for the delivery of the Determined to Succeed (DtS) strategy, with which the Skills for Business network is fully engaged, and which aims to create an enterprise culture amongst Scotland’s young people by introducing Enterprise in Education in schools. One year into the strategy, the Executive produced a review detailing how they are pursuing the delivery of DtS both locally and nationally. A further report published in 2005 examines the impact of the strategy on businesses in Scotland\(^ {15}\). The report concludes that businesses generally hold a positive attitude towards the strategy and that the experiences that they have had when engaging with schools has also been generally positive.

A Review of the Skills for Business network in Scotland is currently taking place. Findings from the review should be available by June 2006 and will result in a clear action plan for the Skills for Business network in Scotland.

### 1.5.4 Wales

A new Department of Education, Lifelong Learning and Skills (DELLS) was created in April 2006 through the merger of the previous Department for Training and Education with a number of organisations. These included ELWa, the Qualifications, Curriculum and Assessment Authority for Wales (ACCAC), the Wales Youth Agency and Dysg, the Learning and Skills Development Agency for Wales. The new Department immediately published “The Learning Country 2: Delivering the Promise”

\(^{14}\) See [http://www.scottishexecutive.gov.uk/Publications/Search/Q/Subject/465](http://www.scottishexecutive.gov.uk/Publications/Search/Q/Subject/465) for copies of the reports.

which identifies progress since the publication, in 2001, of “The Learning Country”, the strategic document for education and lifelong learning to 2010. The new document is a consultation paper, setting out proposals for taking forward the agenda and seeking comments and feedback on those proposals. A final strategy document is to be published later in 2006. The paper acknowledges that “The Skills and Employment Action Plan for Wales” remains the key document in relation to post compulsory education and skills, and identifies joint working with the new Department for Enterprise, Innovation and Networks, as key in order to address the needs of employers and their employees. The need to work closely with the SSCs, and support for the Skills for Business network in Wales, are both highlighted as important components of this process.

A further consultation document, “Wales: A Vibrant Economy”, published in November 2005, sets out the country’s strategic framework for economic development. Employment growth and an improvement in the quality of jobs are identified as key priorities for the future. In order to achieve these, actions to increase skill levels and support businesses to become more competitive are proposed; areas of work which are clearly consistent with those with which the Skills for Business network is engaged.

1.5.5 Northern Ireland Skills Strategy

Following the publication of a consultation document in November 2004, the Department for Employment and Learning published “The Skills Strategy for Northern Ireland: A Programme for Implementation” in February 2006. This sets out a vision for skills which includes: a highly competitive economy based on high value added jobs; a literate and numerate workforce with good ICT skills; a better understanding of the current and future demand for skills; and employers who can anticipate future skill needs and are willing to invest in the skills of their employees.

Two key developments are likely to occur during 2006-2007 as a result of the skills strategy:

- The development of a Northern Ireland Management and Leadership Strategy, focusing on SMEs;
- A new vocational training programme to replace Jobskills, for implementation from April 2007.

Four broad themes are identified as underpinning the vision. These are:

- Understanding the demand for skills;
- Improving the skill levels of the workforce;
- Improving the quality and relevance of education and training;
- Tackling the skills barriers to employment and employability.

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16 See http://new.wales.gov.uk/topics/educationandskills/education_and_skills_consultatio/learning_country2;jsessionid=58E7EA180F75FF99E78A27308BC1B33A?lang=en for copies of the document.


Under each theme, a number of projects have been established, including, for example an employers’ skill needs analysis project, to be delivered by the SSDA, and resulting in the development of Sector Skills Agreements for 25 sectors by December 2007.

The strategy also outlines the relevance of proposals in the FE Strategy for Northern Ireland “FE Means Business”. In order to deliver these proposals there is to be a major re-organisation of the FE sector, with the merging of the existing 16 FE colleges to form six new larger regional colleges by August 2007. Qualifications will also be reformed, with the adoption of the UK-wide Framework for Achievement.

1.5.6 The English regions
At the regional level in England responsibility for much of the skills agenda lies with the Regional Skills Partnerships (RSPs) which were announced in the 2003 Skills White Paper. Regional Development Agencies were asked to bring together key partners - the Learning and Skills Council, Jobcentre Plus, Small Business Service, the Skills for Business network and others. The aim of RSPs is to strengthen regional structures to make skills provision more relevant to the needs of employers and individuals covering private, public and voluntary sectors of the economy.

The important role of the RSPs is reaffirmed in the recent FE White Paper, as, along with the SSCs, they are identified as one of the key bodies that will influence priorities in future training provision. The move towards strengthening the regional component of the skills agenda clearly continues – having previously appointed regional directors, the Learning and Skills Councils have now appointed nine regional chairs to lead the Regional Boards. The regional Chair will take responsibility for promoting the LSC regionally to external organisations and for maintaining and building relationships with existing stakeholders and partners.

1.5.7 Other relevant policy developments
Other significant policy developments during 2005-06 that have relevance for the mission, objectives and operational activities of the Skills for Business network include:

- The announcement of London as the host city for the 2012 Olympics.
- The development of a skills advisory body by the Home Office, in conjunction with the Skills for Business network, which will advise on labour market and skill shortages in relation to new immigration laws.

1.6 Overview of the Skills for Business network activities 2005-2006
The work of the network during 2005-06 has focused on a number of the issues raised by the Phase 2 evaluation report. Again, this may have impacted on the prioritisation of activities across the network. This includes:

- Completing the establishment of the network
- Progress on Sector Skills Agreements (SSA), with 4 complete and a further 19 SSCs developing their SSA, the process of developing and negotiating the SSAs has developed across the UK
• Key role in significant policy developments (Leitch, Foster, Education Select Committee, etc)

• Further development of network activities, focussing on improving the supply of skills, qualifications reform and delivering skill priorities through SSAs, and the refocusing of activities on cross cutting skills.

• Activity at the regional and devolved administration level

• Ongoing work on qualifications frameworks across the UK and the transfer of responsibility for national occupational standards

• Playing a leading role in moving forward National Skills Academies, working with employers and a range of FE and HE providers

1.7 The Phase 3 evaluation

1.7.1 Objectives
The key objectives set for the Phase 3 evaluation were:

• To collect or collate data to inform the performance scorecard described in 1.2.1 above, consistent with earlier phases of the evaluation;
• To collect and review additional data to add depth and context to the reporting of the performance scorecard and consistent with the objectives of the evaluative research set out in 1.2.2.

1.7.2 Methods
The evaluation comprised a series of inter-related strands each commissioned separately by SSDA. These are summarised below.

Skills for Business 2005 Employer Survey20
This survey of 13,602 UK establishments was conducted by Ipsos MORI, using a methodology consistent with Phases 1 and 2 to ensure that changes which are observed are real and not a result of changes in methodology. Targets of 500 interviews per SSC were set21 and the sample was also designed to enable reporting at the network level for the 4 nations of the UK. The objectives of the survey were to:

• capture core performance data (i.e. awareness, understanding, dealings with and satisfaction performance indicators specified in the scorecard) for each SSC; the SSDA and network as a whole for the UK and to track change in these indicators over time;
• explore wider issues around training provision, the nature of engagement with the Skills for Business network and HR policy and practice;
• complement other performance and evaluation data collected through other surveys, (e.g. employers skill surveys) and/or monitoring information;
• contribute to other aspects of the evaluation, e.g. assessing change in attitudes and behaviour since the inception of the programme.

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20 This is the way the survey will be referred to in the rest of this report to distinguish it from the employer skill surveys carried out in the 4 nations of the UK.

21 Smaller targets were set for Government Skills and Skills for Justice, reflecting their smaller population.
Skills for Business 2005 Stakeholder Survey
This survey of just over 1,000 stakeholders was also conducted by Ipsos MORI. Stakeholders include: Government departments, national skills organisations, trade associations, training providers, agencies and standard setting bodies. They represent the key agencies the network needs to work with in order to deliver skills improvements to employers (either on a sector specific basis or network wide basis). Assessing the stakeholder view is therefore essential to ensure the network is effectively working with stakeholders to deliver change. The survey used as consistent a methodology as possible to Phase 2 of the evaluation, though the size of the network had increased (more SSCs licensed since Phase 2) and the stakeholder population is not necessarily fixed, as SSCs forge new partnerships to address skill deficiencies in their sector. (See Annex 3 for further detail on the comparability of the Phase 2 and 3 data). The sample was collected from the SSCs, SSDA and sponsor departments and a target of 40 interviews per SSC were set. The objectives of the survey included:

- to capture core operational performance data (i.e. relevant to the Skills for Business network Performance Scorecard on measures such as policy influence and satisfaction) for the network, the SSDA and the licensed SSCs;
- to capture data on the relevant SSDA specific performance indicators around development of a coherent network; SSDA value in networking; quality of SSDA advice etc.;
- to capture data on partnership working (both regional and national) and the impacts of partnership working on the delivery of Skills for Business products (for example: Sector Skills Agreements);
- to provide wider evaluation information, e.g. to explore issues around satisfaction and influence and added value of the SSCs;
- to contribute to other aspects of the evaluation, e.g. possibly assessing changes in attitudes and behaviour since the inception of the programme.

Qualitative research on employer and stakeholder engagement
The qualitative research was specifically designed to complement the surveys by seeking to capture further data on employer and stakeholder interaction with the network, including assessing their expectations of the network, the nature of their interaction and the influence of the network on their behaviour. A second strand of the work, focussing on stakeholders, looked specifically at the early impacts of the first Sector Skills Agreements, conducted by the Pathfinder SSCs. A total of 64 in-depth interviews with stakeholders and 38 interviews with employers have been held across the UK. To facilitate analysis, stakeholders and employers with dealings with 8 SSCs were sampled. This is referred to in this report as the ‘evaluation qualitative research’.

Overview and contextualisation
In order to bring the results of these exercises together into an overview report providing an assessment of the progress of the network since the Phase 2 evaluation, Leeds Metropolitan University’s Policy Research Institute (PRI) and the Institute for Employment Studies (IES) were commissioned to undertake a number of activities:

- Updating the performance scorecard using the most recent available data (including the 2005 the Skills for Business network employer and stakeholder surveys) and calculation/analysis of changes over time
- Consultations with SSCs to examine the sector-specific factors which form the context for changes in scorecard indicators
Facilitation of a workshop with SSDA and the researchers involved in the survey and qualitative research in order to provide a thorough assessment of the data and the results emerging from the analysis

Preparation of this overview report on the basis of the above exercises, bringing to bear the views and experiences of key members of the network and a group of experienced researchers and policy evaluators.

1.8 Structure of this report

This report follows the structure of the performance scorecard.

- **Chapter 2** considers progress towards strategic objectives such as improved productivity, reduced skills shortages and gaps, increased learning at the workplace and the adoption of High Performance Working Practices.

- **Chapter 3** focuses upon the key operational objectives of increasing employer awareness and understanding of, and engagement with, the network and its component parts.

- **Chapter 4** examines the extent to which employers are satisfied with their interactions with the network and considers their perceptions, and those of stakeholder, regarding the extent to which the network has influenced skills development at sector and establishment levels.

- **Chapter 5** reviews the evidence in relation to the commitment of employers to training and improved human resource practices and considers the role of network activities in promoting such commitment.

- **Chapter 6** explores various aspects of stakeholder interaction with the network, drawing on the Skills for Business network Stakeholder Survey and the specially-commissioned qualitative study of the Skills for Business network stakeholders.

- **Chapters 7 and 8** summarise the indicators that characterise the role of SSDA in supporting the activities of the network and those relating to the strength of the network as a whole.

- Finally, **Chapter 9** brings together the main findings of the Phase 3 evaluation and sets out some implications for the development of the Skills for Business network over the coming period.

Throughout the report, the emphasis is upon measuring, analysing and explaining change over time. In order to maximise clarity, footnotes and detailed explanations of data sources are kept to a minimum in the main body of the text. Annex 2 contains details of the data sources used to compile the scorecard.

**NOTE**

This report is concerned primarily with the progress of the network as a whole and, as such, does not contain results for individual SSCs. In order to provide an indication of the range of results across the network, median, maximum and minimum values are given for some variables, and in some cases charts are presented, without identifying the organisations concerned.
2 Strategic objectives

### SUMMARY

The strategic indicators that The Skills for Business was established to influence through developing skills at sector level are, broadly, moving in the desired direction. UK productivity is improving steadily but is not catching up with productivity levels in the USA.

The relative significance of skills gaps within the existing workforce is on a clear downward trend, particularly in England. Skills shortages are less important then they were in accounting for hard-to-fill vacancies across England and Wales. The proportion of employees received job-related training has remained steady for a number of years, with some indications of widening participation across different groups within the workforce.

Employers’ perceptions of the accessibility and relevance of training supply have remained largely unchanged over the three phases of the evaluation. The proportion of employers stating that lack of knowledge of provision is a barrier to external training increased in 2004 but declined in 2005. The proportion feeling that lack of suitable provision has prevented them from getting involved in externally-provided training has remained broadly unchanged.

2.1 Overview of objectives and indicators

The strategic objectives of the network can be grouped under four main headings, as described in Chapter 1:

- **Improving the productivity and performance of UK businesses and public services** through influencing, encouraging and supporting employers to invest more effectively in the skills of their workforce. The scorecard contains two main indicators to measure achievement against this overall objective – Gross Value Added per worker and comparisons of GDP per hour worked in the UK with the equivalent figures for the USA, Germany, France and Japan. Progress towards the achievement of this objective would be indicated by increasing levels of UK productivity both in absolute terms and relative to its competitors.

- **Reducing skills gaps within the existing workforce and skills shortages manifest through the recruitment process**. The key performance measures are skills gaps as a percentage of the workforce and skills shortage vacancies as a percentage of all vacancies, as reported by respondents to the Employer Skills Surveys that take place on a regular basis in England, Scotland, Wales and Northern Ireland. The expectation is that both of these figures will decline over time across the whole of the UK.

- **Increasing workplace learning opportunities**, measured in the scorecard by the proportion of employees receiving job-related training. This is linked to

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22 Note that Employer Skills Surveys were undertaken in 2005 only in England and Wales so it is not possible to examine changes over time in this report for Scotland or Northern Ireland.
an operational objective of ensuring that all sections of the workforce have appropriate opportunities for learning at the workplace.

- **Improving the supply of learning opportunities** through ensuring that learning providers are aware of the needs of employers and adjust their provision accordingly. The scorecard measures this by reporting the percentage of the Skills for Business network Employer Survey respondents who report barriers to training relating to a lack of knowledge about available provision and/or lack of appropriate provision. Reductions in these figures would indicate that learning supply is becoming more responsive to employer needs.

Table 2.1 summarises the changes that have taken place in these key strategic indicators since the Phase 1 evaluation.

### Table 2.1 Strategic Objectives: Key Indicators

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<th>Year 2 (2004 unless stated)</th>
<th>Year 3 (2005 unless stated)</th>
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<th>‘Desired’ change</th>
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<td>Lack of suitable provision</td>
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<td></td>
<td></td>
</tr>
</tbody>
</table>

Sources: ONS, NESS, LFS, The Skills for Business, ES (see Annex 2 for details)

* = data not available

2.2 Productivity, business and public sector performance

Table 2.1 suggests a steady improvement in levels of productivity, as measured by Gross Value Added per worker, across the UK economy. The time periods for which these statistics are available (the latest figures are for 2004) mean that it is difficult to make any judgements at this stage regarding the impact of the network’s activities on

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23 Throughout this report, Year 1 figures from the Future Skills Scotland study are derived from the 2002 survey as this is based on a much larger sample than the 2003 survey, enabling reasonably robust comparisons between sectors and over time.
national productivity trends. Moreover, the ‘logic model’ (Annex 4) suggests that there is likely to be a time lag between network activity and any observed impact on productivity change. It should also be noted that skills are acknowledged by the UK government as only one of the main drivers of productivity along with enterprise, innovation, competition and investment.

International comparisons (Figure 2.1) present a mixed picture. In general, the UK has improved steadily through the 1990s in terms of relative productivity levels, but there are few signs of any significant increase in the rate of ‘catch up’ and indeed some suggestions of a slight falling back between 2002 and 2004 compared with the USA and Japan. The latest ‘Productivity in the UK’ report summarises changes since 1995 as follows:

…the UK has:

- Halved the output per worker gap with France
- Closed the gap with Germany
- Extended the lead over Japan
- Been the only country in the G7 to have maintained the impressive productivity pace of the US

Source - Productivity in the UK: Progress and new evidence, HM Treasury/DTI, p2

These findings should be interpreted in the light of variations in economic cycles in different countries and the multiplicity of factors, including skills, that impact on the productivity performance of the UK and comparator countries and the fact that figures are not yet available for 2005.

The report also notes the major transformations that are taking place in the global economy, including the impact of technological advance on the international ‘tradability’ of a wide range of goods and services. The increasing role of China, India and other emerging economies in the production of goods and services is also noted. Although absolute levels of productivity in these countries are significantly below UK levels, increasing investment in technology and skills mean that the gap is likely to be narrowed in future years.

A further key point emphasised by the Treasury/DTI report is the role played by productivity in the public sector. Public and private sector productivity growth is interdependent and ‘the public sector has a critical role to play in supporting productivity growth through the provision of key public services such as education, infrastructure and the public science base.’ (Treasury/DTI, p3).

Measurement of productivity at sector level, and particularly in relation to SSC footprints, is notoriously difficult and complex. Data restrictions mean that it is only possible to make meaningful time-series productivity comparisons for 13 out of the 25 SSCs. Ten of these SSCs experienced increases in productivity above the national trend between 2002 and 2004.

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24 See Productivity in the UK 6: Progress and new evidence HM Treasury and Department of Trade and Industry, March 2006, HMSO.
The Treasury/DTI report and work already undertaken for SSDA\textsuperscript{25} emphasises the significance of sector in determining differences in productivity between countries and between areas of the UK. The analysis suggests that the UK’s productivity gap with the US during the 1990s is explained largely by relatively low productivity within three broad sectors: wholesale and retail, financial intermediation and machinery and equipment, with signs of an increasing gap in relation to hotels and catering. In contrast, the UK utilities and telecommunications sectors perform relatively well in terms of productivity.

It is clear from this brief review of the available evidence that it is important to understand trends in productivity and the factors that drive them at the sector level, particularly skills. This is hampered at present by limited and dated information at the sector level, making it difficult to assess the impact of skills initiatives on productivity at the sector or indeed the national level.

This suggests an urgent need for SSCs (including those concerned primarily with the public sector) to build on SSA activities and the extensive work already carried out by SSDA, to develop appropriate sector-specific productivity and/or performance measures, taking into account differing interpretations and perceived significance of the term ‘productivity’ between sectors and between different stakeholders within sectors.

**Figure 2.1 GDP per hour worked: UK as a percentage of selected countries, 1991-2004**

![GDP per hour worked: UK as a percentage of selected countries, 1991-2004](image)


2.3 Skills deficiencies

Reducing the incidence of skills deficiencies is clearly an important strategic objective of the network, not least because the existence of skills gaps and/or skills shortages presents very clear evidence that problems exist in one or more key elements of the skills infrastructure, such as:

- The capability of employers to identify and/or communicate current and future skill needs, both in terms of development of their current workforces and future recruitment activities;
- The signalling of current and future skill needs from employers to the wider labour market, including to individuals and agencies that are advising job seekers and influencing their decisions about skills, qualifications and careers;
- The responsiveness of the vocational education and training system to changing employer recruitment and workforce development needs;
- The capability and/or capacity of employers to address skills gaps and shortages through appropriate training, human resource development and/or recruitment practices.

The determinants of skills deficiencies and of skill shortages in particular, are complex and varied and summary figures need to be interpreted in the light of a range of factors such as the economic cycle, trends in wage levels, differing sectoral and spatial labour market conditions and migration patterns, which to a large degree are beyond the control or influence of the network.

Notwithstanding these comments, statistics on skills gaps and skills shortages provide a set of broad indicators which – taken together with other more qualitative evidence – provide a useful indicator of the progress of the network in improving the responsiveness of skills supply to employer demand.

2.3.1 Skills gaps

Interpretation of trends in UK skill gaps - defined in broad terms as the proportion of current employees that employers consider to be less than fully proficient in their jobs - is hampered by irregular time series and slight differences in the way that the relevant questions are asked in skill surveys in England, Scotland, Wales and Northern Ireland.

Table 2.1 and Figure 2.2 demonstrate a clear and significant decline in the reporting of skills gaps by employers in England between 2003 and 2005. The pictures for Wales and Scotland are less clear cut and data is available for Northern Ireland only for 2003.

Examination of the figures for England at SSC level (Figure 2.4) suggest a consistent decline in the reporting of skills gaps across all sectors, with employers in only 6 of the SSC footprints identifying skills gaps in excess of 6 per cent of the workforce with a relatively narrow range of between 4 and 9 per cent.

What is not clear from these figures is the extent to which this decline in skills gaps is a result of improvements in employer training and development, changes in recruitment practices and/or changes in other factors that influence the demand for skills such as technology, work organisation, wider economic trends or product/service market strategies. Despite these declines, skill gaps have consistently been concentrated in lower skilled occupations, particularly ‘Sales and
Customer Services’ and ‘Elementary’ occupations, with consequences for sectors with higher concentrations of workers in these occupational groups.

2.3.2 Skills shortages

The measure of skills shortages that is incorporated in the scorecard relates to the proportion of all vacancies that employers perceive to be hard to fill as a result of shortages of skills in the labour market rather than for any other reason.

There is greater variability and volatility of the skills shortages indicator than the skills gap indicator and this is illustrated by the figures presented in Table 2.1 and Figure 2.3. Skills shortage vacancies as a percentage of all vacancies declined slightly in England between 2003 and 2005, from 20 per cent to 17 per cent. Changes in the questionnaire wording and structure in the 2005 Employers Skills Survey in Wales, making it more comparable to surveys in Scotland and England, may have impacted on a reduction of skill shortage vacancy rates in Wales. No figures are available for Scotland in 2005, but the 2003 and 2004 figures suggest an upward trend in that country, which was considered in the Phase 2 evaluation report and is possibly attributable to the Scotland being within a different stage of the economic cycle26.

Sector-level data (for England only) also shows that the experience of skill shortage vacancies is more variable than the experience of skill gaps. In 2005, the proportion of skills shortage vacancies at SSC level ranged from 10 per cent to 40 per cent. Again, there is a consistency in concentration of skill shortage vacancies within certain occupations over time. Skilled Trade and Associate Professional and Technical jobs are more likely to have difficult to fill vacancies for skill related reasons, and again, this means there are sustained concentrations of skill shortage vacancies within certain broad sectors.

In general, skills shortages appear to be more important in the recruitment process for some (but not all) manufacturing and related sectors than they are for personal and public service sectors. To an extent this reflects the nature of different labour markets and the relative importance of intermediate and higher level skills for different sectors. It may also relate to different stages of the economic cycle across sectors and the potential for vacancies and skills shortages to be filled by, for example, migrant labour.

Changes over time at sector level in the relative importance of skills shortages present a mixed picture. Between 2003 and 2005, 17 of the SSCs for which comparable data is available experienced a decline in the skills shortage indicator and 4 recorded an increase. Further examination of the data and discussions with the relevant SSCs suggest that those sectors for which skills shortages declined most significantly are characterised by combination of modest slowdown in the demand for labour and/or a growing number of recruits from overseas. No clear pattern emerges in relation to the four SSCs that experienced (mostly modest) increases in skills shortages27.


27 It is possible that changes in SSC ‘footprints’ have led to some of the observed changes in skill shortages at the SSC level.
Figure 2.2: Recent trends in skills gaps in the UK

![Graph showing skills gaps in the UK from 1999 to 2005, categorized by England, England (organisations with 5+ employees), Wales, Scotland, and NI, with data from NESS, FSS, FSW, and SMS.]

Source: NESS, FSS, FSW, SMS

Figure 2.3: Recent trends in skills shortages in the UK

![Graph showing skills shortages in the UK from 1999 to 2005, categorized by England, England (organisations with 5+ employees), Wales, Scotland, and NI, with data from NESS, FSS, FSW, and SMS.]

Source: NESS, FSS, FSW, SMS
Figure 2.4 Skills gaps as a percentage of employment by SSC, England, 2003 and 2005
(from highest to lowest, 2005)

Source: NESS
Figure 2.5: Skills Shortage vacancies as a percentage of vacancies by SSC, England, 2003 and 2005
(From highest to lowest, 2005)

Source: NESS
2.4 Increasing opportunity for all

Access to, and experience of job-related training is an important factor contributing to the ability of employers to address skills deficiencies and the prospects for employees to move up the ‘skills ladder’, to obtain higher qualifications and thereby become more productive and employable. The idea of ‘opportunity for all’ implies that some groups within the workforce may not have as much opportunity as others to undertake job-related training, with the consequence that employers may not be utilising fully the potential of their workforces and/or some sections of the workforce are facing constraints inhibiting them from moving up the skills ladder. In either case, the result is likely to be sub-optimal performance.

Figure 2.6 and Table 2.2 suggest that little has changed since 2003 in this measure, either at headline level or for specific groups within the workforce, with changes at SSC level being largely within statistical margins of error. This highlights the challenge for the Skills for Business network to address issues of ‘increasing opportunity for all’, with the need to tackle deep-seated patterns of employment and training that have persisted over a number of years. The wide variability between sectors, illustrated in Figure 2.6, suggests the need for sector-level approaches focused on issues such as:

- Widening the recruitment pool to ensure that labour and skills needs can be met in the future
- Enhancing the skills of existing workers – particularly those that have not historically received high levels of training – to ensure that they are ready for the challenge of changing job roles.

Discussions with SSCs revealed a range of examples of this type of activity, notably campaigns to attract women into occupations dominated by men and initiatives designed to ensure that the skills of key groups such as ethnic minority or older workers are effectively developed and utilised. Further evidence is presented in a recent report published by DTI28. This found that the vast majority of SSCs are pursuing a range of activities diversity-related activities under the following broad headings:

- Promoting the business case for diversity
- Policies to improve the overall gender balance within the sector
- Policies to improve the overall ethnic balance within a sector
- Supporting women into management
- Improving HR planning and diversity management
- Providing additional support (e.g. for childcare) and flexibility to enable wider labour market access.

It is clear, however, that the impact of such activities on the scorecard measures will take several years to become apparent, and even then may only be obvious at the sector rather than aggregate level.

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Table 2.2  Workplace learning: detailed results for Year 3

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<thead>
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<th>Proportion of employees receiving job-related training in last 13 weeks</th>
<th>The Skills for Business network</th>
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<tr>
<td>Associate professional and technical</td>
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<td>40</td>
<td>0</td>
</tr>
<tr>
<td>Administrative and secretarial</td>
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<td>25</td>
<td>-2</td>
</tr>
<tr>
<td>Skilled trades</td>
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<td>-1</td>
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<tr>
<td>Personal service</td>
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<td>39</td>
<td>-1</td>
</tr>
<tr>
<td>Sales and customer service</td>
<td>24</td>
<td>23</td>
<td>-1</td>
</tr>
<tr>
<td>Process, plant &amp; machine operatives</td>
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<td>14</td>
<td>0</td>
</tr>
<tr>
<td>Elementary occupations</td>
<td>16</td>
<td>16</td>
<td>0</td>
</tr>
</tbody>
</table>

*Source: LFS (see Annex 2 for details)*

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29 As the data was not collated in Year 1, Year 2 data is shown here.
Figure 2.6: Proportion of employees receiving job related training in the last 13 weeks by SSC, UK, 2003 and 2005
(Ranked from lowest to highest, 2005)

Source: LFS
2.5 Learning supply
The final set of strategic indicators relate to the extent to which employers perceive barriers to accessing the training that they require from external providers. As with other indicators discussed in this section, the issue of barriers to training is a complex one. In order to articulate the existence of such barriers, employers must first have a clear idea of the training that they require. Having done so, they will seek out information about available provision (through formal and informal channels) and assess the extent to which such provision is likely to meet their needs.

The concept of ‘suitable’ external provision contained within the Skills for Business network Employer Survey questionnaire incorporates a wide range of dimensions that may vary in importance to different types of employer in different sectors. These include *inter alia*:

- Subject area
- Flexibility
- Level
- Quality
- Location
- Cost
- Timing

The scorecard indicators provide broadly-based measures of two potentially significant barriers which the Skills for Business network is well placed to address, namely information deficiencies and lack of (suitable) provision (Table 2.3). The Skills for Business network ES questionnaire examines a number of other barriers – including cost for example - that are briefly reviewed in this section.

<table>
<thead>
<tr>
<th>Table 2.3 Barriers to training: variations by SSC</th>
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<tr>
<td>Per cent 2005</td>
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<td>The Skills for Business network</td>
</tr>
<tr>
<td>Highest SSC</td>
</tr>
<tr>
<td>Lowest SSC</td>
</tr>
<tr>
<td>Change 2003-2005</td>
</tr>
<tr>
<td>The Skills for Business network</td>
</tr>
<tr>
<td>Biggest increase SSC</td>
</tr>
<tr>
<td>Biggest decline SSC</td>
</tr>
</tbody>
</table>

**Source:** The Skills for Business network ES (see Annex 2 for details)

2.5.1 Knowledge about available provision
Thirty one per cent of employers interviewed for the 2005 the Skills for Business network Employer Survey stated that ‘lack of knowledge about the range of provision available’ represented a barrier to further developing skills in their establishment (Table 2.3). This is down slightly on the 34 per cent recorded in 2004 and is the same as the 2003 figure. This suggests little change in aggregate since the establishment of the network.
This apparent stability, however, masks considerable variation between sectors and over time. Figure 2.7 suggests that the extent to which employers feel able to access information on training opportunities depends to a considerable extent on the sector in which they are working, with the ‘lack of knowledge’ indicator ranging from 16 per cent to 40 per cent at sector level. More detailed examination of the sector-level data reveals that 13 SSCs experienced an increase between 2003 and 2005 in the percentage of employers citing knowledge barriers to training, while 6 recorded a decrease over the same time period.

Indeed there is evidence of an increase in knowledge barriers across most (but not all) SSCs between 2003 and 2004 followed by a general but not universal reduction during 2005. One (tentative) explanation offered during consultations with SSCs is that the launch and early phase activities of the network in 2003-2004 may have stimulated increased interest in training among some employers who may have been relatively new to the world of external training provision. This would manifest itself as an increase in stated knowledge barriers, but in fact reflects some degree of increased interest in training, not yet matched by increased knowledge. The relatively small decline in this indicator between 2004 and 2005 may reflect some success on the part of the network (and partner organisation) in improving the flow of information to employers.

This explanation is, of course, tentative and further investigation would be necessary to substantiate or repudiate it. In particular, responses from employers with different characteristics in terms of size and organisational status, as well as current training and development activities and engagement with the network, would help to clarify some of the issues raised here.

### 2.5.2 Suitability of available provision

The percentage of all employers stating that ‘lack of suitable provision’ is a barrier to accessing external training remained unchanged between 2003 and 2005, with a slight increase from 2003-04 and a slight decrease between 2004 and 2005. Both annual changes are within accepted statistical confidence intervals, prompting the conclusion that little has changed at the aggregate level since the instigation of the Skills for Business network.

As with the ‘lack of knowledge’ indicator, the aggregate picture masks differences between sectors in the relative importance of lack of suitable provision as a barrier, and changes in employer perceptions over time. For around half of SSCs, the percentage of employers citing lack of provision as a barrier in 2005 ranged between 24 and 28 per cent; for four SSCs the equivalent figure is over 30 per cent. Even allowing for statistical variation it is clear that employers in a small number of sectors are more concerned than average about the availability and/or suitability of external training provision. The two factors that appear to link the sectors concerned are:

- Predominance of private sector employers
- High concentration of small and medium sized enterprises.

30 Note that, as with all other data presented at SSC level, small samples mean that statistical margins of error are larger than they are at aggregate level, and care needs to be taken in drawing firm conclusions from observed differences, even those that may appear to be quite large.
Figure 2.7: Percentage of employers reporting ‘lack of knowledge about available training provision’ by SSC, UK, 2003 and 2005 (from lowest to highest, 2005)

Source: SfBn ES
Figure 2.8: Percentage of employers reporting ‘lack of suitable provision’ by SSC, UK, 2003 and 2005 (from lowest to highest, 2005)

Source: SfBn ES
2.5.3 Other barriers to training

Figure 2.9 shows that lack of knowledge and lack of suitable provision are only two of a number of barriers that employers may face in relation to accessing external training provision. Indeed, operational concerns about potential disruptions to work patterns, the financial cost of training and concerns about the consequences of training in terms of ‘poaching’ by other employers and/or wage demand by employees are all more important to employers than issues of knowledge or availability, but are more difficult for SSCs to directly tackle, or demonstrate progress on than the two barriers included in the scorecard.

Comparisons over time reveal consistent patterns in the relative reporting of different types of barriers to training, but there are some indications that concerns over wage costs and/or poaching became more important to employers between 2003 and 2005. Further analysis suggests that these issues, along with the direct financial costs of training, are of particular concern to small (and particularly micro) employers.

Multivariate analysis of barriers to training suggest that establishments that have problems finding people with the skills they need tend to report greater numbers of barriers to training than those that have fewer recruitment problems. Furthermore, employers stating that the development of products and services is constrained by skills shortages cite even larger numbers of barriers to training. Small establishments are more likely than others to report skills shortages that constrain their development of products and services, suggesting that addressing these barriers should lead to significant benefits to the economy.

Figure 2.9: Barriers to external training provision 2003-2005 (%)
2.6 Key points

This chapter has reviewed trends in the key strategic indicators of the Skills for Business network success in addressing issues of improving productivity, reducing skill gaps and shortages, ensuring learning opportunities for all and increasing the responsiveness of learning supply to employers’ needs. Key points include:

- The review has indicated some progress in terms of improved productivity at a national level, although many issues remain at the sector level and there is a need for continued improvements in order for the UK to keep up with trends in the developed and developing economies.

- Indicators of skills shortages and gaps have also improved, suggesting positive developments in the way that employers are addressing skills issues, supported by the Skills for Business network. Problems persist, however, in relation to some sectors, occupations and locations and developments in the labour market (particularly migration from new EU Member States) undoubtedly account for some of the observed improvement.

- Little change has occurred in the extent to which different groups in the labour market receive job-related training, suggesting that this is a deep-seated issue that will require concerted action over a long period to address.

- Employer perceptions of the accessibility and relevance of training supply have remained largely unchanged in aggregate over the three phases of the evaluation.

- While there has been little change in aggregate between 2003 and 2005, the evidence suggests that there may be some signs of a reduction between 2004 and 2005 in perceived barriers to employers’ access to external training. In particular, small reductions were recorded in those barriers that are most relevant to the activities of the Skills for Business network, namely lack of knowledge about provision and lack of suitable provision. If sustained into the future, this represents a positive development in relation to a key indicator of the performance of the Skills for Business network.
3 Employer awareness, understanding and dealings

**SUMMARY**

The messages emerging from analysis of the awareness, understanding and dealings of employers in relation to the network are mixed. More employers are aware of the network and its component parts in 2005 than was the case in previous years, although the rate of increase has been slow relative to the challenging measures of success set for the network and the expectations of some stakeholders.

This increase in awareness is, in the vast majority of cases, not significant. Most employers that are aware of an SSC know only its name and do not have any detailed understanding of its roles, responsibilities or structure. This appears, understandably, to be particularly true of employers that are ‘newly aware’ of the network.

A very small proportion of employers report any direct dealings with SSCs. This reflects both the stage of development of the network (3 SSCs were unlicensed or less than 6 months into their license at the time of the survey) and the approach SSCs are taking to engaging employers which is often (though not exclusively) founded upon working with large, strategically important employers covering a large proportion of the workforce within the sector footprint rather than a broad range of employers across their sector/subsectors. There are clearly challenges for the network to address related to the balance to be struck between broadening awareness and deepening understanding amongst employers.

3.1 Introduction

Employer engagement is seen to be a key role for the network and various definitions and conceptions exist within the network and amongst its stakeholders. To provide a framework for the following analysis, the conceptual model in use by the SSDA has been adopted (Figure 3.1).

This model views employer engagement as a multi-layered process which moves an employer from a state of awareness through to some form of action to enhance training and development. In order for the network to work effectively with employers, it is necessary for employers to be aware of the existence of the network and its component parts (particularly their own SSC) and to understand the way in which the network and perhaps most importantly its SSCs, connect with their interests as employers. The way in which employers are encouraged to ‘deal’ with SSCs is an important dimension of engagement and the process of interaction and its outcomes in terms of satisfaction and enhanced commitment to training and development are critical to the ongoing engagement of employers and the ultimate success of the Skills for Business network.

This section of the report focuses on issues associated with awareness, understanding and dealings and the following sections of the report explore

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31 See for example the SSDA/EKOS research report ‘The Skills for Business network Approach to Employer Engagement’ forthcoming.
satisfaction and impact (chapter 4) and commitment to training and development (chapter 5).

Figure 3.1: Employer engagement ‘onion’ diagram

Table 3.1 summarises the changes that have taken place in the key indicators associated with awareness, understanding and dealings since the Phase 1 evaluation.

Table 3.1: Employer awareness, understanding and dealings – key indicators

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<tr>
<th>Indicator</th>
<th>Year 1 (2003 unless stated)</th>
<th>Year 2 (2004 unless stated)</th>
<th>Year 3 (2005 unless stated)</th>
<th>Actual Change Y2-Y3</th>
<th>‘Desired’ change</th>
<th>Summary assessment</th>
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<tr>
<td>% of establishments aware of:</td>
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<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The Skills for Business network</td>
<td>19</td>
<td>21</td>
<td>24</td>
<td>3</td>
<td>-</td>
<td>+/-</td>
</tr>
<tr>
<td>SSDA</td>
<td>7</td>
<td>8</td>
<td>8</td>
<td>-1</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>SSCs in general</td>
<td>12</td>
<td>14</td>
<td>15</td>
<td>-1</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Own SSC (current name)</td>
<td>24</td>
<td>27</td>
<td>27</td>
<td>-3</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Own SSC (including legacy name)</td>
<td>30</td>
<td>35</td>
<td>35</td>
<td>0</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>% of aware establishments with fairly or very detailed understanding of:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The Skills for Business network</td>
<td>6</td>
<td>5</td>
<td>5</td>
<td>1</td>
<td>-</td>
<td>+/-</td>
</tr>
<tr>
<td>SSDA</td>
<td>9</td>
<td>9</td>
<td>13</td>
<td>-4</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>SSCs in general</td>
<td>10</td>
<td>9</td>
<td>7</td>
<td>-2</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Own SSC (including legacy name)</td>
<td>23</td>
<td>19</td>
<td>19</td>
<td>0</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>% of aware establishments who had had dealings with own SSC:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ever had dealings – current name</td>
<td>*</td>
<td>15</td>
<td>14</td>
<td>-1</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Ever had dealings – including legacy name</td>
<td>20</td>
<td>15</td>
<td>15</td>
<td>-3</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Had dealings in last 12 months – current name</td>
<td>*</td>
<td>8</td>
<td>9</td>
<td>-1</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Had dealings in last 12 months – including legacy name</td>
<td>*</td>
<td>11</td>
<td>5</td>
<td>-2</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>
3.2 Employer awareness

Employers\textsuperscript{32} may be aware of the Skills for Business network and/or its constituent parts in a number of different ways, for example:

- An employer may be aware of the existence of the network as a whole (e.g. through exposure to marketing or promotional material) but unaware of any of the individual organisations within the network.
- At the other end of the scale, an employer may be familiar with the SSC covering its sector, but may not be aware that it is part of a wider network.
- Some employers may be familiar with all components of the network, including SSDA.

These are not simply academic distinctions. In order for the objectives of the network to be addressed and achieved, the network needs to be working with employers in different ways and at different levels.

Moreover, it is not just general awareness that is important. The credibility of the network as a ‘voice of employers’ in relation to skills depends to a large extent on its demonstrable ability to engage employers in a wide range of activities including the provision and use of labour market information, development of Sector Skills Agreements, qualifications reform, occupational standards and delivery of specific skills and training initiatives. The employer engagement review\textsuperscript{33} described a range of approaches to employer engagement adopted by SSCs which includes:

- Employer representation on SSC Boards
- Sub-sector groups of employers
- National employer Fora
- Regional employer Fora
- Expert panels and technical groups of employers
- Membership schemes
- Building relations with key employers
- Surveys, events and LMI
- Other approaches (e.g. Service delivery, newsletters).

These approaches were found to be used in a variety of combinations and of varying depth and breadth by SSCs. The ability of SSCs and the network in general to influence the wider skills infrastructure to reflect more closely the needs of employers is closely related to the extent to which employers are aware of and engage with the network. It follows from this that it is not just the breadth but the depth of understanding among employers and the extent and nature of their engagement with the network that are important. These issues have been investigated in some detail through analysis of the Skills for Business network Employer Survey data and through the evaluation qualitative research with ‘engaged’ employers. The following sections present the key results from this analysis, taking each of the main components of the network in turn.

\textsuperscript{32} It is important to note that the term ‘employer’ in reference to the Skills for Business Employer Survey results refers, unless otherwise stated, to an employing establishment which may be an independent organisation, a part of a larger organisation or a head office site.

It should also be noted that although the term ‘employer awareness’ is used as shorthand, the Employer Survey is really measuring the awareness of one individual, albeit in most cases the person most closely involved with human resource issues at the surveyed establishment.

\textsuperscript{33} ‘The Skills for Business network Approach to Employer Engagement’ (SSDA/EKOS ibid).
3.2.1 **Skills for Business network**

**Table 3.2 Awareness of the Skills for Business network**

<table>
<thead>
<tr>
<th>% All employers</th>
<th>Awareness of the Skills for Business network</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003</td>
<td>19</td>
</tr>
<tr>
<td>2004</td>
<td>21</td>
</tr>
<tr>
<td>2005</td>
<td>24</td>
</tr>
</tbody>
</table>

_Source: The Skills for Business network ES (see Annex 2 for details)_

Awareness of the Skills for Business network has increased steadily since its establishment in 2003 and now stands at just under one quarter of all employing establishments (Table 3.2).

There are however wide variations across the network the key aspects of which are:

- **Sector**: awareness of the Skills for Business network ranges from 20 per cent to 33 per cent across SSC sectors.
- **Geography**: awareness of The Skills Business Network is relatively low in Northern Ireland, when other factors are taken into account.
- **Status**: establishments in the public or voluntary sector are more likely to be aware of the Skills for Business network than those in the private sector.

3.2.2 **Sector Skills Development Agency**

**Table 3.3 Awareness of SSDA**

<table>
<thead>
<tr>
<th>% All employers</th>
<th>Awareness of SSDA</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003</td>
<td>7</td>
</tr>
<tr>
<td>2004</td>
<td>8</td>
</tr>
<tr>
<td>2005</td>
<td>9</td>
</tr>
</tbody>
</table>

_Source: The Skills for Business network ES (see Annex 2 for details)_

Awareness of SSDA has improved slightly in the past year with 9 per cent of employers reporting awareness in 2005 (Table 3.3). This is a very small (and not statistically significant) increase over the 2003 and 2004 figures. However, this is not a surprising finding, given that SSDA does not promote itself strongly to employers, preferring to use the Skills for Business network brand and encouraging employers to contact their own SSC.

While high levels of employer awareness, measured quantitatively, may not be crucial to the credibility of SSDA and the achievement of its own objectives (see chapter 8), some ‘high level’ employer awareness and engagement may be desirable in relation to the Agency’s position as an ‘intermediary’ organisation linking employers (working primarily through SSCs) and government. The Employer Survey findings suggest that awareness of SSDA is highest among employers with over 25 employees and those operating in the public sector.
3.2.3 Sector Skills Councils

Table 3.4 Awareness of SSCs in general

<table>
<thead>
<tr>
<th>% All employers</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Awareness (%)</td>
<td>12</td>
<td>14</td>
<td>13</td>
</tr>
</tbody>
</table>

Source: The Skills for Business network ES (see Annex 2 for details)

Thirteen per cent of respondents to the 2005 the Skills for Business network ES survey stated that they were aware of Sector Skills Councils in general (i.e. as opposed to specific SSCs) (Table 3.4). This represents no change (in statistical terms) since 2003. More detailed analysis of the survey data reveals that smaller establishments (below 25 employees), private sector employers and/or those based in Wales are less likely than average to express awareness of SSCs as a general concept.

Table 3.5 Awareness of own SSCs

<table>
<thead>
<tr>
<th>% All employers</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Awareness (%)</td>
<td>24</td>
<td>27</td>
<td>30</td>
</tr>
</tbody>
</table>

Source: The Skill for Business Network ES (see Annex 2 for details)

Employer awareness of SSCs in 2003 was collected on a slightly different basis to the two following surveys. At that time, not all SSCs were finally branded, so ‘legacy names’, i.e. names SSCs used during the development were included. In 2004 and 2005, the same data were collected, but the questionnaire was enhanced to also capture awareness of SSCs under their current, licensed name. Thus, two sets of data for awareness and understanding of SSCs are collected. For consistency and to focus results on employer engagement on the current names of SSCs, the discussion will focus largely on results for current name only.

The overall awareness of own SSCs is increasing. This increase is apparent in relation to current name SSC, rather than awareness which includes legacy name, which, though recording a 5 percentage point increase between 2003 and 2004, has now stabilised at 35 per cent. Twenty seven per cent of respondents interviewed for the 2005 the Skills for Business network Employer Survey stated than they were aware of the SSC that covered their sector. This is an increase of 3 percentage points on the previous year’s figure.
Awareness of own SSC increased between 2004 and 2005 across all establishment sizes and in all four countries of the UK (Figure 3.2). Larger than average rates of increase in awareness occurred at both ends of the establishment size spectrum (micro businesses and the largest establishments) and outside of England (particularly Northern Ireland). These trends appear to provide some early indication that awareness of SSCs is spreading gradually beyond those employers that could identify their SSC at the early stages of the network’s development.
Figure 3.3 illustrates year on year change in level of employer awareness of SSCs and the wide variation apparent across SSCs. Excluding legacy names, the 'awareness of own SSC' indicator for 2005 exhibited a huge variation by sector from 4 per cent to 77 per cent of employers. The explanation for such a variation is not readily apparent although a combination of the following factors are at play:

- Changes to certain SSC ‘footprints’ during or following licence
- Various approaches to advertising and promotion and employer engagement as detailed in section 3.2
- Stage of development of the SSC
- Resources available
- History of the sector and propensity to be engaged in training and skill development and therefore attuned to the Skills for Business network development
• Existence of other skill related organisations within the sector.

More than one third of employers were aware of their SSCs in five sectors. Three out of this group of five are among the earliest established SSCs (fully licensed or ‘Trailblazer SSCs’) and two were Pathfinders in relation to the Sector Skills Agreement (SSA) process. Indeed these two SSCs recorded much higher than average increases in awareness between 2004 and 2005, suggesting a positive association between SSAs and employer awareness.

In addition to the two Pathfinder SSCs, five SSCs experienced increases in employer awareness of 5 percentage points or more between 2004 and 2005. All of these are more recently-established SSCs operating in a range of sectors and with differing employer characteristics. In three cases awareness levels were significantly below the network average in 2004. This would suggest that the activities of SSCs – in terms of marketing, promotion etc - can have a demonstrable and short term impact on employer awareness, at least in some sectors.

The awareness indicator recorded a decline in the case of eleven SSCs. Falls of 5 percentage points or less can almost certainly be explained by statistical factors, given that it is highly unlikely that awareness among the overall population of employers declined over such a short period of time. In two cases, very marked falls in awareness were recorded (by 21 and 7 percentage points respectively) which cannot be explained by statistical factors. Further investigation reveals significant expansion to the footprint of one of the recently licensed SSCs. This has resulted in a much larger potential market to be covered by the SSC which has not been accompanied by any material awareness raising activity to date. The other SSC associated with a significant year on year decrease in awareness suggested that this did not reflect their experience of working with employers over the year. Within this SSC a number of activities have been undertaken over the last year, predominantly with a focus on engaging with large employers. It is recognised that this type of activity, whilst valuable, is not likely to result in major improvements to levels of awareness amongst employers in the SSC footprint more generally, particularly the smaller organisations, as this is a large sector with a high proportion of small establishments.

The qualitative research with stakeholders concludes that SSCs are seen to be continuing to make reasonable progress in raising awareness of their establishment amongst employers. SSCs also seem to be effective in engaging large employers to become involved with their work, but opportunities for smaller and medium sized businesses to do so are more limited.

Multivariate analysis of the factors associated with employer awareness of own SSC tend to reinforce the points made above. Respondents from smaller establishments, those in the private sector and/or based in England or Northern Ireland are less likely than average to express an awareness of their own SSC by name. However, these factors do not fully explain variations between SSCs, with four SSCs in particular exhibiting higher levels of awareness than would be expected on the basis of the characteristics of employers in their sectors. There are no obvious commonalities between these four SSCs – for example two are well-established and the other two relatively new – again reinforcing the view that the way in which SSCs relate to employers plays a crucial role in raising employer awareness.
3.3 Employer understanding

The extent to which employers who are aware have a fairly or very detailed understanding of the roles and objectives of each element of the Skills for Business network show signs of small year on year variations across the network (Table 3.1 and Figure 3.4). The only statistically significant year on year change over the 2004-2005 period is associated with the SSDA where ‘fair’ or ‘detailed’ employer understanding has risen from 9-13 per cent. The proportion of aware employers with fairly or very detailed understanding of the roles and objectives of their own SSC varies across SSCs from 1 to 50 per cent.

Figure 3.4: Understanding of the Skills for Business network, SSDA and SSCs

Figure 3.5 summarises the depth of understanding expressed as a proportion of all employers of the four main network elements, including those who had not heard of the element. A substantial minority (just under one third) of ‘aware’ employers know their own SSC by name only. Overall, including those who were unaware of their own SSC the percentage of employers expressing detailed understanding of their SSC has remained at about 4 per cent.
The evaluation qualitative research with employers who have engaged with SSCs reports a lack of detailed understanding of the role, remit and functions of SSCs. Employers have a general idea that SSCs are designed to bridge the gap between education, training and industry but often they are unable to identify the wide ranging activities that SSCs are undertaking. The research draws attention to the importance of dealing with the SSC as a means of developing greater understanding and this is clearly an issue for the network to address.

### 3.4 Employer dealings

#### Table 3.6 Employer dealings with own SSCs

<table>
<thead>
<tr>
<th></th>
<th>Dealings at all (%) of all employers</th>
<th>Dealings in last 12 months (% of ‘aware’ employers)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Current name</td>
<td>Including legacy name</td>
</tr>
<tr>
<td>All employers</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2003</td>
<td>*</td>
<td>20</td>
</tr>
<tr>
<td>2004</td>
<td>15</td>
<td>18</td>
</tr>
<tr>
<td>2005</td>
<td>14</td>
<td>15</td>
</tr>
</tbody>
</table>

*Source: The Skills for Business network ES (see Annex 2 for details)*

As can be seen (Table 3.6), there has been little change in the extent to which employers report dealings with their SSC. 14 per cent of respondents to the 2005 The Skills for business Network Employer Survey that were aware of their own SSC (by its current name) stated that they had ever had dealings with that SSC and 9 per cent had dealt with the SSC at some point during the previous 12 months. The proportion of employers aware of their own SSC by current or legacy name that had ever dealt with their SSC was 15 per cent; and 9 per cent had dealt with their SSC in the last year. The overall proportion of employers who have had dealings with their
own SSC disguises considerable variation between the SSCs, ranging from 27 per cent to less than one per cent of employers aware of SSC by current name.

The employer survey also reports dealings on the basis of all establishments – not just those aware of their SSC. When examined as a proportion of all establishments covered by an SSC, the proportion that has had any dealings with SSCs has remained stable, at six per cent in 2003 and 2004 and five per cent this year.

The data suggests lower than average dealings amongst establishments employing 5-50 employees (although differences are not statistically significant). It is likely that the 5-50 size group contains a higher than average proportion of businesses that are willing and able to grow organically, engage in product, service and process innovation, enter new markets and create new jobs. Research\(^{34}\) suggests that many of these types of organisations have increasing needs for external advice and support on a range of issues, including human resources, and are particularly likely to be constrained by limited internal managerial resources. Clearly, further research is needed to clarify these initial observations, but there appears to be a strong \emph{prima facie} case for the Skills for Business network to address more effectively the needs of this important yet diverse and hard to identify group of employers.

Multivariate statistical analysis undertaken by MORI suggests that the factors associated with employer engagement with their own SSC are several and varied, with the ‘best fit’ model explaining only 15 per cent of the variation. One important potential factor suggested by the analysis is whether an employer is a single site organisation or part of a larger organisation, with the former being significantly less likely to engage with their SSC. This is consistent with the views expressed by some SSCs, that the engagement of branches of larger organisations (in the public and private sector) often occurs through contact with Head Office staff, rather than through direct contact with SSCs.

Figure 3.6 demonstrates that, like awareness and understanding, employer dealings vary by sector. It is important to note that the results refer to the proportion of aware employers that have ever had dealings with their SSC. Hence it is possible for an SSC to experience an increase in overall awareness accompanied by a reduction in this particular measure of engagement. Indeed, this is a plausible pattern of development for those SSCs that have been primarily concerned with increasing their recognition by large number of employers, for example focusing on sub-sectors with low levels of awareness.

On the other hand, SSCs that have focused their efforts on ‘deepening’ their relationship with employers that are already aware of their existence may find that ‘dealings’ figures have increased, in some cases in tandem with relatively low overall awareness levels.

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The aggregate data presented in Figure 3.6 are consistent with the view that awareness and engagement are developing unevenly across the network, a conclusion that might be expected at such a relatively early stage and with different parts of the network starting from very different positions in relation to employer engagement.
The evaluation qualitative research with employers uncovers some of the complexity associated with understanding the dynamics of network interaction with employers. The researchers posit three types of involvement for those employers dealing with the Skills for Business network and provide examples of the interaction:

- Marginal – where employer involvement is largely passive and distant
- Narrow – where employers are involved with one or two parts of the SSC
- Extensive – where there is considerable interaction at the senior management team level on behalf of both the employer and the SSC

Dealings and the wider issues of employer engagement is a complex issue which is compounded by the multiple relationships employers may have. For example, the evaluation qualitative research reveals examples of employers dealing with more than one SSC and there are examples of more than one member of an employer’s staff dealing with an SSC.

The evaluation qualitative research also draws attention to the contribution that employers make in their dealings with SSCs. Most often this is in the form of personal time and in some instances through the provision of staff resources. The research suggests that a few employers make financial contributions to SSCs. In some cases, it is because the SSC charges a levy or membership fee. The SSDA estimate that about 6.8 per cent of SSC total income comes from employers or employer bodies in the form of donations or membership income.\(^\text{35}\)

3.5 Employer awareness, understanding and dealing: overview

Stimulating awareness and encouraging the engagement of employers in skills-related initiatives (and any other types of initiative) is a difficult and complex process. The SSDA Strategic Plan\(^\text{36}\) 2005/08 sets success measures for both awareness and dealings which represent a considerable challenge for the Skills for Business network. The plan reports that by 2008 ‘we want 75 per cent of employers to be aware of the network and at least 75 per cent of those who have dealings with it, including our key stakeholders, to be satisfied with the service provided’ (satisfaction is dealt with in the next chapter).

The findings emerging from the research underpinning this evaluation suggest that, as the network moves on from its formative development, raising awareness and stimulating further dealings with employers will be key indications of the success of the network in the future. Whilst it remains too early to draw firm conclusions at this stage, the following trends appear to be emerging:

- The overall picture is one of a slow, steady increase in employer awareness of the network and its constituent elements to just over half of all UK establishments.
- This increase has yet to be accompanied by a noticeable increase in detailed understanding on the part of employers of the network and its component parts.
- There is, however, evidence of increased engagement with their SSCs on the part of some (usually large and strategically important within the sector) employers.

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\(^{35}\) estimate excludes training levy in construction and commercial income.

- Increased engagement is not occurring across all employers, but is concentrated among larger organisations that have been aware of the network for some time and/or employers located outside England.

- Finally, the initial analysis illustrates some of the complexity associated with the process of employer engagement. In particular, indicators focusing solely on the number or proportion of employers do not provide a clear picture of the number of employees being affected through SSC intervention through for example qualification reform or participation in partnership initiatives. These activities and actions need to be recorded and demonstrated to provide further evidence of SSCs acting as the ‘voice of employers’ in their sector.
4 Employer satisfaction and impact on skills development

**SUMMARY**

The majority of establishments are satisfied with their SSC dealings over the past 12 months although this represents a decrease year on year. Advocacy rating is unchanged whilst perceptions that dealings with the SSC have directly impacted on employers’ approaches to skills development have decreased. In contrast and more encouragingly, more than six in ten employers report that SSCs have made a sector-wide impact on skills development, a considerable increase on the proportion reporting this last year.

Whilst many factors contribute to the satisfaction rating attained by an SSC, analysis of the employer survey data reveals that satisfaction with direct involvement with the SSC, through the use of training courses run by the SSC or having obtained a publication, information or research, is one of the key influences.

During the course of the evaluation research, SSCs and stakeholders pointed out that the network does many things that do not rely on direct contact with large numbers of employers, such as promotional campaigns, qualification and national occupational standard development. Furthermore, concern was expressed about the limited resources that many SSCs have available to engage with large numbers of employers of different sizes, in different sub-sectors and in different locations. Nevertheless, employer satisfaction and impact are clearly critical to the sustainability of the Skills for Business network. The relatively small proportion of establishments dealing with the SSCs and the year on year decrease in the proportion of establishments reporting satisfaction are of concern and require further investigation and action.

4.1 Introduction

It is clearly important that employers that have had dealings with SSCs are satisfied with the service that they have received. High levels of satisfaction are likely to feed through to changes in employer behaviour and to positive messages being conveyed to other employers through sector and other business networks. This should contribute to the establishment of effective Sector Skills Agreements and SSCs should be better placed to further engage employers that are satisfied.

Those employers who have had dealings with their SSC in the last 12 months were asked to rate their satisfaction with their dealings both at the overall level and in relation to the specific contact they had. In order to assess the impact of dealings with SSCs, respondents were also asked the extent to which SSC dealings had influenced sector skills and/or skills in their establishment along with an assessment of the extent to which employers would recommend the services provided by the SSC. Table 4.1 presents some relevant headline indicators.
### Table 4.1: Employer satisfaction and impact on skills development – key indicators

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Year 1 (2003 unless stated)</th>
<th>Year 2 (2004 unless stated)</th>
<th>Year 3 (2005 unless stated)</th>
<th>Actual Change Y2-Y3</th>
<th>‘Desired’ change</th>
<th>Summary assessment</th>
</tr>
</thead>
<tbody>
<tr>
<td>% of establishments satisfied or better with SSCs(^\text{37})</td>
<td>Own SSC (current name)</td>
<td>*</td>
<td>74</td>
<td>62</td>
<td>-12</td>
<td>+</td>
</tr>
<tr>
<td></td>
<td>Own SSC (including legacy name)</td>
<td>65</td>
<td>63</td>
<td>63</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>% establishments stating positive SSC influence on sector skills</td>
<td>*</td>
<td>51</td>
<td>62</td>
<td>+11</td>
<td>+</td>
<td>—</td>
</tr>
<tr>
<td>% establishments stating significant or minor SSC influence on skills in establishment</td>
<td>58</td>
<td>45</td>
<td>-13</td>
<td>—</td>
<td>—</td>
<td></td>
</tr>
<tr>
<td>% establishments likely to proactively recommend SSC to others</td>
<td>Own SSC (current name)</td>
<td>*</td>
<td>30</td>
<td>25</td>
<td>-5</td>
<td>—</td>
</tr>
<tr>
<td></td>
<td>Own SSC (including legacy name)</td>
<td>23</td>
<td>26</td>
<td>23</td>
<td>-3</td>
<td>—</td>
</tr>
</tbody>
</table>

### 4.2 Employer satisfaction

Three fifths of the establishments who have been in contact with their SSC over the past 12 months are satisfied with their dealings (62 per cent). This marks a decline from 74 per cent in 2004. There has however been little change to the mean satisfaction score (using a scale where 1 is highly dissatisfied and 10 is highly satisfied) which shows a slight year on year decrease from 6.5 in 2004 to 6.3 in 2005.

Analysis of the employer survey indicates that satisfaction levels relate to the type of contact that employers have had with their SSC (Figure 4.1). In general, ratings are relatively high with respect to obtaining publications, attending marketing events and obtaining advice on training and less so for services such as accessing training or funding for training or help with skills gaps. Indeed, satisfaction with these last two appears to have declined quite considerably, raising questions about the appropriate balance of SSC activity between general promotion and advice and the provision of specific services.

Multivariate analysis identified employers’ satisfaction with their SSC as being positively linked to:

- Their perception that employers are the beneficiaries of SSC activities
- Direct involvement with the SSC through the use of training courses run by SSC or having obtained a publication, information or research from the SSC

Factors that are negatively related to overall employer satisfaction include:

- Dealings with regard to strategic leadership skills
- Help with skills gaps and shortages

The Skills for Business network evaluation qualitative research with employers suggests that a combination of high expectations on the part of employers, a shift of focus by some SSCs towards more sector-wide activity and/or the possibility that some SSC services may not be meeting the needs of some types of employer are at play. It concludes that, in the main, employers perceive that they contribute more to SSCs than they receive at this point in time, but most of them are satisfied with this.

\(^{37}\) Establishments were asked to rate their experience on a scale of 1-10, where ‘1’ represented being highly dissatisfied and ‘10’ being highly satisfied. A rating of 6 or more denotes a ‘satisfied’ employer.
In contrast a smaller group of employers feel that they contribute more resources than they receive and are dissatisfied with this. However there is a high expectation that they will benefit from dealings with SSCs in the future. The general feeling from those that are involved in operational forums is that the SSCs are trying hard to incorporate their views as employers. Another common perception is that SSCs are improving. A significant proportion of employers noted that they had recently revised their opinion of their respective SSC and most employers are positive about the performance of SSCs, both in terms of any services they receive or the activities that are being undertaken.

**Figure 4.1: Employer satisfaction with different types of SSC contact, 2004 and 2005**

% of 'satisfied' employers

4.3 Employer perceptions of impact

4.3.1 On skills development in sector

An increasing proportion of employers that have some understanding of SSCs report that SSC activity is having a positive impact on skills development in their sector, with no discernable variations between organisations in different size bands. Just over 60 per cent of establishments with more than ‘name only’ awareness of their SSC feel that they have exerted a positive impact on their sector. The emerging progress made by SSCs over the past year is evidenced by the research results reporting that establishments that had recent (within 12 months) dealing with their SSC were more likely (82 per cent) than those that had no dealings (56 per cent) to feel that the SSC had impacted positively on sector skills development. The proportion of establishments claiming it is too early to comment on sector-wide impact has declined considerably since 2004.

Small samples preclude detailed analysis, but the proportion of employers perceiving a positive impact of SSCs on sector-level skills varied by individual SSC in 2005 from 25 to 77 per cent. The Pathfinder Sector Skills Agreement SSCs all recorded above average ‘scores’ on this indicator, but otherwise there is no clear pattern by sector.
4.3.2 On skills development in establishment

Employers were less positive about the impact of SSC activities on their establishment than they were about the impact at sector level. Less than half (45 per cent) of respondents that had dealt with an SSC in the previous 12 months felt that these dealings had led to a minor or significant change in their establishment’s approach to skills development - lower than in 2004 (58 per cent). The main source of this decline is the falling proportion reporting that interaction with their SSC has caused them to make minor (as opposed to significant) changes in their approach to skills development (39 per cent in 2004 compared with 28 per cent this year).

The Skills for Business network employer survey reports that the overall decline in the proportion of employers claiming that dealings with their SSC over the past year have resulted in changes to skills development should be seen in context. Both the nature and frequency of contact have changed between 2004-2005. This year, establishments are more likely to have dealings with their SSC to find out about vocational qualifications relevant to their industry or to use a training course, rather than dealings that might have had a more immediate impact such as receiving advice about training or help with skills gaps/shortages. Contact is also more likely than in 2004 to be on a one off or occasional basis which will inhibit the development of a relationship between the SSC and employer and consequently the ability to influence change in employers. Analysis using 1-on-1 correlation reports that the single aspect of engagement which correlates strongly with all three measures of impact in terms of overall satisfaction, advocacy and impact is employers’ satisfaction with accessing training or funding for training through the SSC.

The Skills for Business network evaluation qualitative research with employers reinforces the view that few employers think that interaction with their SSC has made an impact on their organisation. However the researchers suggest that many employers do not regard this as problematic, but the result of early stage of development of SSCs and the projects they are developing. It is expected that potential benefits will take several years to materialise.

4.4 Advocacy

Employers that had dealt with their own SSC within the previous 12 months were asked whether they would recommend the SSC to other employers. In 2005, one quarter of respondents said that they would do so, down from 30 per cent in 2004. This finding is consistent with the responses of employers in relation to overall satisfaction with their SSC. The picture is slightly more positive when legacy names are included, but there is no evidence to suggest any increase in the propensity of employers to proactively recommend their SSC after they had been in contact.

Correlation analysis reported in the survey of employers report suggests, as might be expected, that the more satisfied an employer is (particularly in relation to accessing training/funding, obtaining information or vocational qualifications) the greater the likelihood that the employer will recommend their SSC to others.

4.5 Stakeholder perceptions of impact on skills development

Stakeholders in the Skills for Business network evaluation Stakeholder Survey were asked for their views regarding the extent to which SSC activity has had a positive impact on skills development at the sector level. Three quarters of respondents gave a positive response to this question in 2005, unchanged on the 2004 figure. Analysis of the 2005 survey results reveals a positive association between the stage of an SSC in the SSA process and stakeholders’ perception of its impact on sector skills.
Stakeholders who have more regular contact with SSCs are more likely to give positive responses, as are those who describe their relationship with SSCs as ‘close’ or ‘fairly close’. Along similar lines, 82 per cent of stakeholders with detailed understanding of SSC roles and objectives were positive about SSCs’ impact on sector skills, compared with only 47 per cent of stakeholders with little or no understanding.

Multivariate analysis reveals that the following factors are positively associated with stakeholders’ propensity to state that SSCs have a positive impact on sector skills:

- Stakeholders’ perceptions of the success of the SSC in influencing the supply of education and training to better reflect employer needs
- Stakeholders’ perceptions of the success of the SSC in developing strategic plans/actions to meet sector skill needs
- Stakeholders’ perceptions of the success of the SSC in encouraging employer engagement with training

The analysis suggests that there is scope to improve the first of these factors, which should lead to stakeholders perceiving a greater impact of SSCs on skill development at the sector level.

4.6 Employer satisfaction and impact on skills development: An overview

Generating and maintaining high levels of employer satisfaction are clearly a crucial indicator of the extent to which the Skills for Business network is meeting the needs of employers. Almost two thirds (62 per cent) of employers are satisfied (or better) with their SSC.

The extent to which the Skills for Business network enhances the skills and development practices both across the sector as a whole and within individual employers is a key measure of impact. The research findings suggest that:

- Almost half of the establishments dealing with the SSCs felt that it had led to a change in their approach to skills development
- Contact is more likely to be on a one-off or occasional basis rather than more regular dealings which might be expected to influence change in employers
- Whilst a range of factors influence satisfaction, direct involvement with the SSC, through the use of training courses run by the SSC or having obtained a publication, information or research is particularly important
- Whilst many employers do not think that interaction with an SSC has led to change they do not regard this as problematic but as a factor relating to the early stage of development of the SSCs and the projects that they are developing
- Employers are more likely to report impact at the sectoral as opposed to organisational level
5 Employer commitment to skills development and training

**SUMMARY**

The evaluation evidence provides indication of a continued improvement in employer training, development and HR practices since the establishment of the Skills for Business network. More employers are providing some training for their staff. More employers are committed to the Investors in People standard and employers of all sizes and across most sectors are adopting practices that, taken together, can be described as High Performance Working Practices (HPWP).

However there is a strong and coherent message emerging from both the qualitative and quantitative research and that is the need for the network to pay greater attention to encouraging employer commitment to skills development and training in smaller enterprises, particularly those employing fewer than 25 people and operating in the private sector.

### 5.1 Introduction

One key intermediate objective is for employers, and in particular small employers, to increase their investment in the training and development of their employees. This is measured in a number of ways, including the proportion of businesses engaged in training employees. Table 5.1 summarises key indicators in relation to employer commitment.

**Table 5.1 Employer commitment: variations by SSC sector**

<table>
<thead>
<tr>
<th>Sector</th>
<th>% employers training (England)</th>
<th>Ave training spend per employee (England)</th>
<th>Ave training days per employee (England)</th>
<th>% employers IIP accredited (UK)</th>
</tr>
</thead>
<tbody>
<tr>
<td>All employers</td>
<td>64</td>
<td>225</td>
<td>6.3</td>
<td>18</td>
</tr>
<tr>
<td></td>
<td>2005</td>
<td>65</td>
<td>1,550</td>
<td>8</td>
</tr>
<tr>
<td>Change</td>
<td>+1</td>
<td>n.a.</td>
<td>n.a.</td>
<td>21</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>+3</td>
</tr>
<tr>
<td>Highest SSC, 2005</td>
<td>90</td>
<td>2,675</td>
<td>13</td>
<td>65</td>
</tr>
<tr>
<td>Lowest SSC, 2005</td>
<td>47</td>
<td>450</td>
<td>4</td>
<td>9</td>
</tr>
<tr>
<td>Number of SSCs for which</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>relevant measure*</td>
<td>Increased 2004-05</td>
<td>11</td>
<td>n.a.</td>
<td>13</td>
</tr>
<tr>
<td></td>
<td>Remained constant 2004-05</td>
<td>4</td>
<td>n.a.</td>
<td>4</td>
</tr>
<tr>
<td></td>
<td>Decreased 2004-05</td>
<td>10</td>
<td>n.a.</td>
<td>8</td>
</tr>
<tr>
<td>Biggest increase (SSC) 2004-2005</td>
<td>+7</td>
<td>n.a.</td>
<td>n.a.</td>
<td>+10</td>
</tr>
<tr>
<td>Biggest decline (SSC) 2004-2005</td>
<td>-10</td>
<td>n.a.</td>
<td>n.a.</td>
<td>-5</td>
</tr>
</tbody>
</table>

*Sources: NESS, The Skills for Business network ES (see Annex 2 for details)*

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38 In 2005 training spend was measured very differently through a follow up survey of 7,000 establishments which had provided training, seeking more detailed information on training spend than had been obtained in earlier NESS. (see http://readingroom.lsc.gov.uk/Lsc/2006/research/commissioned/nationalemployersskillsurvey2005mainreport-re-june2006.pdf for further details). It is not relevant to analyse change across years, though measures of difference within the survey (e.g. between sectors/regions) is valid. The data are also based on all employees as opposed to all employees in establishments which trained as in 2004.

39 In 2005 the data are based on all employees as opposed to all employees in establishments which trained as in 2004, and therefore it is not relevant to analyse change.
5.2 Training provision

Delays in the availability of some results from the National Employer Skills Survey mean that it is only possible to comment at this stage on the headline figure for the percentage of employers that provided some form of training or development for their employees in the 12 months prior to the NESS survey. Figure 5.1 shows that the trend over time in England is positive although the change between 2004 and 2005 was small and not statistically significant. The equivalent figure for Wales suggests a more marked positive trend, from 53 per cent in 2003 to 58 per cent in 2005, although the Wales figure still lies below that for England.

The Skills for Business employer survey reports no significant year on year change in the overall level of training provision (69 per cent). As in 2004, training provision is almost universal among establishments with 25 or more employees. It is slightly lower among establishments with 5-24 employees but is significantly lower among micro establishments, which also report more barriers to training and report fewer perceived benefits to providing training to their employees (11 per cent report they don’t know what benefits arise from training or that there are none compared to 3 per cent of the largest establishments).

Training provision in England is broadly consistent across SSCs, with some notable ‘outliers’. An important point to note is that all of the eleven SSCs that recorded below average results on this indicator for 2003 experienced increases in the percentage of employers providing or funding training, in six cases of seven percentage points or more. This suggests some – albeit small – reduction in disparities between sectors in employer commitment to training.

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40 Scotland and Northern Ireland are not discussed here due to the fact that no further employer skills surveys have been conducted in these countries since the last Skills for Business network evaluation report.

41 Differences between England and Wales may be explained by differences wording of the relevant question which refers solely to ‘off the job training’ in Wales as opposed to any training in England.

42 It is possible that some ‘extreme’ results may be due to changes in SSC footprints and/or the uneven impact across SSCs of changes in the NESS sample, and in particular changes in the treatment of some very small organisations.
Figure 5.1: Percentage of employers that have funded or provided training for employees in the previous 12 months, England, 2003 & 2005 (ranked from lowest to highest SSC, 2005)
5.3 Investors in People

The upward trend in the percentage of employers engaging in training and development is mirrored by a similar picture in relation to the achievement of the Investors in People standard. Investors in People accreditation is often used as a proxy for ‘desirable’ working practices.

Figure 5.2 indicates that change between 2003 and 2005 was relatively modest in most cases, as might be expected given the time required to achieve IiP and the relatively low rate of de-recognition. One in five establishments report that they have achieved the IiP standard and an additional 18 per cent are working towards it or considering doing so.

The five per cent overall rise between 2003 and 2005 in the percentage of establishments recognised as Investors in People appears to have been driven largely by employers in four SSCs, all of which recorded relatively low levels of recognition (in three cases below ten per cent) in 2003. The four SSCs concerned are all dominated by private sector employers (primarily SMEs) and in at least two cases there has been a specific push by SSCs and/or partners to promote the IiP standard.

Further analysis suggests, as has been established in other studies that IiP recognition is positively associated with establishment and/or organisation size and public sector status.

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43 Note that this may not equate precisely to the number of organisations recognised as IiP. Establishments may be part of larger organisations that are IiP recognised.

44 For example Kitching J. and Blackburn. R. (2002) ibid.
Figure 5.2: Percentage of establishments accredited for Investors in People or part of organisation with IiP, 2003 and 2005, UK (ranked from lowest to highest SSC, 2005)
5.4 High Performance Working Practices

Research has suggested that employers that go even further and adopt ‘High Performance Working Practices’ (HPWP) are likely to be in an even stronger position to improve organisational performance, productivity and competitiveness. HPWP incorporate a range of practices relating to involving and informing employees, evaluating and continually improving training and development activities, implementing appropriate pay systems related to performance and integrating human resource planning into the wider business planning process.

In recognition of the potentially important role to be played by HPWP in addressing strategic objectives relating to productivity and competitiveness, it was decided that measures of HPWP should be incorporated into the scorecard for the first time in 2004. As a first approximation, the scorecard figure refers to the percentage of establishments that operate ten or more out of 16 ‘high performance’ practices investigated through the Skills for Business network Employer Survey. The practices in question are:

- Whether the employer funded or provided training in previous 12 months
- Whether the employer operated any one of the following workforce development practices: supervision structures; work shadowing; ‘work stretching’
- Whether the employer conducts training needs assessments
- Whether the employer has a training plan
- Whether the employer has a training budget
- Payments of bonuses based on overall organisational performance
- Individual performance related pay
- Flexible benefits (e.g. for child care, travel costs, medical expenses)
- Whether the employer conducts staff appraisals
- Formally assess performance of employees who have received training or development
- Existence of formal procedures for employee consultation
- Consultation with trade unions on matters other than pay and conditions
- Establishment accredited for IiP (or within organisation accredited for IiP)
- Accredited for ISO 9000
- Creation of teams for specific projects (asked of establishments with at least 10 employees)
- Existence of formal written business plan

There is evidence from the Skills for Business network Employer Survey of an increase in the adoption of HPWP, as defined above. In 2004, 24 per cent of respondents reported 10 or more HPWP; in 2005 the equivalent figure was 29 per cent. There is however considerable variation by size of establishment ranging from 14 per cent among micro to 88 per cent among the largest.

Figure 5.3 suggests that, with the exception of ISO 9000 and flexible benefits, the trend for the individual HPWP indicators was largely positive between 2004 and 2005, with broadly similar rates of increase for most of the indicators. Attainment of ISO 9000 is lower than the IiP standard with just 12 per cent of establishments reporting that they have achieved it. Larger establishments are far more likely than...
smaller establishments to have done so (38 per cent of establishments employing more than 250 compared with 8 per cent of micro enterprises). In contrast to the findings relating to lIP, private sector establishments are slightly more likely than the average to have achieved ISO 9000 (13 per cent).

Figure 5.3: Percentage of employers adopting specified practices associated with high performance working 2004 and 2005

Source: SfBN ES
Figure 5.4 demonstrates a degree of variation between sectors in the adoption of HPWP and in the rate of change of adoption between 2004 and 2005. The factors associated with the adoption of HPWP are highly complex. However, initial examination of the SSC-level data suggests the following:
High levels of HPWP adoption appear to be associated with SSCs with footprints that are primarily public sector based and/or dominated by relatively large, often multi-site, organisations.

Conversely, sectors with a predominance of small organisations tend to record lower than average ‘scores’ in relation to HPWP.

However, there is some tentative evidence of a faster than average increase in the adoption of HPWPs in some sectors with below average ‘scores’ in 2003. Four mainly private sector and/or SME based SSC footprints recorded increases of between 9 and 12 percentage points, all from starting points below the 2003 average of 24 per cent.

With one exception, HPWP adoption among public sector based SSC footprints continued to increase at or above the overall rate.

Analysis of the Skills for Business network ES data demonstrates that awareness of and/or dealings with (any part of) the network is positively associated with adoption of HPWPs for micro businesses and establishments with 50-249 staff but not for the largest establishments and those with 25-49 staff.

Clearly, statistical association does not necessarily imply causation. In other words it is not possible on this evidence to state that engagement with Skills for Business network has caused micro businesses to adopt HPWPs. Indeed it is perfectly plausible to argue that the causation is in the opposite direction i.e. micro businesses with more advanced HR practices are more likely than others to be aware of and/or engage with the Skills for Business network. Further data analysis and qualitative work will help to clarify this issue.

5.5 Key points

An encouraging finding is that key indicators of employer commitment to training and development appear to be gradually improving over time. More employers are providing training and development opportunities for their employees. More establishments are covered by the Investors in People standard and there is strong evidence of the increased adoption of High Performance Working Practices.

In particular, employer survey evidence points to some degree of convergence across sectors in the main indicators of employer commitment, with a number of sectors moving from relatively low scores to much nearer the average and in some cases in excess of the average.

There is insufficient evidence at this stage to conclude with any degree of confidence that network activities, and in particular those of the SSCs, have directly influenced these trends in a causal way. However, the circumstantial evidence is pointing in the direction of some direct and/or indirect the Skills for Business network influence, especially in sectors with a limited history of sector skills activity.

To the extent that it is possible to establish a causal link between network activity and employer commitment to training and development, this raises a conundrum when taken in conjunction with the findings on employer awareness, understanding, engagement, satisfaction and impact, the results for which are much more equivocal. This will be addressed in more detail in the final section of this report, but a number of possible explanations are outlined below:
Consultations with SSCs suggest considerable variation in the extent to which strategies for increasing employer awareness and/or engagement conform to the ‘onion model’

The employer engagement review\(^{46}\) identified a range of activities being undertaken by SSCs and concluded that most are still developing their approach to employer engagement.

SSCs have limited resources and may decide to target their engagement activities and/or work through partner organisations or by working with a small number of strategically important large employers. Indirect impacts through work with stakeholders may be important and are not necessarily captured through the survey of employers as the ‘SSC brand’ may not be visible.

Impacts of SSC activity may take some time to feed through into noticeable changes at establishment level.

Nevertheless there appears to be a strong and coherent message emerging from both the qualitative and quantitative research and that is the need for the network to pay greater attention to smaller enterprises, particularly those employing under 25 operating in the private sector. It is among these establishments that the Skills for Business network could potentially exert the greatest impact in raising the level of training provision and engagement in high performance working practices. The findings from the employer survey re-affirm the proposition that it is these businesses which most commonly report barriers to training, are least likely to develop strategic approaches to HR and which are least likely to recognise the value of training.

\(^{46}\) SSDA/EKOS 2006 ibid
6 Stakeholder engagement and policy influence

**SUMMARY**

Stakeholders that are close to the network, understand its role and objectives have regular contact with parts of the network and are engaged at a strategic level are demonstrably more positive than other stakeholders about the achievements of the network. This is one of the clearest findings to emerge from the Third Phase Evaluation process.

The implications of this for the performance of the Skills for Business network and the achievement of its objectives are unclear, given the wide-ranging nature of stakeholders and their differing relationship with individual parts of the network. Further work to understand the perspectives of different groups of stakeholders on key issues such as employer engagement would help to ensure that the network’s relationship with stakeholders develops in a way that is consistent with its overall objectives.

Much of what the Skills for Business network was set up to achieve can only be addressed through working with and influencing the activities of a range of stakeholders, including national government departments and agencies, devolved administrations in Scotland, Northern Ireland and Wales and agencies, regional bodies, organisations concerned with qualifications and related issues, the Learning and Skills Council (nationally and locally) and sector bodies.

This section draws heavily on bivariate and multivariate analysis of the Skills for Business network Stakeholder Survey and the Skills for Business network evaluation qualitative research with stakeholders to explore in more depth than previously the complexities associated with stakeholder engagement that are not captured fully through the scorecard indicators summarised in Table 6.1 below. Stakeholder interaction with and satisfaction with SSDA is explored in more detail in section 7 which focuses on SSDA support objectives. This section focuses on the Skills for Business network and the SSCs.

Note that samples are relatively small at SSC level; therefore much of the discussion in this chapter takes place at the aggregate network level. Where sample sizes allow, minimum and maximum figures at SSC level are presented for some variables discussed in this chapter, to provide an indication of the degree of variability around the aggregate the Skills for Business network findings.

6.1 Stakeholder awareness and understanding of the Skills for Business network and SSCs

6.1.1 The Skills for Business network

The 2005 Skills for Business network Stakeholder Survey found that 45 per cent of stakeholders felt that they had a very or fairly detailed understanding of the main roles of the Skills for Business network. The level of understanding of the Skills for Business network varies according to the type of organisation. Understanding of the
Skills for Business network is highest among sector skills bodies, non-departmental agencies involved in skills issues, government departments and national skills organisations. Conversely, trade organisations and training providers report the lowest levels of understanding of the Skills for Business network, but these are more likely to be engaged with individual SSCs on a sector specific basis. Involvement with SSA Pathfinder or Second Tranche SSCs appears to be weakly associated with higher levels of understanding of the Skills for Business network.

Other factors, identified through multivariate analysis, associated with stakeholder knowledge and understanding of the Skills for Business network, are:

- Level of understanding of SSDA
- Personal and organisational involvement with SSDA
- Contact with SSDA

Table 6.1: Stakeholder engagement and policy influence – key indicators

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Year 1 (2003 unless stated)</th>
<th>Year 2 (2004 unless stated)</th>
<th>Year 3 (2005 unless stated)</th>
<th>Actual Change Y2-Y3</th>
<th>‘Desired’ change</th>
<th>Summary assessment</th>
</tr>
</thead>
<tbody>
<tr>
<td>% of stakeholders stating SSCs have positive influence on skills development at sector level</td>
<td>92</td>
<td>76</td>
<td>75</td>
<td>-</td>
<td>+</td>
<td>=</td>
</tr>
<tr>
<td>% of stakeholders satisfied with Labour Market Intelligence from SSCs</td>
<td>78</td>
<td>83</td>
<td>81</td>
<td>-</td>
<td>+</td>
<td>=/-</td>
</tr>
<tr>
<td>% of stakeholders stating SSCs successful at influencing decisions taken by funders of education/training provision</td>
<td>65</td>
<td>50</td>
<td>50</td>
<td>0</td>
<td>+</td>
<td>=</td>
</tr>
<tr>
<td>% of stakeholders stating SSCs successful at developing quality SSAs</td>
<td>n.a.</td>
<td>45</td>
<td>51</td>
<td>+</td>
<td>+</td>
<td>+</td>
</tr>
<tr>
<td>% of stakeholders stating SSCs have influenced supply of education and training to better reflect the needs of employers and employees</td>
<td>59</td>
<td>53</td>
<td>56</td>
<td>+</td>
<td>+</td>
<td>+</td>
</tr>
<tr>
<td>% of stakeholders stating SSCs make valuable contribution to the Regional Skills Partnership Agenda</td>
<td>n.a.</td>
<td>55</td>
<td>51</td>
<td>-</td>
<td>+</td>
<td>_</td>
</tr>
<tr>
<td>Overall stakeholder satisfaction with SSCs</td>
<td>76</td>
<td>64</td>
<td>67</td>
<td>+</td>
<td>+</td>
<td>+</td>
</tr>
</tbody>
</table>

6.1.2 Sector Skills Councils

As with the Skills for Business network, understanding of SSCs varies by type of organisation in the same way. Sixty five per cent of responses from stakeholders

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47 The SSCs which immediately followed the Pathfinder SSCs in developing their SSA.

48 Not strictly comparable with 2004 and 2005 figures due to significant differences in survey methodology (see Annex 3). Note also that the majority of the sample, for all surveys, was provided by SSCs (see chapter 1).

49 See section 4.5 above for a discussion of this indicator.

50 Strictly speaking, the indicators in this table and in all discussion on results for the SSCs as a whole refer to the percentage of stakeholders’ responses, as respondents were able to give their opinions of more than one SSC. The term ‘percentage of stakeholders’ is used throughout this chapter, for ease of exposition.
indicated fairly or detailed understanding of SSCs\textsuperscript{51}. Multivariate analysis found the following to be positively associated with understanding of the roles and objectives of SSCs:

- Recent personal involvement with the SSC in question, including in relation to the strategic and operational issues and/or preparation of SSAs
- Frequency of contact with the SSC
- Access to Labour Market Information produced by the SSC.

Table 6.1 presents a summary of SSC success against a range of key factors, which are discussed in detail in the sections below.

6.2 Skills and labour market information

Two thirds of stakeholders had received or looked at labour market information (LMI) produced by a Sector Skills Council during 2005, with the highest rates of LMI access being recorded by those stakeholders that have direct, frequent and/or regular contact with SSCs. For example, 76 per cent of stakeholders who describe their relationship with an SSC as ‘very or fairly close’ had received or looked at LMI, compared with 45 per cent of those with ‘not very or not at all close’ relationships. Similarly, having a very or fairly detailed understanding of SSC roles and objectives is positively associated with the use of LMI produced by SSCs\textsuperscript{52}. The rating also varied by SSC from 92 per cent to 56 per cent.

Table 6.1 demonstrates that more than four out of five stakeholders that had seen SSC LMI were satisfied with that LMI (defined as a rating of 6 or more out of ten). The level of satisfaction is unchanged, in statistical terms, between 2004 and 2005. The mean satisfaction rating for 2005 was 6.9. Stakeholder groups that appear to be more satisfied than average include:

- Stakeholders in contact with SSA Pathfinder SSCs (86 per cent rating 6 or more; mean rating 7.2)
- Stakeholders in frequent contact with SSCs (83 per cent; 7.0)
- Stakeholders stating very/fairly close involvement with SSCs (84 per cent; 7.0)
- Stakeholders operating in Wales only (91 per cent; 7.2)

While satisfaction levels with SSC LMI are relatively high across all stakeholder groups, average scores of 6.5 or below were reported by:

- Stakeholders that have one-off or occasional contact with SSCs
- Stakeholders describing their relationship with SSCs as not very or not at all close
- Stakeholders with little or no understanding of SSC roles and objectives

The evaluation qualitative research confirmed the key role played by LMI as an important service provided by the Skills for Business network. In general, stakeholders rated highly the LMI produced by SSDA and the SSCs, although some

\textsuperscript{51} Note that the figures are not strictly comparable to the SSDA or the Skills for Business network as some respondents answered questions about more than one SSC and due to sample composition – see footnote 44.

\textsuperscript{52} Note that this is a statistical association and does not necessarily imply the direction of causation. It may be that higher levels of understanding alert stakeholders to the existence of LMI or it could be that LMI helps stakeholders to better understand SSCs, or some combination of the two.
concerns were raised regarding quality by those who are ‘expert’ in the field and regarding the usefulness of LMI particularly by stakeholders concerned with local and regional labour market issues\(^{53}\).

### 6.3 Policy influence

Chapter 1 of this report set out some of the main policy developments that have taken place over the past year and the activities of the Skills for Business network. Opportunities to influence policy have arisen through response to consultations; involvement in Leitch Review; developing and implementing Sector Skills Agreements; involvement in the development of VQ reform, Skills Academies, Train to Gain and Sector Qualification Strategies and numerous formal and informal contacts with key stakeholders. This section reviews stakeholders’ responses to questions regarding their perceptions of the role of the Skills for Business network in the policy process.

Half of all stakeholders responding to the 2005 the Skills for Business network Stakeholder Survey rated the SSC(s) that they had been in contact with positively (6 or more out of 10) in terms of ‘influencing decisions regarding skills taken by the government and funders of education and training provision’. This figure was exactly the same in 2004. The mean score of 6.0 for this area of SSC activity is towards the bottom end compared with other areas such as developing national occupational standards (6.6), developing SSAs (6.6), promoting the use of vocational qualifications (6.5) and developing strategic workforce development plans for the sector (6.5).

Disaggregation of the data demonstrates that – in common with all other areas of SSC activity on which stakeholders were asked to comment – higher satisfaction levels were recorded for stakeholders who had contact with Pathfinder SSCs, those that had more direct and/or frequent contact with SSCs and those with a more detailed knowledge of SSC roles and objectives. The percentage of stakeholders rating individual SSCs at 6 or higher on this indicator varied from 73 per cent to 24 per cent.

### 6.4 Skills development at sector level

This issue was touched on in the previous chapter, with the observation that stakeholders tend to perceive higher levels of SSC success than employers in relation to this measure. It should be noted, however, that the proportion of stakeholders perceiving a positive impact remained constant through 2004 and 2005, at around three quarters, whereas employer perceptions of success increased markedly over the same period. At SSC level, this indicator varied from 50 per cent to 86 per cent, with the vast majority of SSCs recording ‘scores’ above 70 per cent.

Using a measure of ‘net positive impact’ (positive responses less negative responses), stakeholders feel that SSC impact on sector skills was highest in 2005 in relation to:

- Pathfinder and, to a slightly lesser extent, Second Tranche SSCs
- SSCs with which they have regular and/or frequent contact
- SSCs with which they have close involvement and/or of which they have a detailed understanding

\(^{53}\) See *Skills for Business network: Phase 2 Evaluation Case Studies*. 2005. GHK. Research Report 12 for issues raised regarding LMI work by SSCs.
Multivariate analysis suggests\(^{54}\) that stakeholder perceptions of the success of SSCs in relation to sector skills development are driven by a number of factors, notably perceptions of SSC success in relation to (in order of relative importance):

- influencing the supply of education and training to better reflect the needs of sector employers
- developing strategic plans/actions to meet the sector’s workforce development and business needs
- encouraging employer engagement with training in the sector
- ensuring that the SSC represents the views of all employers in the sector
- developing and promoting the use of national occupational standards

These results go some way towards explaining the apparent discrepancy between employer\(^{55}\) and stakeholder perceptions of the impact of SSCs on skills development at the sector level. In general, stakeholders are likely to have a broader perspective than individual employers on the roles and responsibilities of SSCs. Clearly, some individual employers are heavily involved in the network’s activities at SSC and/or broader levels. However, the majority is likely to encounter SSCs and/or the Skills for Business network in relation to the delivery of establishment or organisation specific services. If this is the case, stakeholders are more likely than individual employers to be aware of broader activities such as qualifications reform, occupational standards work, new initiatives such as the Skills Academies and Sector Skills Agreements.

In other words, it is not surprising to find that individual employers are less likely than stakeholders (who include sector bodies and training providers) to perceive an impact of SSCs and/or the Skills for Business network at the sector level. Notwithstanding this conclusion, there is some evidence that the wider sector role of SSCs is becoming apparent to some employers, albeit slowly and albeit only among those that are already engaged at some level with the Skills for Business network.

### 6.5 Sector Skills Agreements

The development and implementation of Sector Skills Agreements (SSA) has been one of the major thrusts of the Skills for Business network activity through 2004 and 2005, particularly among the Pathfinder and Second Tranche groups of SSCs.

It is clear from discussions with SSCs and other stakeholders involved in the process that SSAs represent an important mechanism through which the Skills for Business network is able to increase employer and stakeholder engagement and extend its influence over their activities. A key issue emerging from a number of these conversations was the need to develop and maintain engagement at a number of geographical levels, which can stretch the resources of some SSCs. It is also important to ensure that increased engagement achieved through the SSAs should be carried through to the implementation stage.

\(^{54}\) Note, however, that the level of ‘fit’ of the model was relatively low, at around 35% of variation explained.

\(^{55}\) Recall that the employers that were asked to comment on this were the small minority that had some understanding of SSCs, as opposed to the broader population of employers.
This is one of the few areas of SSC activity for which a significant increase in stakeholder satisfaction was recorded between 2004 and 2005, from 45 per cent to 51 per cent. Indeed, the mean score of 6.6 for this measure was the highest (along with national occupational standards) of the nine elements of SSC success included in the questionnaire. Variations at SSC level were observed, ranging from 32 per cent to 72 per cent for the eleven SSCs for which this indicator was relevant at the time of the survey.

This result provides prima facie evidence that the Sector Skills Agreement process has resulted in increasing engagement and satisfaction among stakeholders, as suggested by the Skills for Business network evaluation of the early stages of the SSA process.

The evaluation qualitative research received broadly positive comments about the way in which the SSA process to date has managed to engage stakeholders and – less consistently – employers, assisted by the availability of specific resources and structures (project boards). Concerns were raised however about a number of issues:

- Variations across SSCs in what they sought to offer stakeholders and where they were focusing effort in relation to the SSA;
- The involvement of small and medium sized enterprises (SMEs) as opposed to the larger organisations that tend to dominate exercises of this kind;
- Along similar lines, the involvement of employers at local/regional/country levels as opposed to the UK level;
- The role of SSDA in supporting and quality assuring the SSA process (ensuring stakeholders are aware of the work of the SSDA in this regard);
- The need to avoid a loss of momentum once the SSAs have been completed (and expectations raised).

6.6 Influence on education and training provision

Influencing the provision of education and training in order to make it more responsive to the needs of employers is central to the mission of the Skills for Business network and SSCs play a key role in this potentially complex, difficult and time-consuming process. It is also an element of SSC/the Skills for Business network success that is particularly difficult to measure.

Employer responses to questions about barriers to accessing training provision (section 2.5) suggests limited change at the aggregate level in the extent to which employers feel that they are unable to access suitable provision. More detailed analysis suggests some differences in trends between sectors and types of employer; however the general picture remains one of limited change.

Given the time lags that are likely to be associated with activities such as influencing funding bodies and providers, developing new programmes and qualifications, changing modes of delivery and communicating new developments to employers, stakeholder perceptions of SSC/the Skills for Business network influence may act as a useful ‘leading indicator’. In other words, stakeholders – to a greater or lesser

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56 Note that this question was only asked of stakeholders in contact with Pathfinder and Second Tranche SSCs.

extent – are likely to be more aware than individual employers of activities designed
to achieve this objective.

A further difficulty, which applies to some other measures of network success, is the
fact that the network has limited responsibility, capacity and/or resources to influence
the funding, structure and/or delivery of education and vocational training
programmes. This is an area where partnership activity with stakeholders, including
influencing some organisations to make changes that they may not wish to make, is
crucial for the network. This makes it difficult to interpret the responses of some
stakeholders, many of which cannot be described simply as passive observers or
recipients of SSC/the Skills for Business network services.

The evaluation qualitative research explored some of these issues with
stakeholders. In general, providers of education and training and – to a lesser
extent – regulatory and awarding bodies – described their relationship with the
network in terms of direct or more distant operational influence. The study also
highlighted a number of difficult issues concerning the relationship between the Skills
for Business network and some stakeholders concerned with education and training
provision, particularly:

- Concern that some SSCs have close relationships with awarding bodies,
  based on past organisational structures
- Concern that some SSCs are developing and delivering their own
  programmes, primarily driven by financial imperatives

The finding that 56 per cent of stakeholders responded positively in 2005 when
asked to state how successful they felt that the SSC(s) with which they had been in
contact in relation to ‘influencing the supply of education/training to better meet the
needs of sector employers and employees’ needs to be interpreted in light of the
above comments. This is a small increase over the 2004 figure of 53 per cent. In
particular, stakeholders that had direct rather than indirect contact with SSCs tended
to respond positively in relation to this measure of success. It is also clear that there
are sectoral variations in stakeholder views on this issue, with the scorecard indicator
varying from 21 per cent to 78 per cent.

6.7 Regional Skills Partnership

Regional Skills Partnerships have continued to develop in England (see chapter 1)
and stakeholders whose coverage includes England were asked to rate the success
of SSCs in ‘making a valuable contribution to Regional Skills Partnerships’. While
perceptions of success have declined slightly overall from 55% to 51% it is also an
indicator which appears to vary markedly by SSC, from a minimum of 26 per cent to
a maximum of 70 per cent.

Rating of success in this area broadly follows the pattern established in relation to the
issues discussed above i.e. stakeholders with more direct and/or regular contact with
and/or knowledge of SSCs tend to give more positive responses than average. A
further factor in relation to Regional Skills Partnerships is a more positive response
than average from stakeholders that operate only in England.

58 The results of qualitative interviews with employers helps to develop further our understanding of this
key area (see chapter 3).

59 Note however that some stakeholders expressed support for the idea of direct skills provision by
SSCs.
The evaluation qualitative research found mixed reactions from regionally-based stakeholders, with a general perception of improvement over the past year to a situation where most stakeholders feel that the performance of the Skills for Business network in this regard is ‘satisfactory’. Perceptions of performance varied between SSCs, corroborating the findings of the stakeholder survey, and some regional stakeholders noted difficulties in dealing with different SSCs with differing approaches, priorities and resources.

The evaluation qualitative research focused broadly on the interaction between regional stakeholders and the Skills for Business network, a factor which might explain the contrast between its broadly neutral findings and the more negative response to the wider survey in relation to Regional Skills Partnerships. Notwithstanding this comment it is clear that the English regional agenda is one which has yet to be fully and satisfactorily addressed by the Skills for Business network.

6.8 Stakeholder engagement in the devolved administrations

Chapter 1 outlines some of the background in terms of the development of skills policies and strategies in Scotland, Wales and Northern Ireland. Clearly it is important for the network to engage effectively with the skills agenda in the different parts of the UK and this raises a number of challenges for the Skills for Business network and stakeholders in Scotland, Wales and Northern Ireland that are highlighted in particular by the findings of the qualitative study. These include:

- The capacity of the Skills for Business network to understand and appreciate differences between countries in skills strategies, policies, delivery mechanisms, qualification frameworks etc
- The resources required and/or available – quantitative and qualitative – for SSCs and SSDA to engage effectively at nation level
- The capacity and ability of stakeholders within Scotland, Wales and Northern Ireland to understand and engage with the Skills for Business network and/or individual SSCs
- The differing legacy infrastructures in terms of employer and wider stakeholder input into the skills agenda60
- Differences in the relative perceived importance of different sectors at within the nations as opposed to UK level

The Skills for Business network Stakeholder Survey enables some analysis of stakeholder satisfaction across countries within the UK, although the results should be treated as indicative rather than definitive due to small sample sizes:

- Stakeholders operating in Scotland only (as opposed to Scotland-based stakeholders in organisations with responsibilities beyond Scotland) tend to be less likely than average to understand the main roles of the Skills for Business network and less likely to rate the network as successful overall or in relation to specific activities
- Similarly such stakeholders have a less positive than average perception of the progress of the network in relation to their expectations and/or in comparison with the previous NTO network
- However, stakeholders in Scotland appear to be no more or less likely than others to respond positively when asked about the performance of individual SSCs with which they have been in contact

60 This was found to apply in some English regions also.
Feedback from the (small number of) stakeholders based in Northern Ireland only is similar to that from the ‘Scotland Only’ group i.e. less positive than average perceptions of the network, but no clear differences in relation to individual SSCs.

In contrast, stakeholders based in Wales only appear to be slightly more positive than average about the network but slightly less satisfied than average about the performance of individual SSCs.

It is clear from this brief discussions that the issue of the Skills for Business network and SSC engagement with stakeholders in Scotland, Wales and Northern Ireland is a complex one, but initial indications suggest that further consideration needs to be given to developing the effectiveness of network-level activities, particularly in Scotland61 and Northern Ireland.

6.9 Overall stakeholder perceptions

6.9.1 Overall satisfaction with SSCs

Overall satisfaction among the stakeholders of the network can be measured in a number of ways. The scorecard focuses on overall satisfaction with SSCs, based on a scale of 1-10. Table 6.1 demonstrates a small increase in the percentage of stakeholders providing a rating of 6-10 from 64 per cent in 2004 to 67 per cent in 2005. At SSC level, the ‘overall satisfaction’ indicator varied from 81 per cent to 38 per cent.

Multivariate analysis suggests that the key drivers of overall stakeholder satisfaction with SSCs are (in order of importance):

- Positive perception of general reputation of SSC
- High level of personal involvement with SSC
- Perception of impact of SSC on skills development in the sector
- Use of LMI provided by SSC
- Worked with SSC on specific product or service

The following ‘success factors’ (in order of importance) are most closely related to the likelihood of a stakeholder reporting high levels of overall satisfaction with SSC(s):

- Developing strategic plans at sector level
- Development/promotion of national occupational standards
- Ensuring SSC represents views of all employers in sector
- Influencing supply of education/training to meet employer needs
- Encouraging employer engagement with training

These results reinforce an emerging picture of a ‘macro’ perspective on the part of most stakeholders - and particularly those that are close to and knowledgeable about SSCs -- with a particular focus on the wider impact of SSCs at the sector, national and regional levels. This contrasts with a primarily establishment/organisation focus on the part of most employers, with the exception of the small number of organisations that are engaged in a wider sense with skills issues at sector, occupation and national levels.

61 Note that a review has been undertaken of the operation of the Skills for Business network in Scotland, but had not reported at the time of writing this draft report.
While this is not surprising, it does pose a number of questions for SSCs and the Skills for Business network as a whole. One possible reaction to relatively modest developments in employer awareness and engagement – particularly among small and micro businesses – might be to focus more attention on providing products and services that will meet the immediate needs of such employers and have a short term impact on their performance. Such a strategy is likely to boost employer engagement and satisfaction ratings but – given limited resources – may damage relationships with key stakeholders (including those representing employers and sectors) that are interested in achieving broader and longer-term goals. We will return to this line of argument in the concluding chapter.

6.9.2 Stakeholder views of the Skills for Business network progress

Forty seven per cent of stakeholders responding to the 2005 survey rated progress made on the development of the Skills for Business network since its launch as ‘fairly good’ (44 per cent) or ‘very good’ (3 per cent). Perceptions varied considerably according to type of stakeholder with high (52 per cent or above) ratings being given by the following groups:

- Chief Executives of Sector Skills Councils
- Government departments, skill-related agencies and national skills organisations
- Stakeholders that had direct, regular, close and/or frequent contact with SSDA
- Stakeholders with high levels of understanding about the roles and objectives of SSDA and/or the Skills for Business network
- Stakeholders dealing with Pathfinder or Second Tranche SSCs

Stakeholders were also asked to state whether they felt that the progress of the network was better than, the same as or worse than their expectations. The majority (60 per cent) felt that progress had been about what they had expected. However, of the others, the group of those stating that progress had been worse than expected was larger (23 per cent) than those feeling that progress had been better than expected (13 per cent). The balance between those whose expectations had and had not been fulfilled is broadly the same across all stakeholder groups, with some indication, however, that those with a close personal relationship with SSDA and/or those with a good understanding of the network are slightly more satisfied than average with progress.

Comparison between the 2004 and 2005 responses to this question suggest a convergence towards ‘about as expected’ (47 per cent in 2004 to 60 per cent in 2005). The proportion of stakeholders feeling that progress has been worse than expected remained broadly unchanged between 2004 and 2005.

Just over half (52 per cent) of stakeholder respondents felt that the Skills for Business network represents an improvement over the previous National Training Organisation (NTO) network. Eleven per cent rated the Skills for Business network as a deterioration on the NTO network. These overall figures mask considerable variation by stakeholder group, with relatively positive responses coming from:

- Government departments and national skills organisations
- SSC chief executives
- Those with detailed understanding of SSDA/the Skills for Business network
Indeed there are some indications that stakeholder perceptions of the Skills for Business network in comparison with the NTOs have declined slightly (from 59 per cent positive response in 2004 to 52 per cent in 2005) although the majority of respondents still rate the Skills for Business network as an improvement on the NTO network.

6.9.3 Overall stakeholder satisfaction with the Skills for Business network

Forty eight per cent of stakeholders declared themselves to be satisfied in an overall sense with the Skills for Business network in 2005, defined as a response of 6 or more on a scale of 1 to 10. This is a slight increase on 2004. However, significantly large falls in overall satisfaction were recorded for government departments and national skills organisations (67 to 48 per cent) which have previously recorded much higher levels of satisfaction.

In relation to specific network activities, stakeholders gave relatively high ratings when asked about:

- raising the profile of sector specific skills issues (61 per cent)
- identifying and addressing skills needs, shortages and gaps (54 per cent)
- encouraging employer engagement in education and skills policy (47 per cent)

In contrast, only 22 per cent of stakeholders felt that the Skills for Business network had been successful in relation to ‘increasing the productivity of UK business’ and 36 per cent in relation to ‘improving the quality and relevance of publicly-provided education and training’.

Detailed analysis of stakeholder responses reveals a number of factors that are associated with high levels of overall satisfaction with the Skills for Business network. In common with other satisfaction measures discussed above, knowledge of and close involvement with the network and/or SSDA are important factors. In terms of specific areas of the Skills for Business network activity, overall satisfaction is driven largely by satisfaction in relation to:

- Raising the profile of sector skills issues
- Identifying and addressing skills needs, gaps and shortages
- Improving the quality and relevance of publicly-funded education and training
- Increasing opportunities to develop the skills of everyone in the workforce

Satisfaction ratings for the first two of these are relatively high, but there is scope to improve overall stakeholder satisfaction by addressing the third and fourth of these key factors.

The evaluation qualitative research corroborates the relatively strong relationship between the closeness of stakeholders to the network and their views of its performance and progress. In particular, stakeholders with strategic involvement in the development and operation of the network constantly provided positive feedback on the Skills for Business network performance, with more mixed views coming from those with direct and (particularly) more distant operational influence.
6.9.4 Advocacy of SSCs
A final indicator of stakeholder satisfaction with SSCs is the extent to which they would recommend to others the individual SSCs with which they had closest contact. In 2005, over 70 per cent of stakeholders could be described as ‘advocates’ who would proactively recommend (46 per cent) or speak highly of (24 per cent) the SSCs with which they had dealt.

Similar patterns emerge according to type of stakeholder as those described for other indicators of stakeholder satisfaction. In particular, stakeholders involved with Pathfinder SSCs are especially likely to emerge as SSC advocates, as are those with frequent contact with, close involvement with and/or detailed knowledge of the SSC in question. Direct rather than indirect contact is also associated with higher levels of advocacy.

6.10 Key points

- The results presented in this chapter suggest that the stakeholders of the Skills for Business network and its component parts vary considerably in terms of their relationship with the network; their knowledge and understanding of its aims, objectives and activities; their expectations of the network and their opinions of its effectiveness and development.

- In general, those stakeholders that are closer to the network exhibit a greater level of understanding than other stakeholders and in general are more realistic and positive about its achievements to date.

- While this is a positive finding, it is necessary to understand more about those stakeholders, such as trade associations and training providers, which hold less positive views and yet are crucial in relation to the network’s activities, particularly employer engagement and improving the responsiveness of learning supply.

- The analysis also reveals the existence of some issues that need to be addressed concerning the network’s activity at country level and the English Regions. The evaluation qualitative research suggests that some stakeholders would like to see increasing activity at this level, while many SSCs feel constrained by limited resources from developing such activity on a large scale.

- Finally, the findings indicate a degree of variability between SSCs in the ratings provided by stakeholders, suggesting that the ‘uneven development’ noted in the Phase 2 Evaluation report is still a feature of the network. This is perhaps unsurprising given that the establishment of the network was completed only during Phase 3. However it is to be expected that such gaps between SSCs will begin to narrow as the network builds its capacity and capability through sharing of good practice and related mutual support activities.
7 SSDA Support Objectives

### SUMMARY

The evaluation findings suggest a broad degree of satisfaction among stakeholders – particularly those with close and regular dealings with the agency - with the activities of SSDA to date.

The role of SSDA is changing as the network is now established and the focus is shifting towards ensuring delivery and supporting the implementation of flagship initiatives, notably the Sector Skills Agreements. This shift is widely recognised by stakeholders, many of whom are seeking reassurance that SSDA is acting accordingly.

The evaluation findings suggest that promoting and supporting capacity building within SSCs - and in particular facilitating the transfer of good practice to ensure a more consistent level of service across the network – will be a key priority for SSDA in the immediate future.

SSDA needs to recognise and address the broadly-based stakeholder desire for observable developments in terms of delivery, particularly in relation to SSCs in the latter stages of the SSA process.

Clarity about the role and operation of SSDA in relation to the devolved administrations would be welcomed by stakeholders in these nations.

### 7.1 Introduction

This chapter provides an overview of the scorecard indicators that relate to the specific roles played in the network by the Sector Skills Development Agency (SSDA), namely:

- To be an **ambassador and champion** of the network
- To lead the **development of the network and support SSCs**
- To **regulate** it in order to maintain high standards
- To **co-ordinate** the network, and encourage dialogue between SSCs
- To **facilitate information exchange** across the network with partners
- To develop relations with partners and stakeholders and **meet partners’ and stakeholders’ needs**
- To act as an **expert adviser** to the network
- To act as a partner in the network leading on the development of **cross sectoral issues**
- To act as a partner in the network by providing **minimum cover to sectors without an SSC**.

In addition to the statistical results from the Skills for Business network Stakeholder Survey and qualitative research with stakeholders - involving interviews with 64 stakeholders at national and regional levels - are incorporated into the discussion in this chapter.
7.2 SSDA Strategic Plan 2005-2008

The changing economic, policy and institutional context within which the network is operating has prompted the development of a Strategic Plan for SSDA covering the period from 2005-2008. While in many respects the focus of the strategy is unchanged since the establishment of SSDA in 2002, there are some subtle but important differences. In particular, the strategy emphasises the importance of influencing the demand for skills as well as their supply. The main vehicle through which this is envisaged to take place is through the promotion of high performance working practices or ‘smarter working’. This gives rise to a further strategic objective for SSDA:

- By 2008, working with our partners, we want to see 10% more businesses and public service organisations to have introduced higher-performance working practices (SSDA Strategic Plan 2005-2008, p16)

Four further ‘key success indicators’ are identified in the Strategic Plan, as follows:

- By 2008, working with our partners, we want to reduce skills gaps by 30%, skills shortages by 25% (network strategic objective)

- By 2008, we want 10% more employees to receive job-related training (network strategic objective)

- By 2008, we want 75% of employers to be aware of the network and at least 75% of those who have dealings with it, including our key stakeholders, to be satisfied with the service provided (network operational objective)

- By 2008, we want all SSCs to have sector skills agreements in place as a key means of securing progress on workforce performance and a measurable increase in productivity (network operational objective)

These success indicators, along with a range of other indicators relating to the strategic and operational objectives of SSDA and the SSCs, were already included or have been incorporated into the ‘performance scorecard’ described in chapter 1.

7.3 Scorecard indicators: some issues

The scorecard indicators that are designed to track progress in relation to the SSDA specific objectives are explained and presented in the following sections. Some key points should be noted in relation to these measures:

1. It is difficult to capture broad concepts such as ‘ambassador’ and ‘champion’ in a single indicator or even a small number of indicators. The figures presented in this chapter need to be considered in the context of wider, non-quantitative, evidence in order to reach a rounded conclusion.

2. Many of the figures presented in this chapter originate from the Skills for Business network Stakeholder Survey. As explained reporting Annex 3, the size and structure of the Stakeholder Survey sample changed significantly between 2003 and 2004, with some changes between 2004 and 2005; comparisons between years should therefore be treated with extreme caution.

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63 Note that developing HPWP is a strategic objective for SSDA, but is included in the Network scorecard as an operational objective.
3. Of necessity, SSDA activities in the early stages of the development of the network have focused on its role in setting up the network, with a gradual shift towards regulatory, advisory and coordination activity. It is likely that the ambassadorial, ‘champion’ and partner relations roles will increase in relative emphasis once the network is fully established.

4. The evaluation qualitative research noted that stakeholders have differing relationships with SSDA and/or the Skills for Business network, ranging from ‘strategic influencers’ to those with ‘direct operational influence’ or ‘more distant operational influence’. These groups of stakeholders have differing levels of contact with, expectations of and/or understanding of SSDA which might influence their perceptions of performance.

Table 7.1 summarises the scorecard indicators for 2003 to 2005, based mainly on responses to the Skills for Business network Stakeholder Survey from those stakeholders that had some contact with SSDA (61 per cent in 2005).

Table 7.1  SSDA support objectives: key indicators

<table>
<thead>
<tr>
<th></th>
<th>Year 1</th>
<th>Year 2</th>
<th>Year 3</th>
<th>Actual change</th>
<th>'Desired' change</th>
<th>Summary assessment</th>
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<tr>
<td>% of stakeholders perceiving network 'coherent'</td>
<td>61</td>
<td>48</td>
<td>48</td>
<td>0</td>
<td>+</td>
<td>=</td>
</tr>
<tr>
<td>Overall satisfaction with SSDA (6 or more out of 10)</td>
<td>56</td>
<td>44</td>
<td>43</td>
<td>-</td>
<td>0</td>
<td>=</td>
</tr>
<tr>
<td>% of stakeholders rating SSDA success</td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ambassador</td>
<td>58</td>
<td>57</td>
<td>52</td>
<td>-</td>
<td></td>
<td></td>
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<tr>
<td>Support SSC*</td>
<td>53*</td>
<td>53*</td>
<td>37*</td>
<td>-</td>
<td></td>
<td></td>
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<tr>
<td>Regulator</td>
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<td>51</td>
<td>44</td>
<td>-</td>
<td></td>
<td></td>
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<tr>
<td>Co-ordinator</td>
<td>55</td>
<td>53</td>
<td>50</td>
<td>-</td>
<td></td>
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<tr>
<td>Facilitate information exchange</td>
<td>52</td>
<td>48</td>
<td>47</td>
<td>0</td>
<td></td>
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<td>Meet organisation’s needs</td>
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<td>40</td>
<td>39</td>
<td>0</td>
<td></td>
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<tr>
<td>Adviser to SSCs*</td>
<td>43*</td>
<td>18*</td>
<td>21*</td>
<td>+</td>
<td></td>
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<tr>
<td>Influence on cross-sector skills</td>
<td>33</td>
<td>32</td>
<td>34</td>
<td>-</td>
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<tr>
<td>Minimum cover to sectors without SSC</td>
<td>20</td>
<td>16</td>
<td>21</td>
<td>-</td>
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<tr>
<td>Number of SSCs licensed</td>
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<td>21</td>
<td>25</td>
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<td>+</td>
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<td>Proportion of workforce covered by SSCs</td>
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<td>80</td>
<td>+</td>
<td>+</td>
<td>+</td>
</tr>
<tr>
<td>% of employers providing training in generic skills</td>
<td>19</td>
<td>27</td>
<td>28</td>
<td>+</td>
<td>+</td>
<td>+</td>
</tr>
</tbody>
</table>

Sources: The Skills for Business network ES, The Skills for Business network Stakeholder Survey (see Annex 2 for details)

Note: * results are based on very small samples, as questions were asked only of SSC CEOs

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64 Note that Year 1 data is not comparable with that for Years 2 and 3 due to significant changes in sampling and survey methodology. It is presented in this table for information only.

65 Comparisons between Years 2 and 3 are not strictly valid as the questionnaire was expanded to include more depth questions on the SSDA’s cross cutting activities.

66 Changes to routing in the questionnaire between Years 2 and 3 mean that comparisons are not possible on this question.
7.4 Overall stakeholder satisfaction

The 2005 the Skills for Business network Stakeholder Survey reveals a slight, but not statistically significant, fall between 2004 and 2005 in the overall satisfaction expressed by stakeholders in the performance of SSDA. As with the Skills for Business network more generally and the SSCs, satisfaction ratings vary by type of stakeholder, with the highest ratings being given by:

- Government departments and national skills organisations (both key stakeholders for SSDA)
- Stakeholders that have close personal involvement with SSDA
- Stakeholders with detailed knowledge of the roles and objectives of SSDA
- Stakeholders that have direct contact with SSDA

Multivariate analysis suggests that a key determinant of stakeholder satisfaction is the extent to which respondents feel that SSDA has met the needs of, or supported the development of, the stakeholder’s own organisation. The perceived success of SSDA in acting as an ambassador for the Skills for Business network and raising its profile is a further key driver of overall stakeholder satisfaction, as is the success of SSDA in acting as regulator for the SSCs.

There was no change between 2004 and 2005 in the propensity of stakeholders to feel that the Skills for Business network formed a coherent network, with just under half of respondents feeling that this is the case.

Half of all stakeholders interviewed for the 2005 the Skills for Business network said that they would proactively recommend or speak highly of SSDA to others; only 8 per cent would be critical. As with advocacy of SSCs (and many other measures of stakeholder satisfaction) lower than average rates of advocacy were found among:

- Trade organisations
- Sector skills bodies (which act as intermediary bodies in relation to sectors without SSCs)
- Stakeholders with little or no understanding of SSDA

Stakeholders operating in Scotland in particular are more critical than average of SSDA, with around 14 per cent of such respondents stating that they would be critical of SSDA if asked. This highlights an important issue regarding the activities of the network in the Devolved Administrations, which is discussed in the concluding chapter.

These findings are supported by the evaluation qualitative research, which suggests that stakeholders with more strategic level influence are the most likely to be positive about the Agency’s achievements. The research also highlights concern among some stakeholders that priorities in England may dominate the priorities of key SSDA, to the possible detriment of the agency’s strategic engagement with stakeholders at devolved administration level.

Stakeholders in the ‘direct operational influence’ group tend to have very high expectations of what could be delivered by the network and more varied perceptions of its key objectives. Also, these stakeholders have less awareness of the resources available to the network and the constraints operating on the activities of SSDA and

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Note that SSC chief executives are included in the Stakeholder Survey.
the SSCs. These perceptions may translate into lower than average ratings of the performance of SSDA among these stakeholders.

7.5 Ambassador and champion

There has been a decline in the percentage of stakeholders positively rating SSDA’s success in relation to acting as an ambassador for and champion of the SSCs. This is perhaps not surprising given that, as the network grows and develops, SSCs should be more and more able to act as their own ambassadors and champions.

Stakeholders interviewed for the qualitative study recognised the ‘champion’ role as a key one for SSDA, but expressed some uncertainty regarding the balance between this and other important aspects of SSDA’s work, including influencing public policy and management of the network.

The Skills for Business network Stakeholder Survey found that 74 per cent of stakeholders felt that SSDA had a positive impact on skills policy, not significantly different from the equivalent figure for 2004 (76 per cent). Only 6 per cent felt that the SSDA exerted a negative impact on policy while around one in eight stakeholders were unable to answer this question.

These findings were corroborated by the evaluation qualitative research with stakeholders, key findings of which include:

- In general, stakeholders felt that SSDA had the ability to provide a different view to government in relation to the development and implementation of skills policy.
- The ability of the network to bring the employer perspective and voice to policy discussions is seen as central to SSDA’s policy influence role.
- Stakeholders were generally positive about the quality and rigour of the agency’s research and analysis and saw this as an important component of the influencing process.
- Some tensions were perceived between the strategic focus of much of the agency’s analysis and influencing role and the need for an operational dimension in relation to ensuring that SSCs deliver.
- There was a feeling that SSDA policy influence activity was most advanced in England, with a more operational focus in the other nations.
- There was a view among some stakeholders that there exists a potential dichotomy between the Agency’s role in challenging government policies and the fact that the government is the agency’s largest single source of funding.

7.6 Network development, regulation and coordination

As above, reductions are apparent over time in stakeholders’ view of the success of SSDA in terms of network regulation and, to a lesser extent, coordination. However, it is in these areas that the SSDA is seen by most stakeholders to have been most successful, with mean scores of 5.9 and 5.8 respectively (significant minorities are unable to offer opinions – 29 per cent and 18 per cent respectively). Stakeholders with a more detailed understanding of SSDA tend to rate the agency’s role as regulator more highly than do other stakeholders. SSDA’s activities in relation to facilitating information exchange between different organisations within and outside the network continue to be rated relatively highly.
The qualitative study noted some very positive comments from stakeholders about the way that SSDA had gone about establishing the network, with a recognition that SSDA appears to be at a point of transition. There is a perceived need for SSDA to move away from establishing and maintaining the network to delivering action.

### 7.7 Meeting stakeholders’ needs

Two in five respondents to the stakeholder survey rated the SSDA as successful in terms of meeting their own organisation’s needs. Whilst for most of the analysis, stakeholders close to the SSDA were more likely to rate the success of the SSDA on these activities more highly, with regard to this indicator, stakeholders close on an organisational, but not personal, level were less likely to rate the SSDA as successful in meeting organisation’s needs. This is a complex area, not least because the network has not been established to meet the needs of all partner organisations in the skills arena, but to represent the demand side and demonstrate the need for and the type of change required to meet employer needs.

The evaluation qualitative research suggests that the ‘needs’ of stakeholders are likely to be related to their own position in relation to the Skills for Business network.

- Stakeholders with a ‘strategic influence’ role (primarily government departments and agencies) tended to focus on the strategic policy influence role of SSDA while acknowledging the need for progress on the operational front.
- Stakeholders with ‘operational influence’ had more varied involvement with SSDA and expressed more varied expectations, focused around issues such as identifying skill gaps and shortages, understanding employer needs and developing standards and qualifications.
- Regional and local level stakeholders tend to have limited, if any, engagement with SSDA and tended to focus their comments on the typically limited number of SSCs with which they had contact.

### 7.8 Supporting and advising the SSCs

The proportion of SSC chief executives stating that SSDA has performed well in relation to the provision of expert advice increased slightly between 2004 and 2005. However, in this, and ‘supporting development of SSCs’ the SSDA scores the lowest success ratings – both of these are only asked of SSC Chief Executives. These results are in contrast to the success the SSC Chief Executives attribute to the SSDA in its role as regulator.

Stakeholders interviewed for the evaluation qualitative study were generally positive about the way SSDA had gone about establishing the network. It was broadly agreed that the priorities of SSDA should now be shifting towards delivering action, with the view expressed that this shift in priorities needs to be reflected in changes in organisational structure and in the allocation of resources within SSDA and between SSDA and the SSCs.

Some stakeholders felt that they were not getting sufficient information about the role of SSDA in supporting and influencing the activities of SSCs and would like more feedback about what actions were intended to address concerns about the quality of delivery across the network. Stakeholders would also like to understand more about the extent and nature of employer engagement among SSCs.
7.9 Cross-sector skills and cross cutting activities

In order to better assess the activities of the SSDA with regard to its ‘cross sector’ remit, the Skills for Business network evaluation stakeholder questionnaire was revised in 2005 and part of the revision was to make a distinction between the development of cross sector skills (such as team working, communication and management skills) and the support of cross cutting activities (such as developing national occupational standards and input to the design of qualifications and curricula).

Around four in five stakeholders are aware that the SSDA has responsibility for developing cross sector skills. Thirty four per cent of stakeholders stated that the SSDA was successful in influencing government policy on cross sector skills.

With regard to cross cutting activities, most stakeholders are aware that the SSDA has a remit to co-ordinate activities that cut across different industrial sectors. Awareness is highest amongst SSC Chief Executives and standard setting bodies. Of a range of cross cutting activities, the SSDA was perceived to be most successful with regard to ‘raising the profile of sector skills issues generally’ (59 per cent success) and least successful in ‘leading the network to develop a coherent employer brokerage system’ (30 per cent, but with 22 per cent who did not know). Forty one per cent though the SSDA was successful at co-ordinating cross cutting activities overall.

7.10 Coverage of sectors without SSC

The SSCs cover 80% of the UK workforce, the SSDA has a remit to provide a minimum cover to sectors without a SSC. Levels of awareness of the SSDAs role in this respect are lowest for Training Providers and highest for the Standard Setting Bodies – key partners of the SSDA in this regard. Generally though, awareness is low and given this, levels of satisfaction are similarly low at 21% (but 30% of stakeholders with some awareness of the SSDA’s role in this regard were not able to provide a rating).

7.11 Key points

- The evaluation findings suggest a broad degree of satisfaction among stakeholders – particularly those with close and regular dealings with the agency - with the activities of SSDA to date.

- The role of SSDA is changing as the network is now established and the focus is shifting towards ensuring delivery and supporting the implementation of flagship initiatives, notably the Sector Skills Agreements. This shift is widely recognised by stakeholders, many of whom are seeking reassurance that SSDA is acting accordingly.

- It will be necessary in the coming period to clarify the role of the Agency vis-a-vis influence over government policy and to work out ways in which SSDA can work constructively with a growing and maturing network.

- The evaluation findings suggest that promoting and supporting capacity building within SSCs - and in particular facilitating the transfer of good practice to ensure a more consistent level of service across the network – will be a key priority for SSDA in the immediate future.
- SSDA needs to recognise and address the broadly-based stakeholder desire for observable developments in terms of delivery, particularly in relation to SSCs in the latter stages of the SSA process.

- For example, there is an expressed need for the network to make progress on qualifications reform and in influencing the skills supply infrastructure to respond to the changing needs of employers. SSDA has an important role to play in facilitating this process at the strategic level, communicating effectively with stakeholders and ensuring that the network delivers at operational level.

- Clarity about the role and operation of SSDA in relation to the devolved administrations would be welcomed by stakeholders in these nations.
8 Network strength

SUMMARY

The network was fully established at the time of the Phase 3 Evaluation, providing a first opportunity to gain an overview of its financial and organisational strength.

Corporate governance indicators suggest appropriate levels of involvement from SMEs and trade unions, with some scope to increase SME representation where relevant.

The financial strength of the network as a whole appears to be adequate; however it is possible that variations in financial resources between SSCs may lead to an uneven service to employers and stakeholders.

This suggests the need to keep under constant review the potential for SSCs to raise money from employers and other sources, the scale and nature of SSDA financial support for SSCs and the potential for sharing costs of some common services across the network.

Now the network is established, appropriate capacity building and mutual learning exercises will become increasingly important to ensure the continued strength of the network as a whole.

8.1 Introduction

The establishment of the Skills for Business network was completed during 2005, with the licensing of the final SSC, Government Skills. It will become increasingly important, therefore, to monitor the extent to which the network is strong and robust in terms of organisation and finance, and that procedures are put in place to share good practice and build the capacity of all elements of the network to address its challenging set of objectives.

This chapter summarises some of the indicators of ‘network strength’ which measure the extent to which the network is developing a sound organisational and financial basis upon which to develop in the future.

The scorecard indicators are summarised in Table 8.1

8.2 Corporate governance

All SSCs have trade union representatives on their main and or other boards. The vast majority have SMEs represented within their governance structures. It is desirable, of course, that the SME sector plays a significant role within the network, taking into account the pressures on the time and resources of SME owners and managers. It is also relevant to note that the relative significance of SMEs varies from sector to sector and indeed SMEs (strictly defined) are not present in the public sector.
Table 8.1  SSDA support objectives: key indicators

<table>
<thead>
<tr>
<th>Significant matters raised in audit reports</th>
<th>Year 1</th>
<th>Year 2</th>
<th>Year 3</th>
<th>Actual change Y2-Y3</th>
<th>'Desired' change</th>
<th>Summary assessment</th>
</tr>
</thead>
<tbody>
<tr>
<td>% of SSCs with SME rep on main board</td>
<td>*</td>
<td>95</td>
<td>88</td>
<td>-7</td>
<td>*</td>
<td>+/+</td>
</tr>
<tr>
<td>% of SSCs with SME rep on any board</td>
<td>*</td>
<td>100</td>
<td>96</td>
<td>-4</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade Union rep on main board</td>
<td>*</td>
<td>95</td>
<td>100</td>
<td>+5</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade Union rep on any board</td>
<td>*</td>
<td>100</td>
<td>100</td>
<td>0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of SSCs that have unrestricted reserves levels &lt; 3 times the average monthly total expense of the SSC</td>
<td>*</td>
<td>13 (out of 21)</td>
<td>15 (out of 23)</td>
<td>+2</td>
<td>-</td>
<td>=</td>
</tr>
<tr>
<td>Number of SSCs dependent upon the SSDA for &gt; half their total funding</td>
<td>*</td>
<td>10 (out of 21)</td>
<td>12 (out of 23)</td>
<td>+2</td>
<td>-</td>
<td>=</td>
</tr>
<tr>
<td>%IIP recognised within network</td>
<td>62</td>
<td>57</td>
<td>56</td>
<td>-6</td>
<td>+</td>
<td></td>
</tr>
<tr>
<td>% working towards IIP</td>
<td>38</td>
<td>38</td>
<td>32</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>% SSCs achieved at least 75% of targets</td>
<td>*</td>
<td>75</td>
<td>53&lt;sup&gt;6&lt;/sup&gt;</td>
<td>-22</td>
<td>+</td>
<td></td>
</tr>
<tr>
<td>% SSCs awarded full performance funding</td>
<td>*</td>
<td>100</td>
<td>81&lt;sup&gt;6&lt;/sup&gt;</td>
<td>-19</td>
<td>+</td>
<td></td>
</tr>
</tbody>
</table>

Source: SSDA

* No figures for 2003 as no SSCs had completed a full year report

8.3  Financial viability

As the network develops, the expectation is that SSCs will gradually reduce their reliance on SSDA funding and increase their income from other sources, particularly employers. The size of SSCs’ financial reserves is also an important indicator of their financial viability.

The summary figures presented in Table 8.1 suggest that the financial position of individual SSCs varies considerably, with some having sizable financial reserves and/or significant sources of income other than SSDA. On the other hand, it is clear that a number of SSCs have yet to generate a great deal of non-SSDA income and/or have relatively limited financial reserves.

These variations in financial structure to some extent reflect historical circumstances, with several SSCs having developed out of well-established NTOs, whereas others were established afresh. The differing nature of employers in different sectors (for example the relative importance of SMEs) and their history of becoming involved in skills-related initiatives also appear to have played a role.

It is clear from discussions across the network that the level of funding of SSCs and the effectiveness with which available financial resources are used and new

<sup>68</sup> out of 19 verified returns at the time of writing.

<sup>69</sup> out of 16 verified returns at the time of writing.
resources generated will continue to influence the level and nature of activity that can be sustained by the network. For example, maintaining an active presence across the devolved administrations and English regions has been found by some SSCs to be a resource-intensive exercise.

It is too early in the life of the network as a complete entity to draw any firm conclusions. However, it seems that continued SSDA financial input will be important to ensure that SSCs have sufficient resources to address their core objectives. It will also be important to ensure that resources are used efficiently and effectively, for example by exploring the scope for the costs of common services to be shared across the network.

The issue of financial contributions from employers and fund-raising from other sources will need to be kept under continual review, given the possible conflicts of interest that may emerge.

8.4 Capacity and capability

The majority of SSCs have either achieved Investors in People (IiP) status or are working towards it. It is to be expected that, now the network has been established, there will be a gradual move towards universal IiP recognition across the network.

There are some indications from the scorecard data (which does not cover all of the network due to reporting lags) that some SSCs have not achieved all of the targets that have been agreed with SSDA over the course of the year, with the result that some have not been awarded full performance funding. The evolving nature of the network, unforeseen operational issues and new demands placed on SSCs mean that it is difficult to draw firm conclusions at this stage, and it should be noted that the majority of SSCs have met sector specific targets and/or received performance funding.

Nonetheless, this evidence, coupled with the evaluation results presented in this report, do indicate a variation in performance and achievement across the network which needs to be addressed in order to maintain the strength of the network and ensure that employers and stakeholders receive a consistent level of service. Hence, capacity building activities will become an increasingly important avenue through which the members of the network can work together and learn from each other in order to build the network’s strength in coming years. Building network capacity and capability is a key enabling component of the SSDAs Operating Plan 2006-07 and an activity agreed between the SSCs and the SSDA as an appropriate way forward for the network to achieve its strategic objectives.

8.5 Key points

The network was fully established at the time of the Phase 3 Evaluation, providing a first opportunity to gain an overview of its financial and organisational strength.

- Corporate governance indicators suggest appropriate levels of involvement from SMEs and trade unions, with some scope to increase SME representation where relevant.

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70 Available at http://www.ssda.org.uk/ssda/docs/060407%20D%20SSDA%20Operating%20Plan%20-%20Final.doc
The financial strength of the network as a whole appears to be adequate; however it is possible that variations in financial resources between SSCs may lead to an uneven service to employers and stakeholders.

This suggests the need to keep under constant review the potential for SSCs to raise money from employers and other sources, the scale and nature of SSDA financial support for SSCs and the potential for sharing costs of some common services across the network.

Now that the network is established, appropriate capacity building and mutual learning exercises will become increasingly important to ensure the continued strength of the network as a whole.
9 Conclusions and implications

This overview report brings together the key results from the Phase 3 Evaluation of the Skills for Business network, with a primary focus upon comparisons over time. This quantitative analysis has been enhanced by a qualitative research exercise with employers and stakeholders and a contextualisation exercise involving the majority of SSCs.

Three key points should be borne in mind in relation to this report:

- The evaluation is designed to provide an overview of the progress of the network in relation to its different objectives. It is based on a wide range of information - statistical, contextual and qualitative – which is used as a basis upon which the progress of the network towards meeting its objectives can be assessed.

- As noted throughout this report, care needs to be taken in drawing conclusions on the basis of relatively small year-on-year changes in individual measures, due to the relatively small sizes of some survey sub-samples, particularly at SSC level.

9.1 Steady progress at strategic level

The strategic indicators that the Skills for Business network was established to influence through developing skills at sector level are, broadly, moving in the desired direction. UK productivity is improving steadily but is not catching up with productivity levels in the USA. The relative significance of skills gaps within the existing workforce is on a clear downward trend, particularly in England. Skills shortages are less important than they were in accounting for hard-to-fill vacancies across England and Wales. The proportion of employees receiving job-related training has remained steady for a number of years.

The proportion of employers stating that lack of knowledge of provision is a barrier to external training increased in 2004 but declined in 2005. The proportion feeling that lack of suitable provision has prevented them from getting involved in externally-provided training has remained broadly unchanged.

A key issue for consideration in this evaluation is the extent to which the activities of the Skills for Business network and its component parts have influenced these developments. The latest productivity figures refer to 2004, and productivity is influenced by a wide range of factors, so it is not possible to state at this stage that the Skills for Business network has contributed directly to maintaining current productivity trends.
Table 9.1: Progress against SSDA key success indicators

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>10% more organisations to adopt HPWP by 2008</td>
<td>% with at least 10 out of 16 specified practices(^{72})</td>
<td>*</td>
<td>24</td>
<td>29</td>
<td>20%</td>
</tr>
<tr>
<td>Skills gaps to fall by 30%; skills shortages by 25% by 2008(^{73})</td>
<td>Skills gaps as % of employment</td>
<td>10</td>
<td>7</td>
<td>6</td>
<td>40%</td>
</tr>
<tr>
<td></td>
<td>Skills shortages as % of vacancies</td>
<td>20</td>
<td>18</td>
<td>17</td>
<td>15%</td>
</tr>
<tr>
<td>10% more employees to receive job-related training by 2008</td>
<td>% of employed LFS respondents that had received job-related training in previous 13 weeks</td>
<td>28</td>
<td>28</td>
<td>28</td>
<td>0</td>
</tr>
<tr>
<td>75% of employers to be aware of the network &amp; 75% that have had dealings with network to be satisfied</td>
<td>% of employers aware of any part of network</td>
<td>43</td>
<td>47</td>
<td>53</td>
<td>+10</td>
</tr>
<tr>
<td></td>
<td>% employers satisfied with dealings with SSC</td>
<td>65</td>
<td>74</td>
<td>62</td>
<td>-3</td>
</tr>
<tr>
<td></td>
<td>% stakeholders satisfied with SSCs</td>
<td>77</td>
<td>64</td>
<td>67</td>
<td>-10</td>
</tr>
<tr>
<td>All SSCs to have Sector Skills Agreements in place by 2008</td>
<td>Number of SSAs in development</td>
<td>4</td>
<td>10</td>
<td>19</td>
<td></td>
</tr>
</tbody>
</table>

\(^{71}\) Note that these figures are presented in a different way to the other tables in this report (which present percentage point changes). This has been done in order to aid comparison with SSDA strategic objectives, which are expressed in terms of percentage changes on the 2003 baseline.

\(^{72}\) Note that this differs from the indicator included in the Strategic Plan due to availability of new data and further analysis since the publication of the document.

\(^{73}\) These data are based on weighted averages from available employer skills surveys in the 4 nations (not all surveys available in all years) and is indicative data only as different methods are employed across the 4 surveys.

Skills gaps and shortages vary over time in line with wider labour market trends, but are also influenced by employers’ recruitment, training and human resources practices. While a slight slowdown in employment and increased recruitment of migrant workers in some sectors have clearly played a part, there is evidence of improved training and HR practices on the part of employers (see below).
It is too early to draw firm conclusions, but a case may be made that the establishment of the Skills for Business network and associated promotional activities has raised the profile of skills issues among employers and – indirectly at least – led to higher levels of training, development and associated HR practices. This in turn – along with other factors – may have contributed to reported reductions in the significance of skills gaps and shortages.

Ensuring that the provision of education and training better reflects the needs of employers – and informing employers that this is the case – is clearly a relatively long-term process and the headline evaluation indicators provide no indication that this process has reached the stage where employers perceive a noticeable improvement. More detailed research, discussed below, does provide some indication of progress in some parts of the network, however.

A key issue for future development will be to ensure that more explicit links are made at network level and SSC level between the overarching strategic objective of improving productivity and operational activities designed to enhance employer commitment to training and development and to encourage high performance working among employers.

9.2 More committed employers

The evaluation evidence provides clear indication of a continued improvement in employer training, development and HR practices since the establishment of the Skills for Business network. More employers are providing some training for their staff. More employers are committed to the Investors in People standard and employers of all sizes and across most sectors are adopting practices that, taken together, can be described as High Performance Working Practices (HPWP).

There is clear evidence from the Employer Survey that employers that are aware of and/or deal with the Skills for Business network in some way are more likely than average to adopt HPWPs, individually or as a whole. While this does not imply causation – and more work needs to be done to establish causal links between the Skills for Business network activities and employer behaviour – it is likely that some employers have improved their practices as a direct or indirect consequence of the network’s activities.

The evaluation highlighted the relatively low levels of training activity and HPWP among small and micro businesses. Given that such organisations are the least likely to be aware of the Skills for Business network or SSCs, there is a strong case for the network to target its activity on raising awareness among this group and encouraging greater commitment to skills development, with potentially positive results for productivity and business performance.

9.3 Mixed trends in employer awareness and engagement

Ironically, given the broadly positive results described above, the messages emerging from analysis of the awareness, understanding, engagement and satisfaction of employers in relation to the network are mixed. More employers were aware of the network and its component parts in 2005 than was the case in previous years, although the rate of increase has been slow relative to the challenging success measures that have been set for the network.
This increase in awareness is, in the vast majority of cases, superficial. Most employers that are aware of an SSC know only its name and do not have any detailed understanding of its roles, responsibilities or structure. This appears, understandably, to be particularly true of employers that are ‘newly aware’ of the network, raising questions for the Skills for Business network about the balance to be struck between broadening and deepening awareness.

Similarly, a very small proportion of employers report any direct dealings with SSCs. One consequence of this is that the network wide evaluation data do not make any direct connections between dealings with SSCs, the adoption of appropriate practices by employers and improved performance, which underpins the ‘logic chain’ describing the desired impact of the Skills for Business network.

The Third Phase Evaluation results suggest that those relatively few employers that deal with SSCs are becoming less rather than more satisfied with these interactions, although it should be noted that sample sizes are small and employers engage with SSCs in a wide variety of ways. This result is a potential cause for concern and should be considered in the light of the role of ‘word of mouth’ – in addition to other more direct routes – to engaging employers. Though qualitative research with employers suggested many thought it was still early in SSC development and expected that progress would be made in time.

During the course of the evaluation research, SSCs in particular pointed out that the network does many things that do not rely on direct contact with large numbers of employers, such as awareness campaigns, qualification and national occupational standard development. Furthermore, concern was expressed about the limited resources that many SSCs have available to engage with large numbers of employers of different sizes, in different sub-sectors and in different locations.

Qualitative research with stakeholders suggests that many have high, but not fully articulated, expectations of the network in terms of providing a ‘voice for employers’. At the same time many stakeholders have limited knowledge of what SSCs are doing in this regard and little appreciation of the resources that the network has at its disposal to undertake employer engagement activities.

The evaluation findings on employer engagement should be interpreted in the light of the above observations and of broadly comparable results for the National Training Organisations at a comparable stage of their development. Priorities for the network over the coming period include work to increase awareness among stakeholders and others of the varied activities of the network in relation to employer engagement, and open discussion within and beyond the network about the extent and nature of employer engagement that is desirable in the context of constrained resources.

9.4 Impact on skills increasingly apparent at sector level

Employers are more likely to perceive that SSC activities have had a positive impact on skills development at the sector level than they are to state that dealings with SSCs have positively influenced skills-related activities at establishment level. Stakeholders are even more likely than employers to perceive sector-wide benefits from SSC activities.

It appears that, at this stage of the network’s development, influences on employer practices are indirect and operate at sector rather than establishment or organisation level. As the network matures and direct engagement with employers broadens and
deepens, it is to be expected that impacts will continue to be observed in terms of changed behaviour and performance at both individual employer and wider sector levels.

It may also be the case that employers do not recognise or give appropriate credit for the impact of SSCs at establishment level, in some cases because they are unaware of such impacts, because they are very indirect (such as the impact of awareness campaigns) or because they are delivered through intermediaries.

Finally, there may be a time lag involved in employers recognising any form of impact of SSC or wider the Skills for Business network activity on their own activities at establishment level. Clearly further thought needs to go into understanding how these mechanisms might work and how they might be reflected in the evaluation of the Skills for Business network.

9.5 Closeness to network is linked to stakeholder satisfaction

Stakeholders that are close to the network, understand its role and objectives have regular contact with parts of the network and are engaged at a strategic level are demonstrably more positive than other stakeholders about the achievements of the network. This is one of the clearest findings to emerge from the Third Phase Evaluation process.

The implications of this finding are not immediately obvious, however. One conclusion might be that it is necessary for the network to explain more clearly what it is about and to encourage ‘less close’ stakeholders – notably trade associations, sector bodies and training providers – to become more engaged at the strategic level. The logic of this argument is that such an approach would result in higher levels of stakeholder satisfaction.

Three key related questions arise, however:

- To what extent is the relationship between ‘closeness’ and satisfaction a causal one? Extending stakeholder engagement may not necessarily lead to increased satisfaction on the part of newly-engaged organisations that may have differing perspectives to those of national government and similar bodies.
- In any case, is it strictly necessary for all, or even a majority, of stakeholders to be ‘satisfied’? It might be argued that in order to affect change, the network will inevitably need to disappoint some stakeholders, particularly those that have benefited from previous systems.
- Along similar lines, given the unavoidable constraints on resources available to the network and the apparently increasing expectations of stakeholders, how should the network prioritise between meeting stakeholder needs and addressing the wider concerns enshrined in its strategic and operational objectives?

Again, at this stage, we offer no specific recommendations apart from the need to interpret data on stakeholder satisfaction with care and in the context of wider developments.
9.6 Variations at the micro level

While the macro picture is one of broad stability and – in general – steady progress in the desired direction, the Phase 3 evaluation has uncovered a considerable degree of variation across the network in key factors, such as employer engagement, degree of coverage across all geographies and types of activity in response to common issues that that have potentially important implications for the future development and impact of the Skills for Business network. These variations may be due to a number of factors:

- Sectors are different and part of the rationale for the development of the Skills for Business network on a sectoral basis was to ensure that solutions to skill problems were tailored to the needs and current practices of sectors. Therefore differences in approach to key issues, relative concentration of resources across geography and means of approaching employers may legitimately be explained by sectoral differences;
- The first SSC was licensed in April 2003 and the final SSC was licensed in December 2005. The ‘uneven development’ of the network noted in the Phase 2 evaluation supports, at first sight, a differentiated approach across the network, depending upon the stage of development of the SSC. This ‘uneven development’ continues to be observed in relation to both employer and stakeholder experiences of the network and feedback on its performance;
- Resource constraints faced by the SSCs may also result in variations. It is clear from discussions with SSCs, SSDA and stakeholders undertaken throughout the evaluation that there is limited appreciation of the resource constraints under which the network is operating and the implications for the level and range of activities that SSCs in particular are able to undertake effectively.

It is important for the network and its stakeholders to consider the extent and nature of variation across SSCs that is to be expected given these factors. To the extent that variations are not explained by these factors, further support may be required to promote performance improvement across the network. Furthermore, the network will need to identify the main priorities for delivery in future years, in the expectation that resource constraints will continue to affect the capacity of SSCs.

9.7 A formative role for the Skills for Business network evaluation

Finally, it is clear that the various strands of data collection that form the overall evaluation of the Skills for Business network together represent a significant potential resource for SSDA and the SSCs to learn lessons about the first three years of operation of the network, bringing to the fore the formative as opposed to summative aspects of the evaluation process.

The questions and comments outlined in this final chapter present a number of challenges that need to be addressed by the network and its constituent parts. Working together to examine some of these questions, to learn from successful and less successful developments and to refresh and re-appraise the model through which network activity feeds through to improved productivity and performance would be a valuable investment of the network’s resources over the coming months.

In particular, the ‘uneven development’ theme that has run through the Phase 2 and Phase 3 evaluations is becoming increasingly important now that the network is fully established in an organisational sense. Scope clearly exists, for example, to
undertake further analysis of the extensive survey data accumulated through the evaluation exercises, to understand more fully variations across sectors and between employers in key measures such as specific barriers to training or particular types of HR practice.

This evaluation report and the extensive detailed information that underpins it – together with the accumulated experience of all parts of the network – provides an extremely useful basis on which to build a strong and diverse network of organisations committed to improving performance through skills.
### Annex 1: Performance scorecard: objectives, measures and indicators

Skills for Business Network: Performance Monitoring Scorecard with Phase 1, 2 and 3 data
(strategic success measures highlighted, i.e. those in SSDA Strategic Plan 2005/08)
Phase 1 stakeholder survey data are presented in italic font, as comparisons between the Phase 1 and later surveys is problematic – see Annex 3

<table>
<thead>
<tr>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td><strong>STRATEGIC OBJECTIVES</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Improving productivity, business and public sector performance - Productivity Business/Organisational Performance</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>GVA per worker</td>
<td>£26,900</td>
<td>£28,500</td>
<td>£30,200</td>
</tr>
<tr>
<td>International comparisons of GDP per hour worked. UK as a percentage of the GDP per hour worked of USA, Germany, France and Japan</td>
<td>ONS 2006/ABI 2002</td>
<td>ONS 2006/ABI 2003</td>
<td>ONS 2006/ABI 2004</td>
</tr>
<tr>
<td>Japan=123, Germany=86, France=76 USA=89</td>
<td>Japan=122, Germany =86 , France = 76, USA = 88</td>
<td>Japan = 120 Germany = 86, France = 78, USA = 86</td>
<td></td>
</tr>
<tr>
<td>Reduce skill gaps and shortages - Skill gaps Skill shortages</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Skill gaps as % of employment</td>
<td>UK 10%</td>
<td>UK = 7% (based on available data)</td>
<td>UK = 6% (based on available data)</td>
</tr>
<tr>
<td>11% England NESS</td>
<td>7% England</td>
<td>6% England</td>
<td>6% England</td>
</tr>
<tr>
<td>3% NI SMS</td>
<td>No NI data</td>
<td>No NI data</td>
<td>No NI data</td>
</tr>
<tr>
<td>6% Scotland FSS</td>
<td>9% Scotland</td>
<td>No Scotland data</td>
<td>No Scotland data</td>
</tr>
<tr>
<td>5% Wales FSW</td>
<td>No Wales data</td>
<td>6% Wales</td>
<td></td>
</tr>
<tr>
<td>Skill shortage vacancies as % of vacancies</td>
<td>UK – 20%</td>
<td>UK = 18% (based on available data)</td>
<td>UK = 17% (based on available data)</td>
</tr>
<tr>
<td>20% England NESS</td>
<td>17% England (24% prompted)</td>
<td>17% England</td>
<td>17% England</td>
</tr>
<tr>
<td>19% NI SMS</td>
<td>No NI data</td>
<td>No NI data</td>
<td></td>
</tr>
<tr>
<td>18% Scotland FSS</td>
<td>25% Scotland (only prompted available)</td>
<td>No Scotland data</td>
<td></td>
</tr>
<tr>
<td>26% Wales FSW</td>
<td>No Wales data</td>
<td>14% Wales</td>
<td></td>
</tr>
<tr>
<td>---------------------</td>
<td>-----------------------------------------------------------------------------</td>
<td>---------------------------------------------------------------------------------------</td>
<td>-------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td></td>
<td>Increasing opportunities to boost the skills and productivity of everyone in the sector’s workforce, including action on equal opportunities - Extent of Formal and Informal Training and Learning Inequalities in Training Workforce Diversity</td>
<td>UK 2002/03: 28%&lt;br&gt;Age: 16-24 36%, 25-44 30%, 45+ 22%&lt;br&gt;Gender: M 26%, W 31%&lt;br&gt;Ethnicity: W 28%, Non-W 29%&lt;br&gt;Qualification: L3+ 35%, L2 25%, L1/none 15%&lt;br&gt;Job: mgrs 27%, professionals 45%, assoc profess 40%, admin 27%, trades 18%, personal service 40%, sales 24%, process ops 14%, elementary 16%</td>
<td>UK 2003/04: 28%&lt;br&gt;Age: 16-24 34%, 25-44 30%, 45+ 23%&lt;br&gt;Gender: M 25%, W 31%&lt;br&gt;Ethnicity: W 28%, Non-W 30%&lt;br&gt;Qualification: L3+ 35%, L2 24%, L1/none 18%&lt;br&gt;Job: mgrs 27%, professionals 44%, assoc profess 40%, admin 25%, trades 17%, personal service 39%, sales 24%, process ops 14%, elementary 16%&lt;br&gt;Disability: Disabled: 26%; Non Disabled 28%</td>
</tr>
<tr>
<td>-----------------------------------------------------------------------------------</td>
<td>---------------------------------------------------------------------------</td>
<td>--------------------------------------------------------------------------------------</td>
<td>---------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Improving learning supply, including apprenticeships, higher education and national occupational standards - Appropriateness of provision to employer needs</td>
<td>% of employers citing supply/information related barriers to training</td>
<td>27% cite a lack of suitable training provision;</td>
<td>28% cite a lack of suitable training provision;</td>
</tr>
<tr>
<td></td>
<td></td>
<td>31% cite a lack of knowledge of available training</td>
<td>34% cite a lack of knowledge of available training</td>
</tr>
<tr>
<td>Sector specific strategic objectives</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>OPERATIONAL OBJECTIVES</td>
<td>Proportion of employers aware of existence of network; Agency; SSCs</td>
<td>Proportion of employers with understanding of network; Agency; SSCs</td>
<td>Proportion of employers with understanding of network; Agency; SSCs</td>
</tr>
<tr>
<td>----------------------------------------------------------------------------------------</td>
<td>--------------------------------------------------------------------</td>
<td>-------------------------------------------------------------------</td>
<td>-------------------------------------------------------------------</td>
</tr>
<tr>
<td>Raising employer awareness of the Skills for Business network, SSDA and SSC - Employer awareness and understanding of the Skills for Business network and SSC</td>
<td>Network – 19% SSDA – 7% SSCs Generally – 12% Own SSC - 30%</td>
<td>Network – 9% SSDA – 8% Any SSC – 10% Own SSC – 23%</td>
<td>Network – 9% SSDA – 8% Any SSC – 10% Own SSC – 23%</td>
</tr>
<tr>
<td></td>
<td>Network – 21% SSDA – 8% SSCs generally – 14% Own SSC - 35% (24% aware of correct name only)</td>
<td>Network – 5% SSDA – 9% Any SSC – 9% Own SSC – 19% (16% correct name only)</td>
<td>Network – 5% SSDA – 9% Any SSC – 9% Own SSC – 19% (16% correct name only)</td>
</tr>
<tr>
<td></td>
<td>Network – 24% SSDA – 9% SSCs generally – 13% Own SSC - 35% (27% aware of correct name only)</td>
<td>Network – 6% SSDA – 13% Any SSC – 7% Own SSC – 19% (14% correct name only)</td>
<td>Network – 6% SSDA – 13% Any SSC – 7% Own SSC – 19% (14% correct name only)</td>
</tr>
</tbody>
</table>

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### Engaging employers with the Skills for Business network objectives - Employer engagement

<table>
<thead>
<tr>
<th>Proportion of SSC funding secured from employers</th>
<th>N/A</th>
<th>5% (estimate excludes training levy in Construction and commercial income)</th>
<th>6.8% (estimate excludes training levy in Construction and commercial income)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Proportion of employers who have had dealings with the SSCs</td>
<td>20% aware employers</td>
<td>18% of aware employers (15% correct name only)</td>
<td>15% of aware employers (14% of employers aware of current name only)</td>
</tr>
<tr>
<td>Proportion of employers who have had dealings with the SSCs in the last 12 months</td>
<td>NA</td>
<td>11% of aware employers (8% correct name only)</td>
<td>9% of aware employers (9% of aware of current name only employers)</td>
</tr>
</tbody>
</table>

### Raising employer commitment to training and workforce development - Employer commitment

<table>
<thead>
<tr>
<th>Proportion of businesses engaged in training employees</th>
<th>59% England*</th>
<th>53% Scotland*</th>
<th>53% Wales*</th>
<th>42% NI*</th>
<th>64% England</th>
<th>63% Scotland</th>
<th>65% England</th>
<th>58% Wales*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Proportion of Small employers (less than 50 employees) engaged in training employees</td>
<td>58% England*</td>
<td>48% Scotland*</td>
<td>51% Wales*</td>
<td>62% England</td>
<td>xx% Scotland</td>
<td>No Wales data</td>
<td>63% England</td>
<td>Wales 54%*</td>
</tr>
<tr>
<td>Employer spend on training per employee per annum</td>
<td>£243 England</td>
<td>£225 England</td>
<td>£1,550 England</td>
<td>74</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>No. of training days per employee per annum</td>
<td>5.7 England</td>
<td>6.3 England</td>
<td>8 days England</td>
<td>75</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Proportion of employers liP accredited</td>
<td>16%</td>
<td>18%</td>
<td>21%</td>
<td></td>
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<td></td>
<td></td>
</tr>
</tbody>
</table>

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74 In 2005 training spend was measured very differently through a follow up survey of 7,000 establishments which had provided training, seeking more detailed information on training spend than had been obtained in earlier NESS. It is not relevant to analyse change across years, though measures of difference within the survey (e.g. between sectors/regions) is valid. The data are also based on all employees as opposed to all employees in establishments which trained as in 2004.

75 In 2005 the data are based on all employees as opposed to all employees in establishments which trained as in 2004, and therefore it is not relevant to analyse change.
<table>
<thead>
<tr>
<th><strong>Skills for Business network: Phase 3 Evaluation Main Report</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>(interim indicator)</strong> Proportion of employers demonstrating HPWP commitment</td>
</tr>
<tr>
<td>10 of 16 HPWP indicators within the survey</td>
</tr>
<tr>
<td><strong>Sound skills and labour market intelligence - Quality of labour market information and intelligence</strong></td>
</tr>
<tr>
<td><strong>Policy influence</strong></td>
</tr>
<tr>
<td><strong>Developing effective partnerships - Sector Skills Agreements</strong></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td><strong>Stakeholder Satisfaction - Employers and other partners’ satisfaction with SSCs</strong></td>
</tr>
<tr>
<td>Sector specific operational objectives</td>
</tr>
<tr>
<td>----------------------------------------</td>
</tr>
<tr>
<td></td>
</tr>
</tbody>
</table>
### SSDA OBJECTIVES

<table>
<thead>
<tr>
<th>Category</th>
<th>Objective Description</th>
<th>Success Rating SSDA</th>
<th>Stakeholder Rating SSDA</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ambassador and Champion – Network Profile</td>
<td>Perceived development of a coherent ‘network’</td>
<td>61% agree coherent Network</td>
<td>48% agree coherent Network</td>
<td>49%</td>
</tr>
<tr>
<td></td>
<td>58% 6-10 rating SSDA success as an ambassador</td>
<td>58% 6-10 rating SSDA success as an</td>
<td>advisor</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>ambassador</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Network Developer – coverage</td>
<td>Number of SSCs licensed</td>
<td>16</td>
<td>21</td>
<td>25</td>
</tr>
<tr>
<td></td>
<td>Proportion of the workforce covered by SSCs</td>
<td>50% coverage.</td>
<td>73% coverage (base on 22 licensed</td>
<td>80% (base – 25 SSCs)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>SSDA “Support SSC”</td>
<td>SSCs).</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>53% 6-10 rating satisfaction</td>
<td>SSDA “Support SSC”</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>53% 6-10 rating satisfaction</td>
<td>53% 6-10 rating satisfaction</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>53% 6-10 rating satisfaction</td>
<td>37% (base 19 SSC CEOs)</td>
<td></td>
</tr>
<tr>
<td>Network Regulator – SSC performance</td>
<td>SSDA acting as regulator</td>
<td>54% stakeholders 6-10 rating</td>
<td>51% stakeholders 6-10 rating</td>
<td>44% stakeholders 6-10 rating success “regulator”</td>
</tr>
<tr>
<td></td>
<td></td>
<td>success “regulator”</td>
<td>success “regulator”</td>
<td></td>
</tr>
<tr>
<td>Network Coordinator – promoting joint activity</td>
<td>Perceived value of SSDA in networking</td>
<td>“Encourage SSC dialogue” 55%</td>
<td>“Encourage SSC dialogue” 53%</td>
<td>Encourage SSC dialogue” 50%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>6-10 rating success</td>
<td>6-10 rating success</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>“Facilitate Information exchange”</td>
<td>“Facilitate Information exchange”</td>
<td>“Facilitate Information exchange” 47%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>52% 6-10 rating success</td>
<td>48% 6-10 rating success</td>
<td></td>
</tr>
<tr>
<td>Expert Adviser - Advice and assistance provided</td>
<td>Quality of advice provided by SSDA</td>
<td>“SSDA meet org’s needs” 48%</td>
<td>“SSDA meet org’s needs” 40%</td>
<td>39% “SSDA meet org’s needs”</td>
</tr>
<tr>
<td></td>
<td></td>
<td>6-10 rating success</td>
<td>6-10 rating success</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>“Adviser to SSC” 43% 6-10 rating</td>
<td>“Adviser to SSC” 18% 6-10 rating</td>
<td>21% “Adviser to SSC” (base 19 SSC CEOs)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>satisfaction</td>
<td>satisfaction</td>
<td></td>
</tr>
<tr>
<td></td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Partner in Network – Cross sector activity and coverage of SwoSSC</td>
<td>Proportion of employers providing training in generic/cross sector skills</td>
<td>Skills for Business employer survey</td>
<td>Skills for Busine employer survey</td>
<td>Skills for Business employer survey</td>
</tr>
<tr>
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<td>---</td>
</tr>
<tr>
<td>Stakeholder satisfaction: % stating positive influence on generic/cross sector skills policy</td>
<td>33% 6-10 rating satisfaction with influence on cross sector skills (14% DK)</td>
<td>32% 6-10 rating satisfaction with influence on cross sector skills (17% Don’t Know)</td>
<td>34% 6-10 rating satisfaction with influence on cross sector skills (17% Don’t Know)</td>
<td></td>
</tr>
<tr>
<td>Percentage of partners satisfied with SSDA coverage of sectors without SSC</td>
<td>20% 6-10 rating satisfaction (32% DK)</td>
<td>16% 6-10 rating satisfaction on providing coverage to sectors without SSC (29% Don’t Know)</td>
<td>21% 6-10 rating satisfaction on providing coverage to sectors without SSC (30% Don’t Know)</td>
<td></td>
</tr>
<tr>
<td>Stakeholder Satisfaction - Partner satisfaction with SSDA</td>
<td>% partners satisfied with SSDA (56% SSDA (6-10) rating)</td>
<td>44% SSDA (6-10) rating</td>
<td>43%</td>
<td></td>
</tr>
</tbody>
</table>

**NETWORK STRENGTH OBJECTIVES**

| Corporate Governance - Effectiveness and Efficiency of Corporate Body | Absence of or reduction in significant matters in Audit reports | No significant matters identified in internal or external audit reports received | No significant matters identified in internal or external audit reports received | No significant matters identified in internal or external audit reports received |

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76 Comparisons between Years 2 and 3 are not strictly valid as the questionnaire was expanded to include more depth questions on the SSDA’s cross cutting activities.

77 Changes to routing in the questionnaire between Years 2 and 3 mean that comparisons are not possible on this indicator.
<table>
<thead>
<tr>
<th>Category</th>
<th>Description</th>
<th>N/A</th>
<th>95%</th>
<th>88%</th>
<th>100%</th>
<th>96%</th>
<th>100%</th>
<th>100%</th>
</tr>
</thead>
<tbody>
<tr>
<td>% of SSCs with an SME Employer representative on their Main Board</td>
<td>N/A</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>% of SSCs with an SME Employer representative on all Boards</td>
<td>N/A</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>% of SSCs with a Trade Union representative on their Main Board</td>
<td>N/A</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>% of SSCs with a Trade Union representative on all Boards</td>
<td>N/A</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial Viability – Liquidity &amp; Viability</td>
<td>Number of SSCs that have unrestricted reserves levels &lt; 3 times the average monthly total expense of the SSC</td>
<td>N/A</td>
<td>13 out of 21</td>
<td>15 out of 23</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of SSCs dependent upon the SSDA for &gt; half their total funding</td>
<td>N/A</td>
<td></td>
<td>10 out of 21</td>
<td>12 out of 23</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capacity and Capability - Organisational development &amp; Business Plan Delivery</td>
<td>IIP Recognition within Network</td>
<td>10 Accredited (62%) and 6 working towards (38%) IIP status</td>
<td>57% Accredited</td>
<td>56% Accredited</td>
<td>38% Working towards</td>
<td>32% Working towards</td>
<td></td>
<td></td>
</tr>
<tr>
<td>% of SSCs Assessed and achieved at least 75% of their sector specific targets</td>
<td>N/A</td>
<td></td>
<td>75%</td>
<td>53%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>% of SSCs Assessed and awarded full performance funding</td>
<td>N/A</td>
<td>100%</td>
<td>81%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

* - denotes off-the-job training only as opposed to 'any training'.
## Annex 2: Data sources

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Source</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>ABI</td>
<td>Annual Business Inquiry</td>
<td>Productivity estimates for individual SSCs provided by Experian Business Strategies</td>
</tr>
<tr>
<td>ONS</td>
<td>Office for National Statistics</td>
<td>Collation of national and international productivity data</td>
</tr>
</tbody>
</table>
| NESS (England) FSW (Wales) FSS (Scotland) SMS (Northern Ireland) | Employer Skills Surveys conducted separately and at varying intervals in the 4 UK nations, namely:  
  - National Employers Skills Survey – conducted in England by a partnership led the Learning and Skills Council and including the SSDA  
  - The Future Skills Wales partnership conducted a Sector Skills Survey in 2005.  
  - Future Skills Scotland conduct employer skills surveys in Scotland  
  - The Skills Monitoring Survey is the equivalent survey in Northern Ireland | 2005 figures available for England and Wales only; no surveys conducted in Scotland or NI in 2005 |
| LFS          | Labour Force Survey | Quarterly survey of individuals in the labour market |
| The Skills for Business network ES | Employer Survey commissioned by SSDA to inform the Skills for Business network evaluation | 2005 survey interviewed 13,600 employers, with a minimum of 500 for most SSCs |
| The Skills for Business network Stakeholder Survey | Stakeholder Survey commissioned by SSDA to inform the Skills for Business network evaluation | 2005 survey interviewed just over 1000 stakeholders |

Sections 6 and 7 of this report present some results from the Skills for Business network Stakeholder Survey, and in some cases present comparisons between results from the 2003, 2004 and 2005 Stakeholder Surveys. This annex discusses in more detail the issues involved in making valid comparisons between these surveys; issues are especially pertinent when making comparisons between 2003 and 2004, however there were fewer methodological changes between 2004 and 2005 and therefore more confidence can be attached to differences between these two years.

The differences between survey years are outlined as follows:

- **Overall sample size**: Almost four times as many interviews (656) were conducted in 2004 as in 2003 (168). In 2005 the stakeholder population increased further and 1,003 interviews were conducted. This reflects the growth of the network and its stakeholders and means that the degree of statistical confidence in the results for 2004 and 2005 is generally higher than it is for the 2003 survey, with consequently lower sampling errors attached to specific findings for the most recent two years.

- **Number of SSCs supplying sample**: As there is no existing sample frame for the stakeholders, the survey sample was generated primarily from SSCs supplying details of organisations that they considered to be stakeholders. The expansion of the network means that more SSCs supplied these details in 2005 and 2004 than did so in 2003.

- **Number of licensed SSCs**: Detailed questions on SSC activity and views on the SSC were only asked of SSCs licensed at the time of the survey. This means that the SSC data are based on a different number of SSCs within the 3 surveys – 9 in 2003, 19 in 2004 and 24 in 2005.

- **Different categorisation of organisations**: Some changes have been made between 2003 and 2005 in the types of organisations included in the survey and their categorisation within the sampling frame. For example, employers were included as stakeholders in 2003 but not in 2004 or 2005 and in 2005 Standard Setting Bodies were added as an additional stakeholder group.

- **Structure of final sample**: Reflecting the above differences, the structure of the final sample has changed between the three surveys. For example: government departments and national skills organisations represented 20% of the sample in 2005 and 15% in 2004 compared with 31% in 2003; Training Providers have made up an increasingly larger proportion of the sample over time (7% in 2003, 17% in 2004 and 25% in 2005). It is quite legitimate that the type of stakeholder the networks has dealings with will change over time, therefore no weighting has been applied to account for such changes.
Annex 4: Logic chain underpinning the performance scorecard

Specification of a performance monitoring and evaluation framework

A general framework for performance measurement is presented in Figure 2. It has been modified from work by the National Audit Office and the European Commission and is the foundation for the bespoke framework proposed for the Skills for Business network. The simplified and generalised depiction of the basic framework is briefly translated into the Skills for Business network context as follows:

**Part A** of the framework describes the conditions with respect to the levels and trends in UK skills development that provide the underpinning rationale for the Skills for Business network policy. The work that the SSDA has been doing to develop a sector skills matrix will be relevant here in establishing the appropriate baseline indicators.

**Part B** translates the strengths and weaknesses, opportunities and threats presented by the contextual conditions described in Part A into the Skills for Business network objectives and priorities. These will be represented by the four key strategic, high-level goals for the Skills for Business network but also by the intermediate and immediate priorities being agreed by the SSDA and the SSCs with employers and the DfES, DTI and devolved administrations.

**Figure 2: General specification of a performance measurement framework**

![Diagram of performance measurement framework]

**Part C** is concerned primarily with the categories of immediate and intermediate actions that are being pursued by the SSDA and the SSCs in the expectation that they will generate the desired results and outcomes. It is in this part of the performance

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78 NAO; Measuring the Performance of Government Departments; March 2002.

management system that monitoring usually plays its most active role – checking that spend and activities are going to plan and triggering contingency action where needed.

**Part D** is likely, on general experience, to be the most problematic aspect in terms of operationalising the framework because it not only requires that assessment is made of the outcomes being generated by SSDA and SSC activities but also that these are having the desired impact on the contextual conditions in a sustainable way and targeted on those businesses, individuals and communities most in need (utility). It is in this part of the performance system that evaluation usually has to supplement monitoring because it requires assessment of effects on third parties (multiplier and displacement effects).

Parts A and B need to be populated by headline or baseline measures that relate to each of the four the Skills for Business network objectives (e.g. *skills gaps and shortages and future needs*) using secondary data sources supplemented by primary research such as employers’ surveys (e.g. revealing the number of employers reporting shortages and prepared to specify future needs). To reflect the importance of these issues these measures are termed **strategic measures**. The latter will also be relevant to Part B and Part D where they could be used for planning and targeting the desired outcomes and impacts (Part B) and for evaluating the effectiveness of the Skills for Business network in achieving them (Part D).

Part B will also comprise a set of measures designed to capture the planned activities by the SSDA and the SSCs in pursuit of their objectives and predicted outputs and intermediate outcomes. Part C will be made up of monitoring data with respect to spend, activities and outputs and perhaps some intermediate outcomes. These are termed **operational measures** because they relate directly to the operation and performance of the SSDA and the SSCs within the Skills for Business network.

Finally, a fully fledged performance measurement framework will adopt specified indicators to reflect the strategic and the operational measures and link them through what have been variously described as *logic chains, channels of impact, and theories of change*. These different terms mean the same thing. They refer to the mechanisms by which it is expected/postulated that a set of activities in pursuit of the Skills for Business network strategic objectives will bring about outputs, outcomes and impacts in ways that are distinctly different in nature and degree from another set of actions. The differences could be in the nature of the direct beneficiaries that are affected or the ways in which they are affected or the changes in performance that are brought about.

The precise specification of core objectives and outcome measures is set down within the Skills for Business network performance monitoring scorecard. A simple logic chain is shown over the page.
### Sample Logic Chain

**BROAD SPECIFICATION OF THE MONITORING AND EVALUATION FRAMEWORK FOR SKILLS FOR BUSINESS NETWORK**

**PART A: LOGIC CHAINS LINKING SKILLS FOR BUSINESS NETWORK OBJECTIVES AND IMPACTS**

<table>
<thead>
<tr>
<th>OBJECTIVES &amp; PRIORITIES</th>
<th>KEY PROBLEMS</th>
<th>INPUTS</th>
<th>ACTIVITIES</th>
<th>OUTPUTS</th>
<th>OUTCOMES</th>
<th>LINKS BETWEEN OUTCOMES &amp; IMPACTS</th>
<th>IMPACTS</th>
</tr>
</thead>
<tbody>
<tr>
<td>. . . are the Skills for Business network objectives at both high level and intermediate level. There will be an expectation that each objective will have a channel of impact that is, in one sense or another, distinctly different from others.</td>
<td>. . . are the issues and problems – as defined by the strategic measures in the baseline analysis – that the Skills for Business network is designed to address. Each objective will be related to a specific aspect of baseline conditions and will have its own set of strategic measures that will be used to assess the impact of the Skills for Business network.</td>
<td>. . . are the financial resources, in-kind contributions and time inputs made to the programmes, projects and other Skills for Business network activities. They will come from a variety of sources – within the Skills for Business network and from partners. It will be helpful to maintain separate records of funding from different sources.</td>
<td>. . . are the direct services or products provided or funded through the activities of the Skills for Business network. They will be made up of activities (e.g. the number of training places provided). It may be helpful to derive categories of activities that have common features and offer distinct channels of impact.</td>
<td>. . . are the results from activities (e.g. increases in qualifications).</td>
<td>. . . are the effects of the Skills for Business network on the strategic measures that reflect its purpose (e.g. on skills gaps, or on increased business productivity, or on improved learning supply). There is a critical distinction between gross and net outcomes. The difference is to do with attribution (i.e. to the influence of the Skills for Business network) and with deadweight, displacement, and multiplier effects.</td>
<td>. . . describe the directness, strength, and lags between the net outcomes from the Skills for Business network inputs and the impacts on the baseline conditions that gave rise to the Skills for Business network objectives and priorities in the first place. These links can be very direct, strong and with limited time lags but, with labour market interventions, this is rarely the case.</td>
<td>. . . represent the final effect of the Skills for Business network on the baseline conditions that gave rise to the strategic and intermediate objectives of the Skills for Business network in the first place. They are captured by the same strategic measures used in the baseline. The influence of the Skills for Business network will be difficult to discern where the links between outcomes and impacts are indirect, weak and lagged.</td>
</tr>
</tbody>
</table>
## Sample Logic Chain

### BROAD SPECIFICATION OF THE MONITORING AND EVALUATION FRAMEWORK FOR SKILLS FOR BUSINESS NETWORK

#### PART B: SPECIFICATION OF MEASURES AND INDICATORS FOR EACH LINK IN THE CHAIN

<table>
<thead>
<tr>
<th>STRATEGIC MEASURES &amp; INDICATORS INFORMED BY SECTOR CONTEXT</th>
<th>CONTRACT MONITORING</th>
<th>OPERATIONAL MEASURES &amp; INDICATORS</th>
<th>STRATEGIC MEASURES &amp; INDICATORS</th>
</tr>
</thead>
</table>

#### PART C: SOURCES OF INFORMATION FOR QUANTIFICATION OF THE INDICATORS

| SM Strategic monitoring of baseline conditions will require regular review of secondary data sources. | CM Contract monitoring of spend and activities will provide base data on performance and viability of the SSCs. | PM Programme/project monitoring will be required so that key outputs can be assessed against plans and contingency actions triggered where required. | E Evaluation surveys & case studies will provide data for assessment of the Skills for Business network benefits (e.g. by sample surveys of beneficiaries and of non-beneficiaries) and of additionality, deadweight, displacement etc. |
| S Surveys will need to be updated to track changes for which secondary data are inadequate. | E Evaluation can be used to understand how spending has been allocated and the type of activities undertaken. | S Surveys can be used to track certain outputs, e.g. satisfaction with the Skills for Business network services. | SM & S Strategic monitoring & survey work can demonstrate the extent to which baseline conditions have changed and the nature of the changes. Monitoring can rarely advise on the causes of any change. E Evaluation enables understanding of the link between changes in conditions and interventions. |
Annex 5: Licensed SSCs and stage of SSA development as at March 2006

<table>
<thead>
<tr>
<th>License date</th>
<th>Forecast launch date @ March 2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>e-skills UK</td>
<td>Licensed April 03, Pathfinder complete</td>
</tr>
<tr>
<td>SEMTA</td>
<td>Licensed April 03, Pathfinder complete</td>
</tr>
<tr>
<td>Cogent</td>
<td>Licensed September 03, June 06</td>
</tr>
<tr>
<td>SkillsActive</td>
<td>Licensed October 03, July 06</td>
</tr>
<tr>
<td>Automotive Skills</td>
<td>Licensed December 03, January 07</td>
</tr>
<tr>
<td>Energy &amp; Utility Skills</td>
<td>Licensed December 03, April 07</td>
</tr>
<tr>
<td>SummitSkills</td>
<td>Licensed December 03, April 07</td>
</tr>
<tr>
<td>Skillfast-UK</td>
<td>Licensed January 04, June 06</td>
</tr>
<tr>
<td>Skillset</td>
<td>Licensed January 04, Pathfinder complete</td>
</tr>
<tr>
<td>ConstructionSkills</td>
<td>Licensed February 04, Pathfinder complete</td>
</tr>
<tr>
<td>Skills for Logistics</td>
<td>Licensed February 04, May 06</td>
</tr>
<tr>
<td>Lantra</td>
<td>Licensed April 04, August 06</td>
</tr>
<tr>
<td>People 1st</td>
<td>Licensed April 04, January 07</td>
</tr>
<tr>
<td>Financial Services Skills Council</td>
<td>Licensed April 04, March 07</td>
</tr>
<tr>
<td>Skills for Justice</td>
<td>Licensed April 04, November 06</td>
</tr>
<tr>
<td>Skills for Health</td>
<td>Licensed April 04, July 06</td>
</tr>
<tr>
<td>Improve</td>
<td>Licensed June 04, January 07</td>
</tr>
<tr>
<td>Assetskills</td>
<td>Licensed September 04, December 06</td>
</tr>
<tr>
<td>Skillsmart Retail</td>
<td>Licensed September 04, March 07</td>
</tr>
<tr>
<td>GoSkills</td>
<td>Licensed November 04, November 06</td>
</tr>
<tr>
<td>Lifelong Learning UK</td>
<td>Licensed January 05, June 07</td>
</tr>
<tr>
<td>Skills for Care &amp; Development</td>
<td>Licensed February 05, September 07</td>
</tr>
<tr>
<td>Creative &amp; Cultural Skills</td>
<td>Licensed June 05, July 07</td>
</tr>
<tr>
<td>Proskills</td>
<td>Licensed August 05, July 07</td>
</tr>
<tr>
<td>Central Government</td>
<td>Licensed December 05, To be confirmed</td>
</tr>
</tbody>
</table>
This report is a summary of a research project carried out by the Policy Research Institute, Leeds Metropolitan University and the Institute for Employment Studies, University of Sussex, on behalf of the Sector Skills Development Agency.

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