

# **Working for Success**

**Employment and  
Employability for All**

**Policy Paper 42**





# ***Contents***

	<b>Aspirations and Commitments</b>	<b>4</b>
<b>1</b>	<b>Introduction</b>	<b>6</b>
<b>2</b>	<b>The Policy Context</b>	<b>7</b>
<b>3</b>	<b>Employment for All</b>	<b>11</b>
	3.1 Our Analysis	11
	3.2 Our Assessment	15
	3.3 The Liberal Democrat Response	16
<b>4</b>	<b>Employability for All</b>	<b>20</b>
	4.1 Our Analysis	20
	4.2 Our Assessment	25
	4.3 The Liberal Democrat Response	27
<b>5</b>	<b>Managing Change for All</b>	<b>35</b>
	5.1 Change - A Pervasive Theme	35
	5.2 The Liberal Democrat Response	35

# ***Our Aspirations and Commitments for the New Decade***

*Working for Success* is a statement of key Liberal Democrat policies to achieve employment and employability for all - helping those who seek work to get a job, and giving people the freedom to develop their vocational talents and abilities to the full. These are our aspirations and commitments for increasing employment and improving employability in the new decade.

## **Employment for All**

### **Long Term Aspiration 1**

- We will create Full Employment based on an employment rate of 80% and unemployment on the International Labour Organisation (ILO) measure of 4% or less.

### **Our Short-Term Commitment**

- We will manage the macro-economy to minimize the effects of the economic cycle and promote Full Employment in good times and bad.
- We will announce a target for employment rates in the UK of 80%.
- We will create a new Benefits and Jobs Agency which will administer a new Flexible Guarantee for Jobseekers. This Guarantee will be based on a world class job search and job placement service, and equality of access to services both to unemployed jobseekers and groups who do not need actively to seek work but who want a job.
- We will ensure that the new Agency does not extend benefit sanctions to groups who do not need to actively seek work, and will impose a moratorium on extending benefit sanctions linked to active labour market policy.
- The new Employment Opportunities Fund will be channelled through the Flexible Guarantee for Jobseekers. Some funding will be devolved to Regional Assemblies and Regional Development Agencies in England, and other Parliaments and Assemblies in the UK, to target specific unemployment black spots.

# **Employability for All**

## **Long Term Aspiration 2**

- We will give every adult an entitlement to publicly funded tuition to achieve up to an initial Level 3 nationally recognised qualification, and an entitlement to an income contingent loan for maintenance.
- We will give every citizen an Individual Learning Account from cradle to the grave, which acts as the repository for all publicly funded tuition and maintenance for post-16 further education and training, and higher education, taking the form of grant-in-aid to funding councils, income contingent loans and non-repayable bursaries.

## **Our Short Term Commitment**

- We will give every 16-24 year old an entitlement to publicly funded tuition to achieve up to an initial Level 3 nationally recognised qualification.
- We will give every adult an entitlement to publicly funded tuition to achieve up to an initial Level 2 nationally recognised qualification.
- We will give every 16-24 year old seeking to achieve an initial Level 3 and every adult seeking to achieve an initial Level 2, an entitlement to an income contingent loan for maintenance.
- We will give every 16-24 year old an entitlement to study leave with pay from their employer, and we will ensure the involvement of small businesses in the successful implementation of this entitlement.

## **Long Term Aspiration 3**

- We will create a positive policy framework for employers to invest in skills and training.

## **Our Short-Term Commitment**

- We propose that all SMEs which are either a) working towards Investors in People, or b) introducing a company training plan under the Skills for Small Businesses programme, or c) training an employee to master trainer level, will receive a tax credit against their corporation tax liability.
- We will pass legislation requiring all registered companies to report on training in their Annual Report and Accounts.
- We will also legislate to empower National Training Organisations to conduct a ballot of member employers to enable industries to introduce a sector training levy every five years where there is support to do so.

# Introduction

1.0.1 Change is the motif of the first decade of the new century. Lifestyles are changing. People are living longer. Life seems faster, more complicated. Products and services are changing because of new technologies. The quest for value-added is driving forward competition in once closed domestic markets and global competition is intensifying in traded goods and services. And to be truthful, we have very little idea of where the new economy based on e-commerce and the Internet will take our people, our communities and our economy in the 21<sup>st</sup> century.

1.0.2 Yet, amid this sea of change two Liberal Democrat beliefs remain:

- Firstly, every citizen of working age should be able to have paid employment - or gain access to services which help them gain paid employment - if they need it. The concept of Full Employment based on maximising the proportion of people in employment and minimising the proportion out of work is something we are proud to champion in the modern world, **in good times and bad.**
- Secondly, investment in education and training is one of the few strategies individuals, businesses and

economic policy makers have to **manage and shape** change, and

achieve personal, social and economic success. Enhancing the stock of human capital - covering post 16 further education and training as well as higher education - is vital to ensure personal opportunity, business growth and international competitiveness.

1.0.3 This Policy Paper explains how the Liberal Democrat commitment to **employment for all** and **employability for all** can be made a reality. It also examines how we will incorporate the latest information and trends on lifestyle, new technology, competition and the labour market into our policy making, so that our policies of today and tomorrow can help to **manage change for all.**

1.0.4 As the truly radical party in British politics, we know the importance of saying what we mean and meaning what we say. Radical intentions without sensible implementation are a recipe for disillusion. Having something different to say is not enough. Politicians must deliver. A step-by-step approach linked to a set of clear goals is what modern politics is all about. In this Policy Paper, therefore, we as Liberal Democrats set out our long-term aspirations and our specific short-term commitments. Taken together, they represent the Liberal Democrat way of working for success.

# ***The Policy Context***

## **2.1 Three Policy Areas**

2.1.1 This policy paper sets out Liberal Democrat approaches on:

- Full employment and active labour market policy.
- Post-16 further education and training policy.
- The future of work.

2.1.2 Our paper starts by seeking to clarify the impact of devolution on policy making in these areas as well as some of the technical definitions used in this field.

## **2.2 Devolution**

2.2.1 Each of the areas covered in this paper falls within Education and Employment policy. There are also links with Social Security policy and Trade and Industry policy. At the same time, policy development in these areas is shaped by the current devolution settlements for Scotland and Wales. The proposals in this paper reflect the constitutional arrangements described below.

### ***Devolution, Employment and Active Labour Market Policy***

2.2.2 The focus of the paper is on paid work rather than voluntary work. Macro-economic policy is a UK-wide responsibility taken forward by the Treasury and the Independent central bank. Since employment levels are significantly related to the management of the economy as a whole, employment

policy is shaped in large measure by the Treasury. UK-wide responsibilities also remain for benefit payments to jobseekers and active labour market policy, including mandatory job search, and the design of the New Deals for unemployed people and labour market entrants. However, certain aspects of active labour market policy, such as training for unemployed people, are at present delivered differently in Scotland. The paper does not refer to those aspects north of the border. Nevertheless, the Liberal Democrat proposals for active labour market policy in this paper relate to the UK as a whole.

2.2.3 In addressing policies to combat unemployment, the Policy Paper is limited to policy levers at the disposal of the DfEE. There are a broad range of policies which contribute towards ending joblessness and increasing employment rates. An important example is economic regeneration policy. Our approach to urban regeneration is set out in *Engaging Communities* which was approved at the Spring 2000 Plymouth conference.

2.2.4 Since the abolition of the Department of Employment in 1995, responsibility for employment relations policy, including the Social Chapter, National Minimum Wage (NMW) and trade union reform has been passed to the DTI. As a consequence, the development of these policies falls outside the scope of this paper. However, reference is made to the NMW in our proposals for boosting employer investment in training.

2.2.5 This paper also does not cover individual employment rights, including issues of racism, sexism, ageism and discrimination against people with disabilities at the workplace. However, we do examine some of these issues in the context of training and employment programmes available as part of our active labour market proposals.

### ***Devolution and Post-16 Further Education and Training***

2.2.6 Liberal Democrat policy from *nursery education to the end of compulsory education* is outside the remit of this paper. In general, it focuses on post-16 Further Education and training rather than higher education. The main exception concerns our proposals for the institutional structures required to take forward the learning revolution in the 21<sup>st</sup> century, especially in England.

2.2.7 Institutional arrangements for post-16 Further Education and training are a devolved responsibility to the Scottish Parliament. The institutional arrangements in England and Wales are also undergoing significant change. Different structures will operate in Wales compared to England. Nearly all references to post-16 further education and training policy, therefore, apply to England.

2.2.8 However, our proposals for the right to paid time-off for study leave and ballots on sector-based training levies are **employment** matters and therefore would apply to the UK as a whole.

## **2.3 Definitions**

2.3.1 Before setting out our analysis, assessment and proposals for employment policy and post-16 Further

Education and Training policy, it is important to set out a number of definitions used in this Policy Paper. Unless we are clear what we mean, we cannot expect others to understand what we are proposing.

### ***Employment Policy***

2.3.2 The basic category in conventional analysis is people of working age, which currently includes men up to the age of 64 and women up to the age of 59. People of working age are divided into those who are economically active and those who are economically inactive.

2.3.3 People who are economically active can be divided into those who are in employment and those who are unemployed. Employment rates can be presented for any population group as the proportion of each group who are in employment. The main presentation of employment rate used in this paper is the proportion of the working age population (16-59 for females and 16-64 for males) who are in employment.

2.3.4 In terms of unemployment, this Policy Paper uses the ILO definition. This covers people who are: out of work, want a job, and have actively sought work in the previous four weeks and are available to start work within the next fortnight. This definition is used instead of the narrower claimant count definition which covers the number of people claiming the Jobseeker's Allowance and National Insurance credits.

### ***Post-16 Further Education and Training***

2.3.5 We see education as gaining a level of general knowledge which enables individuals to participate in life

and society. By contrast, training is broadly about acquiring the competence required for a job. However, it would be wrong to overplay the differences. For instance, individuals might wish to enter a career or occupation without specifying the job they wish to do. This is where vocational education plays a crucial part. Equally, training for specific jobs might be inadequate for complex and higher level jobs. Hence, such training must be twinned with underpinning knowledge and technical skills.

### ***Basic Skills and Key Skills***

2.3.6 Basic skills cover numeracy and literacy. They need to be at a level which enables individuals to participate in society and compete in the labour market. Ideally, every person should acquire the necessary basic skills by the time they complete their initial education and training, especially when they leave school at 16. However, there are many adults who need a second chance.

2.3.7 Currently, there are six key skills: communication; application of number; IT; problem solving; working with others; and improving own learning and performance. Essentially, key skills are a higher and broader group of basic skills which move beyond literacy and numeracy.

### ***Levels and Types of Qualifications***

2.3.8 Recently, the National Skills Task Force (NSTF) has attempted to define a system of attainment levels linked to different qualifications.

2.3.9 There are three main pathways in post-16 provision: the academic route; the vocational route and the work-based training route. Each route is also linked to a Level from 1 to 5.

2.3.10 The academic route is defined as follows:

- Level 2 is equivalent to 5 GCSEs (grades A-C).
- Level 3 is equivalent to 2 A Levels (grades A-E).
- Level 4 is equivalent to a 3 Year Degree.
- Level 5 is equivalent to a Higher Degree.

2.3.11 The vocational education route is defined as follows:

- Level 2 is equivalent to an Intermediate GNVQ (General National Vocational Qualification).
- Level 3 is equivalent to an Advanced GNVQ which will now become known as the Vocational A Level.
- Level 4 is equivalent to vocational sub-degrees such as current HNDs and the newly proposed two-year Foundation Degrees.

2.3.12 The work-based route is defined as follows:

- Level 2 is equivalent to a National Vocational Qualification Level 2 now known as Foundation Modern Apprenticeships;
- Level 3 is equivalent to a National Vocational Qualification Level 3 now known as Advanced Modern Apprenticeships, and
- Level 4 is equivalent to a Graduate Apprenticeship currently in the pilot phase by DfEE.

2.3.13 Level 4 and 5 qualifications include membership of professional bodies and chartered institutes.

2.3.14 Underpinning each of the routes are Basic Skills. Level 1 in Basic Skills

is roughly equivalent to Level 4 of the national curriculum for 11 year olds.

2.3.15 Key Skills underpin the three routes from Level 1 to 5.

### ***Transferable Skills and Employability***

2.3.16 Transferable skills are skills which individuals can use in different occupations and careers or different jobs within specific occupations and careers. They are crucial to improving the employability of all individuals wishing to enter or progress in the labour market.

### ***Employer Training and Transferable Skills***

2.3.17 Theoretically, employer training can be divided between job-specific training which benefits the firm and general training which benefits the individual, industry or the economy as well as the firm. In practice, however, it is much more difficult to separate job-specific and general training. For instance, firms might invest in transferable skills to create a learning workforce which can adapt to the knowledge economy.

### ***Lifelong Learning and Continuous Professional Development***

2.3.18 Lifelong learning is about learning throughout life, comprising:

- Learning by adults in work who wish to refresh their knowledge and skills

to remain employed by their current employer in their present job or future job.

- Learning by adults inside and outside the workplace to pass on knowledge and skills to their families.

### ***Employee Development Programmes and Corporate Universities***

2.3.19 Some employers have created employee development programmes for their workers and their families. Each employee can access learning on-site or via the Internet from a menu of different courses. Some larger employers have developed 'corporate universities' which are businesses in their own right.

### ***Learning Environments***

2.3.20 It is also important to be clear about the different environments where individuals can undertake lifelong learning and continuous professional development. New technologies are opening-up new possibilities. Potential environments include:

- Learning institutions such as colleges and private training providers.
- Employers including those with employee development programmes and corporate universities.
- The workplace via employer IT systems.
- The home via personal Internet access.

# *Employment for All*

## **3.1 Our Analysis**

3.1.1 Paid work is as an economic necessity for millions of people. It also gives people dignity, self-confidence and a stake in a modern society. Everything must be done to assist, but not coerce, people who need paid work to have it, or give them access to opportunities which will help them find it. We need policies which secure jobs for all including full-time, part-time and self employment. Yet we also recognise that not seeking paid work can be a valid choice for many people, for example full-time parents.

3.1.2 Of course, we do not undervalue non-paid work in our society. Voluntary work for all is something the Liberal Democrats support and want to encourage, and the scope for it is likely to increase over time. But the main focus of this paper is on paid work, and in particular paid employment. Our analysis, therefore, includes a brief overview of:

- The labour market.
- Policies to maximise employment and minimise unemployment.
- Current active labour market policies.

### ***The Labour Market***

3.1.3 The standard starting point for analysis is people of working age. This currently includes men up to the age of 64 and women up to the age of 59. This is also the basic category for examining the labour market. However, there are

also thousands of older people who want to go on working either in paid employment or voluntary work. They should be encouraged to do so. Policies for helping to achieve this, including the ending of mandatory retirement ages, are set out in the policy paper *An Age of Opportunity*. We refer to working age as defined in the first sentence above because this is the basis of existing statistical analysis.

3.1.4 People of working age are divided between those who are economically active and those who are economically inactive. In December 1999, there were 28.5 million in the former category and 7.5 million in the latter. However, some people of working age who are economically inactive, such as people with disabilities and lone parents, also want paid work. An increasingly large proportion of people in their fifties are dropping out of the labour market. Data suggests that as at December 1999 there were 2.2 million economically inactive people who wanted a job but had not looked for one.

3.1.5 People who are economically active can be divided into those who are in employment and those who are unemployed. At end of 1999, the employment rate among people of working age was 74.3% whilst the ILO unemployment rate was 6.0%. The UK's employment rate is high by international standards but lower than the USA, Norway, and Switzerland. At the same time, the UK still has some way to go to match the low ILO unemployment rates of Japan, Austria, Denmark, the US and Luxembourg.

3.1.6 Despite a relatively low and falling unemployment rate in the UK, there remain differences in regional unemployment rates. The spread is from 4% in the South East to around 9% in the North East, although the disparities are less than in the 1980s when unemployment last troughed.

3.1.7 More importantly, there are significant differences in unemployment rates within regions. Indeed, the smaller the geographical unit the starker the picture of unemployment. Data for 1997 by the DfEE Policy Action Team identified a number of local authority districts with ILO unemployment above 10%. Go down to ward level and the contrasts are even starker. In April 1999, there were 100 of the country's 11,000 wards with unemployment rates of 20-30%. One of these wards is Folkestone Central in Shepway in Kent, and yet regional unemployment is only 4%.

3.1.8 Modern labour economics, however, is based on looking at employment rates and unemployment rates together. This is because low economic activity can result in low employment rates as well as high unemployment rates. For instance, 15 local authority districts in the UK have very low employment rates at around 62% combined with ILO unemployment rates of more than 10%.

3.1.9 The causes of low employment rates and high unemployment rates at regional, local authority and ward level are highly complex. One set of factors centres around the decline of traditional industries and the fall in male dominated occupations such as skilled trades and semi-skilled trades resulting in low employment rates amongst older men. A second centres around urban decay, high unemployment, poor housing and

community facilities, and social exclusion. A third centres around rural exclusion, and poor transport and infrastructure facilities. A fourth centres around ethnicity, where employment rates amongst all ethnic minority groups are lower than for the white population (59% compared to 76%), and unemployment rates are higher (13% compared to 5.5%).

3.1.10 An equally important aspect of the labour market is the type of jobs being created by the economy. At the peak of the last economic cycle in 1990, 26.9m people were in work compared to 27.4m in 1999. There are more employees today than 1990, although there are 250,000 less self-employed people (3.2m today) than in 1990. The proportion of employees in full-time jobs in 1999 was 75% and in part-time employment 25%. These proportions have barely changed over the economic cycle. Only 10% of those in part-time jobs state that they have taken one because they could not find a full-time job. Just under 90% state that they do not want a full-time job. Approximately 7.2% of all jobs are temporary. About one third of temporary workers have these jobs because they cannot find a permanent one, but an equal proportion do not want a permanent job.

3.1.11 Women make up 45% of the total workforce. In terms of all employees, 47% are women. Just over 60% of women work full-time and 40% work part-time. By contrast, only 36% of all full-time jobs are done by women but 82% of the 6 million part-time jobs in the economy are done by women. Furthermore, women are also under-represented in self-employment. Only 26% of the self-employed are women, with a greater proportion undertaking part-time self-employment than full-time self-employment.

3.1.12 Economic activity rates for women are lower than the corresponding rates for men. The difference reflects women who are at home, often looking after a family, although inactivity is declining. However, economic activity amongst married women with children aged 0-15 and aged 16-18 in full-time education is much higher (71%) than for lone mothers (47%). Lone mothers are, on average, younger than mothers living in couples, and also have lower qualifications. In total, there are 1.5 million lone parents in the UK, with 500,000 having children of school age.

3.1.13 Another important group is people with disabilities. There are 6.7m disabled people of working age. Just over 50% are economically active and either in work or unemployed. Of these, 11% are unemployed compared with an ILO unemployment rate of 5.3% for non-disabled people. Of those who are inactive, 16% want a job which is equivalent to 1 million disabled people.

3.1.14 A third of people aged from 50 to the relevant State Retirement Pension age, 2.8 million people, are not working. This proportion has doubled over the last two decades. Although some over 50s have freely chosen early retirement, perhaps two thirds have not given up work voluntarily.

***Policies to Maximise Employment and Minimise Unemployment***

3.1.15 There are a number of policy interventions which are required to maximise employment and minimise unemployment:

- The right macro-economic policy.
- Making work pay through the interaction of the National Minimum Wage and the benefit system

including the Working Families Tax Credit.

- Using our proposals on employability for all to reduce the ‘churning’ between low-paid jobs and unemployment.
- Regional and local regeneration policy as outlined in our recent Urban Regeneration Policy Paper *Engaging Communities*.
- Family-friendly policies to enable men and women to balance the needs of working and family life.
- Equal opportunities policies to enable women to take up more full-time and self-employment opportunities if they wish.
- Energetic use of positive action under race relations legislation both to provide special training and to encourage people from ethnic minorities to enter jobs in which they are under represented.
- Initiatives for people with disabilities to enter the labour market.
- Legislation to outlaw age discrimination and reform of the tax and benefits structure would both help to increase employment rates among the over 50s.

3.1.16 In addition, there is case for a modern active labour market policy which both minimises frictional unemployment (caused by people being in-between jobs as some firms shed labour and others expand), and reduces structural unemployment (which persists even during periods of overall labour market buoyancy).

***Current Developments in Active Labour Market Policy***

3.1.17 Against this background, current active labour market policy is in the midst of great change. The Government has proposed the creation of a new agency based on the merger of those

parts of the Benefits Agency responsible for people of working age and the Employment Service which is responsible for job placing services, and the most of the New Deal programmes. According to the DfEE Departmental Report 2000, the agency will provide a single point of contact for all people of working age to access: JSA, Income Support, Incapacity Benefit, Maternity Allowance, Industrial Injury Disablement Benefits and Invalid Care Allowance.

3.1.18 The Employment Service (ES) currently has a general budget of over £1bn. This covers spending on overseeing the link between JSA payments and continuous job search; managing the job placement role between claimants and employers with vacancies, and funding of national programme centres, jobclubs, jobplan workshops, work trials, jobfinder's grants and travel to interview schemes (which together cost no more than £32m across Great Britain). From 2001/2002, in England and Wales it will be given the budget of the current Work-Based Learning for Adults programme worth around £300 million, although the funding will form part of the re-engineering of active labour market policies for jobless post-24 year olds (see 3.1.21 below).

3.1.19 The ES New Deal Programmes should be placed in the context of the general ES services for benefit claimants and job seekers. At the same time, the ES New Deal Programmes form part of the general allocation of the Windfall Tax, collected during the first two years of the Labour Government but to be carried over until 2002/3 (see 3.1.23 below). The ES is directly responsible for:

- The New Deal for Young People.

- The New Deal for the 25 Plus.
- The New Deal for 50 Plus.
- The New Deal for Lone Parents.
- The New Deal for Partners of the Unemployed.
- Action Teams.

3.1.20 The flagship New Deal programme is the New Deal for Young People (NDYP). During the first six months of unemployment, young people are required actively to seek work and are offered a range of back to work services. At the six month stage, young people must join the NDYP **or lose benefit**. This is the flagship New Deal Programme and there are no anticipated changes for 2001/2002. The critical elements of the NDYP are the following:

- A grant for training or learning of £750 at the gateway stage.
- Education and training equivalent to one day per week via the subsidised employer option.
- The voluntary sector employer option, and the Environmental Task Force option.
- The full-time education and training option for those without a Level 2 qualification.

3.1.21 From April 2001, the Government is planning to re-engineer support for the adult unemployed. Between six months and 18 months unemployment, adults will be able to choose from:

- Basic skills, job search training.
- Short-term job-focused training.
- A wide range of more intensive support including longer occupational training.

3.1.22 After 18 months, unemployed adults would be required to join the strengthened New Deal, the design of which will be informed by the evaluation of the current New Deal for the 25 Plus pilots, and the lessons learned from the NDYP. More specifically, the New Deal for Unemployed Adults will consist of a gateway, a period of full-time activity including a mix of subsidised employment, work-based training, work experience, help with jobsearch, and help with moving into self-employment, and a follow-through period.

3.1.23 As part of the CSR for 2001/2 to 2003/4 the Government decided to create an Employment Opportunities Fund (EOF). This will fund New Deal Employment Programmes and the costs of establishing the new Working Age Agency and associated programmes. The Government's own figures indicate that there will be a carry-over from the Windfall Tax in 2002/2003 of £545 million. This will allow the Government to provide additional funds for those areas where policy is still developing, and allow for continuous improvement of existing programmes. This means in effect that the New Deal has become permanent.

## 3.2 Our Assessment

3.2.1 Employment rates in the UK are historically high and rising, but they have some way to go to match the highest. We believe the only country with a publicly announced target for employment rates is Sweden, set at

80%. Unemployment is currently at 6% on the ILO definition (May 2000), and tending to fall. If unemployment were to fall to 4% on the ILO definition, this would equate to frictional unemployment in a market economy (for definition of frictional employment, see 3.1.16). Full employment, defined as **high employment rates** and **low unemployment rates**, is in sight once again.

### *Macro-Economic Management*

3.2.2 In large measure, the move towards full employment - as defined above - has been due to the good macroeconomic performance of the UK since the mid-1990s. More recently, this has been underpinned by the creation of an Independent Central Bank, a policy first proposed in the UK by the Liberal Democrats. However, we also believe that the achievement of full employment over the medium-term is dependent upon a more appropriate mix of fiscal and monetary policy. In recent years there have been problems in manufacturing, farming, tourism and other exporting sectors because of a fiscal/monetary mix which relies unduly on raising interest rates to restrain demand, rather than a more active fiscal policy.

### *Active Labour Market Policy*

3.2.3 Clearly, active labour market policy can make an important contribution towards achieving modern Full Employment. Yet, we need to distinguish between:

- The type of active labour market policy in the context of an economy which is at the top of the cycle and is expected to stay there.

- The type of active labour market policy in the context of an economy shocked into a down turn or operating at the bottom of the cycle.

3.2.4 Our assessment is that during the former, greater emphasis should be placed on offering labour market returners and the unemployed assistance with job search and ensuring that the Employment Service has strong links with employers, especially small and medium-sized enterprises. By the same token, less emphasis should be placed on long-term work experience schemes or work experience elements in more general programmes. That said, public resources available for such schemes should be focused on groups who do not automatically benefit from economic upturns. Evidence suggests that young people are recruited quickly during an upturn. Groups which take time to be offered jobs are unemployed adults, especially those out of work for twelve months or more, and non-employed groups including older workers, lone parents and disabled people.

3.2.5 In this context, it has taken the Government far too long to signal a rebalancing of its active labour market policy. Even with additional funding for the New Deal for Young People between 2001/2002, it is unlikely that the Government will be able to spend all the money provided for its flagship New Deal. For instance, planned spending on the New Deal for Young People was £710m in 1999/2000 but actual spending is estimated to be £320m. Moreover, 65,500 out of the 126,400 joining the NDYP during this period left before entering the Gateway, and another 18,000 left after the Gateway. Only 25% entered the employer option compared to 41% entering the full-time education and training option. On balance, most of those who left the NDYP before the

options stage may well have found jobs but some have not. What these young people are doing after the loss of their benefit is a matter of considerable concern. Furthermore, the Government has no evidence on how this group survives in society.

### 3.3 The Liberal Democrat Response - Championing Full Employment

3.3.1 We are proud to champion full employment. Our definition of full employment is based on an employment rate of 80% and an ILO unemployment rate of 4% or less. Furthermore, we will follow the example of Sweden in announcing a public target for the employment rate of 80%. This will enable us to judge whether we are meeting our full employment objective.

3.3.2 Liberal Democrats recognise the crucial role macro-economic management will play in achieving Full Employment. But our commitment is not dictated by the economic cycle. Unlike the present Government or the Conservatives, our commitment holds firm **in good times and bad**. As a consequence, we will manage economic policy, and in particular the mix between fiscal and monetary tools, in a way that minimises the effects of the business cycle to maintain full employment.

#### *Active Labour Market Policy at the Top of the Cycle*

3.3.3 The type of active labour market policy required at the top of the labour market is different from that required at the bottom of the cycle. We will re-balance current active labour market policy to reflect the present relative tightness of the UK labour market.

Achieving this means replacing the rigid New Deal approach with a more flexible range of options for jobseekers. It also will require closer co-operation between government departments, especially DfEE and DSS.

### ***A New Benefits and Jobs Agency***

3.3.4 Liberal Democrats support the creation of a new Benefits and Jobs Agency. It has the potential to help groups who are traditionally inactive to participate in the labour market by accessing services which can lead to jobs. It also has the potential to reduce periods of joblessness and sustain jobsearch in a buoyant labour market. Nevertheless, the Liberal Democrats are deeply concerned about extending actively seeking work rules - or any variant requiring attendance at the new Benefits and Jobs Agency - linked to benefit sanctions to groups who do not currently need to seek work. Participation must be voluntary not obligatory.

3.3.5 We are also concerned about the impact of benefit sanctions within the New Deal for Young People and the proposed New Deal for Unemployed Adults from April 2001. Tighten the welfare regime too tightly, and policies designed to achieve social inclusion can so easily lead to social exclusion. During the next Parliament, therefore, the Liberal Democrats will impose a moratorium on any extension of benefit sanctions linked to active labour market policy until we have research showing the effects of such sanctions.

### ***A Flexible Guarantee for Jobseekers***

3.3.6 The key role of the new Benefits and Jobs Agency will be to administer a new Flexible Guarantee for Jobseekers. This guarantee will be based on:

- The creation of a world class job search and job placement service
- Access to programme opportunities based on matching what people want with what will provide success.
- Equality of access between unemployed jobseekers and non-employed groups.

### ***Towards a World Class Job Search and Job Placement Service***

3.3.7 Instead of focusing on benefit sanctions as the Labour Government does, the Liberal Democrats will ensure that the new Benefits and Jobs Agency becomes a world class jobseeking and job placement agency. In a buoyant labour market, 50% of unemployed people find employment within six months. At the same time, vacancies reported to the ES stand at 300,000 although this is only about a third of the total. We need to fill these vacancies and reduce short-term joblessness by:

- Offering staff of the new agency long-term careers and personal development opportunities.
- Providing personal advisers and mentors with high quality training to deal sensitively and fairly with lone parents, older workers and people with disabilities who do not need to seek work but want a job.
- Increasing funding for job search techniques.
- Increasing funding for interview costs.

- Creating a team of employer advisers at every local office who visit local employers - or contact them via the Internet - who are looking to expand.
- Offering the new Agency access to an integrated Jobs, Education and Training Information website as proposed by the National Skills Task Force which brings together into a single system occupation, earnings, vacancy and learning opportunities within a national resource.

### ***Programme Provision***

3.3.8 Under the new Flexible Guarantee for Jobseekers, everyone after six months of unemployment will be entitled to the same level and wide range of opportunities. Because young people tend to find employment quickly in an upturn, the balance of resources will shift towards the over 24s and specific groups such as older workers, disabled people and lone parents. The backbone of the Guarantee will be:

- Gateway for All with each jobseeker assigned a personal adviser.
- Access to short, intensive, basic skills courses for those without Level 2 entitlement, linked to our entitlement to both young people and adults.
- Access to short IT courses for all jobseekers with an initial Level 2 qualification.
- A massive expansion of Work-Trials - carried forward by employer officers at the new Benefit and Jobs Agency - where employers take on a jobseeker for between three and six

weeks who claims benefit and travel expenses.

- A system of Work Trial Plus which offers employers funding for general training in high skilled jobs.
- A retraining programme linked to the achievement of Level 3 qualifications especially for IT skills, with support for maintenance via an income contingent loan, as stated in our employability proposals.
- A high quality training programme for becoming either a self-employed sole trader or small business with support from local SBS partnerships.

3.3.9 All the options above will be available across the UK. Without having separate programmes for any group, the Guarantee would particularly address the individual needs of disabled people, over 50s, lone parents and ethnic minorities. All training made available via the Flexible Guarantee for Jobseekers would be routed via their own Individual Learning Account. This will increase choice and empowerment of jobseekers over their learning. Training packages should where appropriate be tailored to the optimum learning styles of specific groups, such as older people.

3.3.10 Evidence suggests that it is unlikely that general active labour market policies will reach localities experiencing extreme deprivation. As a consequence, not all funding from the new Employment Opportunities Fund will be channelled through the Flexible Guarantee for Jobseekers. Some funding will be devolved to Regional Assemblies and Regional Development Agencies in England, and other Parliaments and Assemblies in the UK to target specific unemployment black spots. In England,

Regional Assemblies will then be able to combine Flexible Guarantee funding at a regional level with the Single Regeneration Grant scheme described in

Policy Paper 37, *Engaging Communities*.

# *Employability for All*

## **4.1 Our Analysis**

4.1.1 Our starting point is a brief review of post-16 Education and Training. In particular, we focus on:

- General policy influences.
- The demand for skills.
- Employer provision.
- Spending on post-16 further education and training.
- Wage and time inputs.
- Employer training, innovation and product development.

### *Avoiding Social Exclusion*

4.1.2 The first general policy influence is avoiding social exclusion of both young people and adults. Achievement of basic skills and some formal qualifications is crucial for entry and re-entry into the labour market. According to the Social Exclusion Unit, the basic standard of entry into the labour market for 16-19 year olds should be Level 2. As we have seen, the training elements within the New Deal for Young People are also set at Level 2. In addition, the Moser Report showed that 7 million adults have problems with basic literacy and far more have problems with numeracy.

### *Improving Competitiveness*

4.1.3 The second general policy influence is improving competitiveness and the specific contribution of human capital. Until recently, the main source

of international comparisons on skill levels was the government's Skills Audit. Recently, the NSTF has updated information on international comparisons. This analysis, for instance, shows that by the mid-1990s both Germany and Sweden had simultaneously achieved 20% of the workforce at Level 4, 60% at Level 3 and only 20% of the workforce below Level 3. By contrast, the UK and US had achieved just over 20% at Level 4, 28% at Level 3, but 50% at below Level 3.

4.1.4 Both Germany and Sweden have a significant advantage in Level 3 qualifications over the UK. The advantage of the former simply reflects the German apprenticeship system. The advantage of the latter lies in a larger full-time schooling route, but incorporated within the Swedish system are intermediate level vocational qualifications which are well respected by employers.

4.1.5 By comparison, the increase in Level 3 qualifications in the UK between 1985 and 1995 was almost entirely due to an expansion of the **academic route**, namely A-Levels.

### *The Demand for Skills*

4.1.6 Alongside the issues of social exclusion and competitiveness is the demand for skills. From an economic perspective there are two factors which are affecting the demand for skills:

- Changes in the occupational composition of the workforce.
- Changes in the skill levels within occupations.

4.1.7 It is usual to differentiate between three levels of occupations:

- Higher level occupations such as managers and administrators, professionals, and associate professional and technical occupations.
- Intermediate level occupations including lower grade corporate managers and professionals, but also skilled engineering trades, skilled construction trades and other skilled manual trades.
- Lower level occupations such as machine operators, and personal and protective services.

4.1.8 The NSTF has presented evidence which suggests that the proportion of the work force in intermediate level occupations and higher level occupations will increase from 48% in 1981 to 52% by 2006. These estimates reflect the following changes:

- An increase in the proportion of higher-level jobs with the greatest growth in professional occupations, and associate professional and technical occupations, compared to managerial and administrative occupations.
- An increase in the proportion of intermediate level jobs - which in turn is the result of increasing employment in managerial, health professional and other professional occupations *offsetting* declines in employment in skilled manual trades, and other skilled trades.
- A fall in the proportion of low level jobs - which in turn is the result of increasing employment in personal

and protective service occupations *offsetting* declines in employment in machine operator and elementary occupations.

4.1.9 It is clear that employment in skilled engineering and other skilled manual trades at intermediate level is falling. However, total employment levels in these occupations will still be significant by 2006 at around 11%. Similarly, evidence suggests that total employment within machine operators and elementary occupations will also still be significant in 2006 at around 16%. The NSTF argues that the above occupations have a high proportion of older workers who have no formal qualifications and younger workers who have general rather than vocational qualifications.

4.1.10 Another source of skills demand is increasing skill levels within occupations. The NSTF identifies increasing skill demand within intermediate level occupations such as skilled engineering and other skilled manual trades even though employment is falling. Equally, the Taskforce identifies increasing skills demand in lower level occupations such as machine operators even though employment is falling.

4.1.11 In terms of matching the supply of skills to the demand for skills, the NSTF is confident that the current higher education system will meet the anticipated skills needs resulting from the growth in high level managerial, administrative and professional occupations. However, it is concerned that skill gaps remain in associate professional and technical occupations which require specific technical skills. Overall, the NSTF confirms that:

- The primary skills deficit in the UK lies with individuals without a Level 3 qualification.
- There is a skills gap within Level 4 for vocational sub-degrees rather than academic honours degrees.

### ***Employer Provision***

4.1.12 The CBI Industrial Training Survey suggests that training investment has grown consistently over the past decade, with a positive balance of firms expecting to spend more over those expecting to spend less during the next 12 months in every quarter since 1990. The Skills Needs in Britain 1998 Survey showed that 91% of firms provide on the job training. The Labour Force Survey (LFS) shows an increase in the proportion of employees receiving job-related training in the previous four weeks from 8.3% in 1984 to 14.5% in 1994, and to 15.6 % in 1998.

4.1.13 There remain causes for concern about employer provided training. There is little incentive for employers to invest in training beyond that required by statute or the immediate demands of the business. The LFS shows that training is heavily skewed towards managerial and professional staff and employees with high qualification levels. It also shows that there has been no significant increase in *off the job* training per employee since 1985. Training is of short duration, driven by business goals rather than by employee development. Transferable skills such as use of new technology, management supervisory training and apprenticeships feature to a lesser extent.

4.1.14 The relatively poor performance of small business is also a worry. The 1994/95 Skills Needs of Small Firms

survey of employers with 1-24 workers showed that:

- Only 36% of such employers provided off the job training compared with 84% of employers with over 25 workers.
- Only 23% of such employers provided on the job training compared with 44% of larger employers.
- The average number of training days provided by these small employers to their employees was only 0.8 compared with an average of 3.2 days provided by larger firms.

4.1.15 Even so, after an extensive examination of employer provided training, the National Skills Task Force concluded that “there is little evidence from international comparisons that there are general grounds to label UK employers as poor trainers”. However, it concludes that problems persist with the training performance of small and medium-sized enterprises (SMEs).

4.1.16 It is estimated that there are 3.7 million businesses in the UK of which 99.9% have less than 250 employees. Research also suggests that specific barriers to investment in training by SMEs include:

- The attitudes of managers and owner-managers of SMEs about the value of training based in part on their own lack of formal management qualifications.
- The combined cost of paying for courses and time away from the workplace, especially by key workers.

- The fact that so many SMEs operate in survival rather than value-added mode.

4.1.17 Indeed, it would be wrong to view the training decisions of SMEs in the context of a static business population. For instance, the overall stock of small enterprises in the UK increased by 420,000 between 1980 and 1990, yet this increase represented the difference between 2.147 million new businesses and 1.727 million folded businesses. In addition, evidence suggests that growing, young firms are more likely to provide formal training than older declining small firms.

4.1.18 Small business researchers are not surprised at this result. Even though business growth can increase the demand for training because existing and new employees might require training, the priority during periods of growth is still on getting the product out or the service delivered.

***Financial Investment in Post-16 Further Education and Training***

4.1.19 It is extremely difficult to find data on financial investment by the State, individuals and employers in post-16 further education and training. At the same time, there is a need to distinguish between tuition costs and maintenance costs such as travel, books, accommodation and living expenses.

4.1.20 Our best estimate of financial investment by the State in England in post-16 further education and training for tuition and maintenance is in excess of £6 billion in 2001/2002. This includes funding from the Further Education and Funding Council (FEFC) and TECs (Training and Enterprise Councils), which will form the Learning and Skills Council (LSC), and from Local

Education Authorities (LEAs). It also includes funding of training via the Employment Service and the New Deal Programmes, and funding from the DETR (including training within the Single Regeneration Budget, the New Deal for Communities and the future Neighbourhood Renewal Fund).

4.1.21 Our best estimate of financial investment by employers is £15 billion per year. This estimate derived from a 1996 study called *Employer Provided Training - 1993 (IFF/DfEE)*. It showed that 30% of employer costs on training went on wages. Interestingly, it also found that only 20% of employer spending was on apprenticeship or skills training.

4.1.22 Our best estimate of financial investment by individuals is less than £0.5 billion. This estimate refers to course costs. One of the reasons why it is so low is because 16-19 year olds have an entitlement to fully-funded tuition, whilst post-19 year olds studying at college either obtain full fee remission or a 75% subsidy. Some 16-19 year olds will receive means-tested Education Maintenance Allowances (EMAs) from the State which will be extended. However, there is no estimate of spending by parents and adults on maintenance outside State payments which may be considerable.

***Wage and Time Inputs***

4.1.23 Nonetheless, it is important to note other inputs in post-16 further education and training. From the employee perspective, there is the cost of current wages foregone and investment of time. From the employer perspective, there is the cost of wages of trainees and whether excessive trainee remuneration will eat into training budgets.

4.1.24 In this context, the National Minimum Wage is important. The Low Pay Commission published its second report in January 2000. 16-17 year olds are exempt from the NMW altogether and 19-25 year olds on national traineeships and modern apprenticeships are exempt for the first year of training. In addition, there is a Development Rate for 18-21 year olds on accredited training set at £3.20, and 22 year olds and over for the first six months of employment with the same employer. The main NMW rate will be £3.70 from October 2000.

4.1.25 The National Minimum Wage has had an impact on wage rates in certain sectors of the economy, especially retail and hospitality, and on small firms operating in these trades. The Government has introduced the NMW in such a way as to limit any **significant** increase in the wage costs associated with trainees, and as a result employer investment in training has largely been unaffected. However, there is another connection. It had been thought that firms facing a hike in labour costs from the NMW would automatically increase investment in training to raise labour productivity. The second report of the Low Pay Commission suggests that this has not happened in many cases thus far.

#### ***Employer Training, Innovation and Product Development***

4.1.26 Equally important is the link between work organisation, innovation and product development strategies. Evidence from the NSTF suggests that employers are not linking training to existing product development strategies. Improving the supply of skills to employers is not enough. Other studies commissioned by the NSTF have argued that the way to drive-up employer skill

demand is to improve the innovation and product development strategies of employers.

#### ***Training Levies***

4.1.27 The UK has never had a generalised training levy covering all employers. Such a system has also never operated in any of the territories of the UK, all of England or the regions of England.

4.1.28 During the 1960s and 1970s, the UK had a system of sector-based training levies. Between 1964 and 1973, each sector operated a levy-grant system with exclusion from the system of small firms. Under this approach, every firm paid a proportion of payroll to their Industrial Training Board (ITB) which re-distributed the levy in the form of grants to employers with good training records. Over time, it became apparent that most employers received in grant what they had paid in levy.

4.1.29 As a consequence, between 1973 and 1982 the ITBs operated a remissible training system with exclusions from the system of small firms. Under this approach, firms spending an amount at or above the proportion of payroll set by ITBs would be exempt from the system. Over time, exemptions increased but many small firms remained outside the scope of ITBs. As part of creating a free-market for company training, the 1982 Employment and Training Act withdrew Exchequer support to the running costs of ITBs. Firms resented having to meet the running costs of ITBs and this subsequently led to the abolition of most of the ITBs and a return to the voluntary system.

4.1.30 Today, statutory-based sector training levies operate in two sectors, construction and engineering

construction. Both the CITB (Construction Industry Training Board) and the ECITB (Engineering Construction Industry Training Board) operate a levy-grant system with employer support. With a highly mobile workforce and with labour-only sub-contractors a levy system is regarded as essential.

4.1.31 In addition, there is a voluntary training levy in the broadcasting sector. The growth of freelance employment has resulted in a significant fall in new entrants and in-service training in the broadcast, film and audio visual industry. This led the industry to opt for voluntary levy arrangements.

#### ***Right to Time Off for Study***

4.1.32 Right to time off for study currently exists for 16-17 year olds in employment without an initial Level 2 qualifications. Employers must provide time-off with pay so that they can achieve an initial Level 2 qualification. Where employers do not offer time off with pay, young workers must take their case to an Industrial Tribunal.

#### ***Generalised Access to Training***

4.1.33 The Final Report of the NSTF shows that members were split on the issue of obligatory training systems. The CBI has recently argued that any generalised access to training must be handled with care, with the implication that concerns remain over a generalised training levy systems and generalised rights to time off for employees. The TUC still seems to be supportive of incentive and penalty systems for employers to train.

## **4.2 Our Assessment**

4.2.1 Taking this evidence together, our assessment is described below.

### ***Funding Post-16 Further Education and Training***

4.2.2 There is little consensus about who should pay for post-16 further education and training. Our view is that:

- The State should wholly or partly fund initial investment in transferable skills and social priorities.
- Individuals should contribute funding where qualifications improve their long-term career prospects.
- Employers should pay for training of staff in job-specific skills, and where they choose to do so, employee development and continuous professional development.

### ***Defining Entitlements to Learning***

4.2.3 The international data suggests that our comparative disadvantage lies in too many of the working population having below Level 3 qualifications. It does not suggest that the UK has a strong disadvantage in the proportion of the working population with a Level 4 qualification. For this reason, we believe that on *economic grounds* the **bulk of any additional public resources** should be directed towards moving those without a Level 3 qualification to achieving a Level 3 qualification. However, there may be other considerations which would argue for a further expansion of Higher Education. At the same time, the data on skills demand and skills supply suggests that the UK has a deficit in vocational sub-degrees at Level 4, rather than academic Level 4 honours degrees.

4.2.4 However, the data on occupational change underestimates the impact of technological change. We simply do not know the impact of the new technologies on the jobs of tomorrow. At the same time, we must do everything possible to combat social exclusion. As a consequence, Liberal Democrats believe that:

- There is a strong case to assist every young person to achieve a Level 3 qualification rather than a Level 2, if capable. The twenty year olds of 2001 will be the fifty year olds of 2031. Flexibility and adaptability are more easily developed, and social exclusion prevented, at 20 rather than 50.
- In the short-term, there is a strong case to assist all adults to achieve an initial Level 2, with a strong emphasis on vocational qualifications in some cases. But since the thirty year old workers of 2009 will be the fifty year old workers of 2029, the aspiration of a Level 3 is still sensible.

4.2.5 Our assessment is that we need to create a world class foundation learning system for 16-24 year olds. Nothing should prevent young people from achieving an initial Level 3 qualification. It has been long-standing Liberal Democrat policy to advocate right to time off for 16-19 year olds. We believe that there is a case for this to be extended to 20-24 year olds.

### *Employer Investment in Training*

4.2.6 On balance, employer investment in training has improved over the past twenty years. Large firms in particular have improved their performance, although much remains to be done with

SMEs. At the same time, there is evidence to suggest many firms do not link training to their innovation and product development strategies. Increasing the supply of trained labour is the wrong policy solution. Increasing the demand for skilled labour by employers is the right policy solution.

4.2.7 It has been long-standing Liberal Democrat policy to advocate a general training levy. Training levies - either of the levy-grant variety or the remissible variety - covering every employer in every region or sector of the economy are supply-side measures. However, **they do nothing to increase employer demand for skills.** Furthermore, there are specific problems with an across the board remissible training levy set at 2% of employers' National Insurance Contributions:

- Firstly, in some sectors a levy grant system would be preferable to a remissible training levy, especially in the case of the construction industry.
- Secondly, different sectors have different training requirements and an across the board remissible 2% levy would fail to meet these differences.
- Thirdly, linking a remissible training levy to achievement of the Investors in People Standard would undoubtedly bring the standard into disrepute.
- Fourthly, a remissible training levy which excludes small firms (including micro-businesses with between 1 and 10 employees) would miss many of the firms which fail to train adequately, whilst a training levy which includes small businesses would be **perceived by the vast**

**majority of employer bodies** as yet another tax on small firms.

4.2.8 For these reasons, we believe that a generalised training levy - either in the form of a levy grant or remissible system - is no longer an appropriate policy in the new century. Our policy must be to create the conditions which encourage every business to invest in their key resource - their people. Liberal Democrat policies for the 21st century are based on encouragement, not coercion.

### *Creating a Common Employer Training and Business Support Strategy*

4.2.9 Given the above analysis, we believe there is a strong case to develop a common employer training and business support strategy. We need to drive up employer investment in training by driving up employer business strategies. This means co-ordinating more effectively the work of the DfEE and DTI.

## **4.3 The Liberal Democrat Response-Promoting Employability**

4.3.1 Every person of working age will have an entitlement to publicly funded tuition, and income contingent loans for maintenance.

### *Employability of Young People Aged 16-24*

4.3.2 Our priority for the short term is to promote the employability of young people. We will, therefore, give every 16-24 year old the right to a publicly funded entitlement for **tuition** up to an initial Level 3 nationally recognised qualification. As part of this entitlement, independent guidance will be available

to assist young people to make effective choices between the academic, vocational education and work-based training routes.

4.3.3 All 16-18 year olds from low-income households will be eligible for Educational Maintenance Allowances. The remainder will be able to take out an income-contingent loan (ICL) for **maintenance**. All 19-24 year olds wishing to study full-time will be able to take out an ICL for **maintenance**. All 19-24 year olds in work and wishing to study part-time will be able to take out an ICL to cover travel and other expenses.

4.3.4 In addition to the tuition and maintenance entitlements outlined above, we believe a UK wide entitlement to **right to study** is also required:

- We would guarantee all 16-19 year olds in employment the equivalent of at least two days a week off the job education or training by requiring all employers to release their employees aged 16-19 for these days. However, employers will only pay a wage for the days taken as study leave where the individual decides to undertake a nationally-recognised qualification up to Level 3 linked directly to the needs of the organisation.
- We would guarantee all 20-24 year olds in employment the equivalent of at least one day a week off the job education or training by requiring all employers to release their employees aged 20-24 for these days. Once again, employers will only pay a wage for the days taken as study leave where the individual decides to undertake a nationally-recognised qualification up to Level 3 linked

directly to the needs of the organisation.

4.3.5 We believe these proposals will provide incentives for the constantly changing 9% of 16-19 year olds not in full-time education, training, employment or claiming benefit to participate in learning, including publicly funded modern apprenticeships.

4.3.6 However, the right to study for 16-24 year olds might cause some problems for SMEs. For instance, they would be liable to lose staff during study time, which can be particularly difficult for smaller business to manage, while still paying some wages. These new constraints would follow a number of other requirements, notably payment of the National Minimum Wage, the Working Time Directive and the Parental Leave Directive, all of which Liberal Democrats support. Consequently, we are proposing the following to limit the impact on small businesses:

- The introduction of paid study leave for 16-24 year olds at the mid-point of the next Parliament to enable SMEs to have adequate time to prepare for its introduction.
- A requirement that employees should give at least eight weeks notice of taking study leave.
- Not counting off-the-job training as working time for purposes of the Working Time Directive.
- Continued exemption arrangements for national trainees and modern apprentices aged 16-21 under the NMW.
- We will refer the proposal for time off for 16-24 year olds for

consideration by the Small Business Service.

### ***Employability of Adults Over 24 - Tuition and Maintenance Entitlements***

4.3.7 In the short term, every over 24 year old will have a right to publicly funded tuition to achieve an initial Level 2 nationally recognised qualification. Linked to this policy should be a concerted Adult Literacy and Numeracy Campaign delivered through the workplace, and involving National Training Organisations, voluntary organisations and trade unions.

4.3.8 Every over 24 year old, employed or unemployed, wishing to study full-time or part-time will be able to apply for an Income Contingent Loan to cover maintenance costs.

4.3.9 In the longer term, every adult will also be entitled to publicly funded tuition to achieve an initial Level 3 nationally recognised qualification. Entitlements to maintenance-based ICLs would be linked to the extended tuition entitlement. Take up of training tends to decline with age (only 11% of those working for an NVQ in 1997 were aged 50-64, while 56% were under thirty). This proposal should be of particular benefit in helping to up-skill older workers and allow them to remain economically active for longer if they so choose. We would also require the University for Industry and funding councils to investigate ways of structuring training courses to meet the particular needs of older people.

### ***Public Investment in Vocational Degrees***

4.3.10 The public funding of tuition and maintenance costs of vocational degrees is the responsibility of the Higher

Education Funding Council. The Government is in the process of launching Foundation Degrees which over time will replace Higher National Certificates (HNCs) and Higher National Diplomas (HNDs). It has also indicated that 75% of all additional funding for higher education will be used to fund vocational sub-degrees. This should be placed in the context of the Prime Minister's commitment that one in two young people should have had an opportunity to participate in higher education by the time they are thirty.

4.3.11 In many respects, the Government has yet to make a sufficiently robust case for replacing HNCs and HNDs with Foundation Degrees. However, we welcome the fact that the Government has identified vocational sub-degrees as the priority for additional public investment in higher education. Even so, our priority for **additional public investment** in the short-term is to enable all 16-24 year olds to achieve an initial Level 3 qualification.

### ***Increasing Student Choice and Empowerment***

4.3.12 We want to increase student choice and empowerment in post-16 education and training. The best vehicle to achieve this is an Individual Learning Account. Our aspiration in the long term is that every citizen will have an ILA from cradle to the grave which acts as a repository for all publicly funded post-16 further education and training, and higher education (outside funding of University research). ILAs will cover both publicly funded tuition and maintenance.

4.3.13 As a first step in England, we need to create the right institutional and

funding framework in post-16 education and training. The Liberal Democrats support the creation of nine regional Learning Councils in England working through 47 local arms. We also note the expected funding review of higher education in 2002. Between 2002 and 2005, however, the Liberal Democrats will be insisting that the funding review of higher education should also include post-16 further education and training.

4.3.14 Clearly, we require a new institutional framework to make ILAs a reality for all. We propose the creation of a new Learning Council (England). This would allocate tuition funding made available to the planned LSC and to the HEFCE.

4.3.15 At the same time, we propose that there should be a new set of institutional arrangements for the management of maintenance support to students in both post-16 Further Education and Training, and Higher Education. The new arrangements will need to cover EMAs, access funds, non-repayable bursaries, and maintenance - based income contingent loans in Further Education and Higher Education. A central objective of the new arrangements for maintenance will be the **joint administration** of income - contingent loans in FE and HE, where they apply.

4.3.16 These institutional reforms will prepare the ground for routing all public funding of post-16 education and training via Individual Learning Accounts. In the context of England, there are two **long-term options** for Individual Learning Accounts:

- Require the DfEE to fund our proposed Learning Council (England) to route funding to

Regional Assemblies/RDAs which would route funding via ILAs, or

- Require the DfEE to fund the Learning Council (England) to route funding directly via ILAs.

4.3.17 The Liberal Democrats are committed both to regional government and empowering the citizen. In this instance, we believe empowering the citizen is the key principle not least because it is essential that nationwide entitlements are maintained. We therefore favour the second option.

### ***Wales***

4.3.18 In Wales, the National Assembly has recently endorsed the creation of a new Council for Education and Training in Wales (CETW). This body will absorb the Further Education Funding Council for Wales (FEFC), as well as the training functions of the Training and Enterprise Councils. On a local level, Community Consortia for Education and Training (CCETs) will be set up, loosely based on unitary authority areas. Depending how devolution in Wales can be strengthened, it is for the Welsh Assembly to decide how the entitlements apply there.

### ***Improving the Learning Infrastructure***

4.3.19 There are four specific areas where the Liberal Democrats wish to strengthen the supply side of the post-16 further education and training system, namely:

- Information, advice and guidance.
- The qualifications system.
- Support for new providers.

- E-learning.

4.3.20 There can be no lifelong learning without lifelong guidance. Independent advice on training and career options, and mentoring support, should be available to all young people and adults seeking to take up their tuition, maintenance and study leave entitlements. Our proposed Learning Council (England) and not the DfEE will be responsible for the Connexions Service, (which is intended to offer information, advice and guidance to all 14-19 year olds). Furthermore, positioning the Connexions Service within the LC will enable it to work with the ES to create a National Strategic Guidance Service. The extreme imbalance in current Government funding between careers advice for 14-19 year olds and careers advice for adults will also be reduced. Again the combination of the entitlements to study outlined in paragraph 4.3.4 with a Connexions Service within our proposed LC will help to prevent and reduce social exclusion of 16-19 year olds.

4.3.21 Progression from one learning pathway to another is extremely important for individuals to improve their employability. At the same time, we need to create a unit-based qualifications system. This would enable individuals and employers to co-finance qualifications outside the initial entitlements, with individuals funding the units most important to them and employers doing likewise.

4.3.22 The creation of our proposed Learning Council (England) provides a great opportunity to broaden the range of providers which can attract institutional funding for post-16 further education and training. So long as stringent quality thresholds are met, existing providers should be encouraged

to enter new markets within the post-16 further education and training system, and new providers should be encouraged to enter the system for the first time. Corporate universities, employee development schemes and employers in general should be encouraged to enter the market. Diversity of providers linked to quality standards can improve individual choice. It will also mean that good providers will flourish and poor providers will close. But we need to actively assist new providers entering the market. This means creating a National Provider Development Agency. Core funding should only be available for the guarantee of a learning opportunity to 16-17 year olds, and the provider of last resort should be local colleges.

4.3.23 E-learning could revolutionise the post-16 Further Education and Training system. Of course, not everyone is computer literate and that is why the Learning Council (England) will be responsible for a National IT Strategy. Crucial to the success of e-learning will be the University for Industry (Ufi). We believe that the Ufi can, through innovative marketing, on-line tutor support and discounts on learning material inspire thousands of adults to get the learning habit. Our main concern, however, is the likely success of meeting the training needs of SMEs.

### ***A Framework for Business Investment in Training***

4.3.24 Our proposals for an entitlement to employability will be part of creating a positive framework for business investment in training. Employers up and down the land will know that every young person and every adult has an

entitlement to an initial Level 3 or Level 2 qualification. Our proposals will raise the employability of people of working age and sustain their commitment to learning throughout life. However, we need specific measures to strengthen the current framework for business investment in training. In this way, employers should have **no excuse** for not investing in their people.

### ***Tax Relief for Employability***

4.3.25 In the next Parliament, we will introduce new additional tax relief for employer contributions to Individual Learning Accounts.

### ***Support for the Self-Employed***

4.3.26 Over 3.2 million people are self-employed. Their training and learning needs must be met. We will ensure that income contingent loans are available for self-employed people wishing to invest in their own training and development. We will revise IR35, as part of a wider reform package, to allow the self-employed to write off their own training against tax. We will support the creation of Guilds across various industry sectors such as building, electrical, plumbing and hairdressing and encourage people in these trades to voluntarily obtain Guild membership which will stipulate levels of required training, qualifications and experience leading to increased confidence for the consumer as well as improved recognition for the trade. This could be linked to the master trainer scheme as outlined in 4.3.33.

### ***Strengthening National Training Organisations***

4.3.27 National Training Organisations are the leading employer bodies for training, especially in England now that TECs will disappear. We will ensure that

the Learning Council (England) provides adequate core funding for their activities in England. These will include comprehensive labour market intelligence, co-ordinate the training activities of SMEs and develop high quality training standards.

4.3.28 In return for such funding, we expect two key changes. Firstly, every NTO will be charged with drafting an employer membership strategy to increase the proportion of employers belonging to them. Secondly, since we recognise that skills shortages are worse in some sectors than others, especially in the IT sector, engineering and construction, NTOs will work with the LC (England) to encourage young people and adults to use their entitlements for training where skill shortages exist.

### ***Improving National Vocational Qualifications***

4.3.29 National Vocational Qualifications should provide an alternative route to formal qualifications for those whose talents lie chiefly in acquiring vocational skills rather than academic knowledge. The framework should allow them to gain accreditation for existing skills without enduring formal examinations which deter many. This system was launched more than a decade ago, but has become too 'educationalist' in its focus and has not been industry driven. We believe the procedures for assessing prior learning remain excessively bureaucratic.

4.3.30 The challenge is to hone and refine a simplified system that operates more effectively, while embodying a rigorous standard acceptable to employers and testing to candidates. NVQs should be given a new lease of life by radically overhauling the

arrangements for assessment of existing skills, vocational knowledge and other prior learning. Local Learning Councils, will initiate and be responsible for a programme assessing the vocational knowledge, skills and competencies of the workforce, based on the new, simplified NVQ system, working in partnership with National Training Organisations and others as appropriate. Such assessments will form the basis for delivering the universal entitlement to lifelong learning we propose, which could be used for work-based training.

### ***Investors in People***

4.3.31 A significant weakness exists in training planning by employers, especially by Small and Medium Sized Enterprises. Investors in People is a nationally and internationally recognised standard which assists employers to manage their people better and identify training needs better. Making the standard more relevant to SMEs is vital. We will also ensure that the Learning Council works closely with the Small Business Service and local SBS Partnerships, and NTO National Council and National Training Organisations to penetrate SMEs and support them to achieve the standard.

### ***Key Workers and Small Firms***

4.3.32 But even the new revised IIP standard might not be appropriate for the thousands of micro-businesses with less than ten employees. More basic training planning techniques are often required. We therefore propose the re-introduction of the Skills for Small Businesses Programme. Local arms of the LCs and local SBS Partnerships will be given funds from the Learning Council to help micro-businesses to identify a key worker or training champion who is responsible for

preparing and implementing a company training plan.

4.3.33 All small firms should have a master trainer within the company. In addition to taking forward company training plans, their role would be to ensure that all on the job training meets the quality requirements of master trainers (along the lines of the long-established German ‘Meister’ certificate system). Funds from the Skills for Small Businesses programme would be used to identify key workers and train them at master trainer level. The standards for master trainers will be set by the relevant NTOs. We believe that the raising of standards in this way is the most effective means of ensuring survival in a more competitive world.

#### ***Increasing Employer Demand for Skills***

4.3.34 Equally important to all of the above measures is devising a set of interventions which will increase employer demand for skills.

#### ***Tax Incentives for Small and Medium Sized Enterprises***

4.3.35 Our analysis shows that targeted interventions are required to assist SMEs to invest in training. At the same time, public spending constraints dictate that SMEs should be the natural focus of public support. We propose that all SMEs which are either a) working towards Investors in People, or b) introducing a company training plan under the Skills of Small Businesses programme, or c) training an employee to master trainer level, should receive a tax credit against their corporation tax liability.

4.3.36 The Government has recently introduced a tax credit for investment in

research and Development including the wage costs of R&D employees against corporation tax. We will examine this model as well as others such as reductions in employers’ NICs to provide financial support via tax credits for small firms.

#### ***Training and Pay***

4.3.37 Within the UK’s voluntary system of industrial relations, there are examples where employer investment in training for all employees is linked to overall pay and conditions negotiations. Liberal Democrats are extremely interested in working with employer bodies, the TUC and Trades Unions to disseminate best practice on linking employer training budgets to the overall labour bill.

#### ***Innovation and Product Development Strategies***

4.3.38 Potential sources of extra employer demand for skills are new work organisation, innovation and product development strategies. In the short term, the Liberal Democrats propose that:

- The Low Pay Commission should investigate in detail how employers can be encouraged to respond to the NMW by increasing investment in training rather than reducing profits.
- The Ufi should commission on-line learning materials which assist owner managers and managers of SMEs to introduce basic training plans into their company.
- The Small Business Service should be tasked with assisting SMEs to improve their product development and training strategies, and that the

Ufi should work in tandem with the SBS to meet any training needs.

- Regional Development Agencies should receive further assistance to develop the concept of clusters and examine how they can drive-up employer demand for skills.

4.3.39 E-commerce also has the potential to drive forward business performance and reconfigure how businesses do business. These new ways of doing business will often result in added training needs. The SBS and Ufi should work together to ensure that the benefits of e-commerce are maximised and employer training needs are met appropriately.

#### ***Statutory Intervention in Training***

4.3.40 Although Liberal Democrats believe that a generalised training levy is not appropriate to the current training

market, we do however believe that there is a case for two statutory interventions:

- We will pass legislation requiring all registered companies to report on training in their Annual Report and Accounts. Companies will be required to report on staff training and development and associated expenditure including contributions to ILAs. This information will feed into a National Training Census conducted by the Office of National Statistics.
- Legislation will be passed to give statutory authority to National Training Organisations to conduct a ballot of all member employers on the introduction of a training levy - remissible or levy-grant - every five years covering all firms in their sector. This legislation will apply across the UK. Funds raised by each NTO deciding to introduce a levy system will only be re-invested in their sector across the UK to meet training needs.

# ***Managing Change for All***

## **5.1 Change - A Pervasive Theme**

5.1.1 Our analysis has inevitably been related to current labour market conditions which are in many respects more favourable than for many years. But employment is subject to constant changes, sometimes abrupt and difficult to forecast. Nobody can predict with any certainty how employment will change over the next ten or twenty years.

5.1.2 We have noted extensive recent debates on the future of work, which have produced a wide spectrum of views. Some believe that conventional jobs will contract rapidly with the continuing advance of technology and global competition. This may require radical new solutions, such as an expansion of publicly supported voluntary and community work. Others argue that the job losses in parts of the labour market, e.g. manufacturing, mining, some services and middle management, are largely offset by new or growing activities, maintaining a broadly stable overall level.

5.1.3 Our immediate conclusion is that a certain 'watchful agnosticism' is needed. We certainly cannot take it for granted that the labour market conditions of 2000 will obtain in 2001, to say nothing of 2009. Experience since the Second World War offers a number of examples of policies upset by abrupt changes in the labour market,

which needs to be scanned closely so that quick and flexible responses can be made to changes in the economic weather. This does not call into question our overall goals of promoting employability and employment. Indeed, it is an essential condition to achieving them.

## **5.2 The Liberal Democrat Response**

5.2.1 Change is a pervasive phenomenon extending beyond the labour market to developments in lifestyle, technology, production processes and increasing global interdependence. Such is its pace, that society may well be moving ahead faster than policy-making. To help maintain a timely and effective response, we recommend one or both of the following options:

- The creation of a small Monitoring Group of party members with relevant expertise meeting twice a year, who could report on developments to the Federal Policy Committee and Parliamentary spokespeople.
- The creation of a more formal Commission to undertake a major study into Managing Change for All with the purpose of proposing appropriate development of Liberal Democrat policy across portfolios.

*This paper has been approved for debate by the Federal Conference by the Federal Policy Committee under the terms of Article 5.4 of the Federal Constitution. Within the policy-making procedure of the Liberal Democrats, the Federal Party determines the policy of the Party in those areas which might reasonably be expected to fall within the remit of the federal institutions in the context of a federal United Kingdom. The Party in England, the Scottish Liberal Democrats and the Welsh Liberal Democrats determine the policy of the Party on all other issues, except that any or all of them may confer this power upon the Federal Party in any specified area or areas. If approved by Conference, this paper will form the policy of the Federal Party, except in appropriate areas where any national party policy would take precedence.*

*Many of the policy papers published by the Liberal Democrats imply modifications to existing government public expenditure priorities. We recognise that it may not be possible to achieve all these proposals in the lifetime of one Parliament. We intend to publish a costings programme, setting out our priorities across all policy areas, closer to the next general election.*

## **Working Group on Employment and Training**

Mark Corney (Chair)  
Richard Allan MP  
Cllr Diana Carpenter  
Jo Dawson  
James Graham  
Jonathon Hunt  
Cllr Rabi Martins  
Dr John Ryan

Michael Smart  
Meurig Williams  
Martin Wright  
Phil Willis MP

*Staff:*

Christian Moon

*Note: Membership of the Working Group should not be taken to indicate that every member necessarily agrees with every statement or every proposal in this Paper.*

Comments on the paper are welcome and should be addressed to:  
Policy Unit, Liberal Democrats, 4 Cowley Street, London SW1P 3NB

**ISBN: 1 85187 646 4**

© August 2000

Further copies of this paper may be obtained, price £4.00 from:  
Liberal Democrat Image, 11 High Street, Aldershot, Hampshire, GU11 1BH  
Tel: 01252 408 282

Printed by Contract Printing, Units 9-10 Joseph House, Eismann Way, Phoenix Park Industrial Estate, Corby, NN17 5ZB.

Cover design by Helen Belcher

**This document has been prepared using 100% recycled paper.**