



The business people – an extension to your team

Training and Skills Panel Report

September 2010

Introduction

The Forum of Private Business is a proactive, not-for-profit organisation providing comprehensive support, protection and reassurance to small businesses. We add value to businesses through the collective voice for members in local, central and European government, and the provision of tailored solutions that promote business success.

Our Training and Skills Panel comprises approximately 80 members who have volunteered to provide feedback to us on training matter and includes training providers as well as business owners who require well-trained staff. Traditionally, we have contacted panel members on an *ad hoc* basis to gather feedback on specific issues, however, we now engage more regularly with the business owners on our Member Panels to better understand and collect evidence of their real life experiences, to more effectively reinforce our policy and campaigns activities.

Note: as figures refer to fewer than 100 businesses, they should be treated as indicative rather than as representative of all small and medium-sized businesses.

Summary

Generally, business owners feel that existing training courses and documentation are a good standard and are relatively effective at providing a workforce with the basic skills for work. The main gaps are on specialist skills and providing training on management and finance issues.

While 16% had seen an improvement to their workplace as a result of changes, continual change to the legislative framework has eroded the ability of 53% of panel members to develop the skills or performance of their business.

Time to Train legislation has had minimal impact on most businesses; anecdotal evidence indicates that the paperwork was an annoyance and few businesses saw a noticeable change to their general training procedures.

Businesses have had to cut back on training as a result of an uncertain business climate although one or two organisations, particularly in the education and care sectors, have had to increase training budgets as local authorities remove training support.

49% of business feel that greater value for money could be improved in the education sector however 45% of businesses are uncertain if this is possible. Suggested improvements included more practical training at school levels and the focussing of further education providers on relevant vocational courses. The main response was that there was too much red tape which indicated an opportunity for cost cutting.

42% feel that public sector cuts would harm their businesses as they are likely to include a reduction of subsidised training. Just under 5% felt that this could help their business.

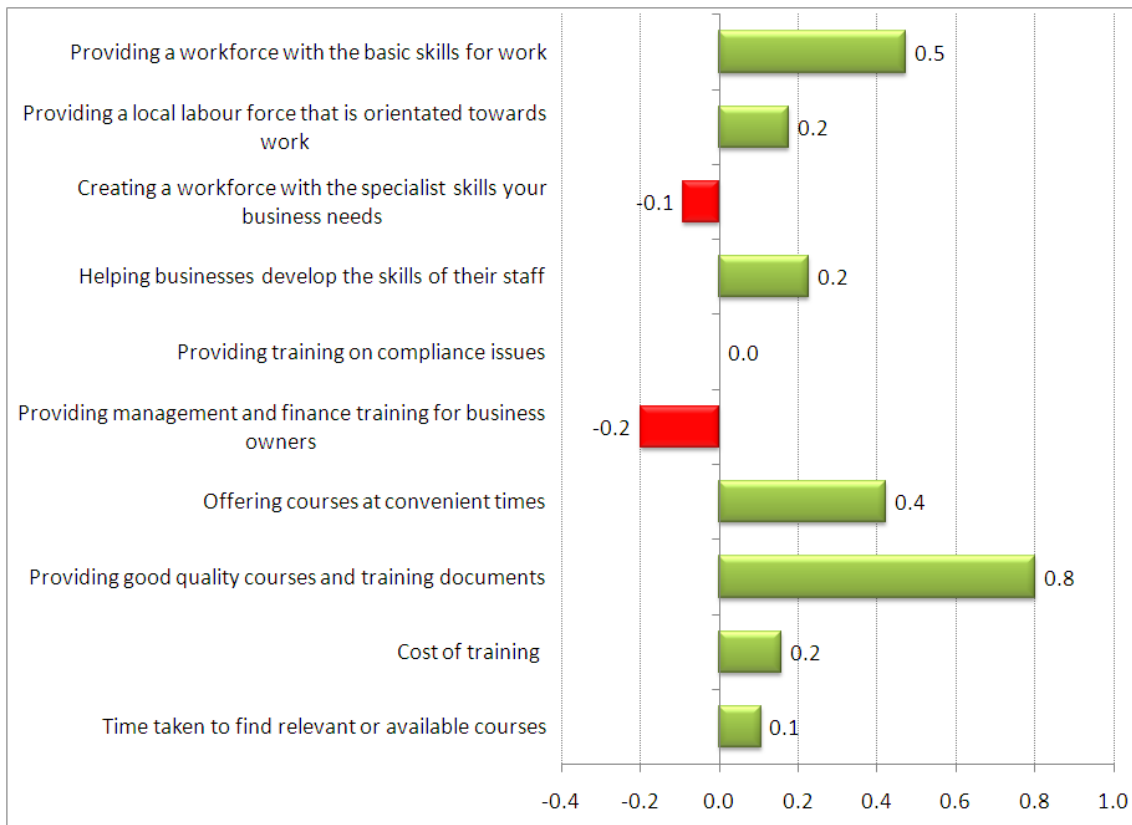
Businesses do feel that the current system needs to be leaner, particularly in accessing funding and in the procurement of services. It was hoped by our members that more effort could be spent on co ordination of local courses to avoid duplication and reduce the time that owners spent looking for courses. Businesses felt that advisers were crucial to good training support and some expressed concern that the demise of Regional Business Links would reduce the alignment between business support provision and training.

56% of panel respondents wanted named contacts for training advice and a majority also wanted closer alignment between business support and training, so that practical solutions are offered to their organisation.

Current issues

Businesses were asked to rate the effectiveness of a number of facets of the skills infrastructure:

Figure 1: Effectiveness of current training provision



The scoring system is based on a score of +2 for very effective, +1 for effective, -1 for ineffective and -2 for very ineffective.

The panel highlight that the general quality of courses and the training documents that are provided alongside such courses are quite effective. The panel also believe that there is a workforce out who have the basic skills needed for future recruitment.

Businesses were heavily polarised about whether the current workforce had the specialist skills needed to develop the business, with those in engineering and manufacturing least likely to see the skills they need being catered for. This is not necessarily due to the skills infrastructure, as one business reported that the critical mass of manufacturing businesses has been lost from the area. Nevertheless 46% did state that their business had access to a workforce with the training skills needed *at the moment*, a number of businesses were concerned about the future, particularly in the care sector where one business reported that the local council had recently announced that the training courses provided through their social services department would be cut significantly.

The biggest concern is that there is little training in management and finance for business owners. The recent recession and the difficulties that businesses with limited resources face in retaining staff during the recovery have highlighted this issue to businesses with just 30% of respondents feeling that the skills infrastructure is adequate. One business went so far as to say that training had become a dirty word and that there was too much emphasis on “business advice” rather than training.

The few businesses that did feel that the training in finance and management was effective tended to include online training and information gleaned from business eNewsletters with the Forum’s “Top Tips” in its own eNewsletter the most frequently mentioned.

Changes over the last few years

A large proportion of businesses on the panel are reporting either that they have had no need to train or have felt that it was inappropriate to train individuals up when laying off some of their colleagues. For others the recession has meant that there is a general inability to invest or pay staff as much as they would like. One respondent commented:

"It has made it harder to invest or pay our employees the wage that they deserve for their years of work as we have to be competitive."

The cost of training has become the key problem over the last few years as the recession has hit the profitability of businesses.

"We are only spending the minimum requirements on training." Panel member response.

At the same time, businesses have found that keeping up accreditations was continuing to increase as a proportion of their training budget. This has correspondingly meant that businesses cannot justify spending their training budget on staff development:

"No change although there has been more and more mandatory training in areas that we feel is not required." Panel member response

Some business had kept up investment in training to ensure retain staff and continue to develop the businesses. For others there was no real change to the levels of training provided to staff, although some did admit it had impacted on their bottom line.

One or two businesses have seen an improvement as staff left during the recession and the individuals available to them have responded well to their internal training. Whilst closer links with the local college has helped on business as the training advisor has provided them with another apprentice closely allied to the business needs.

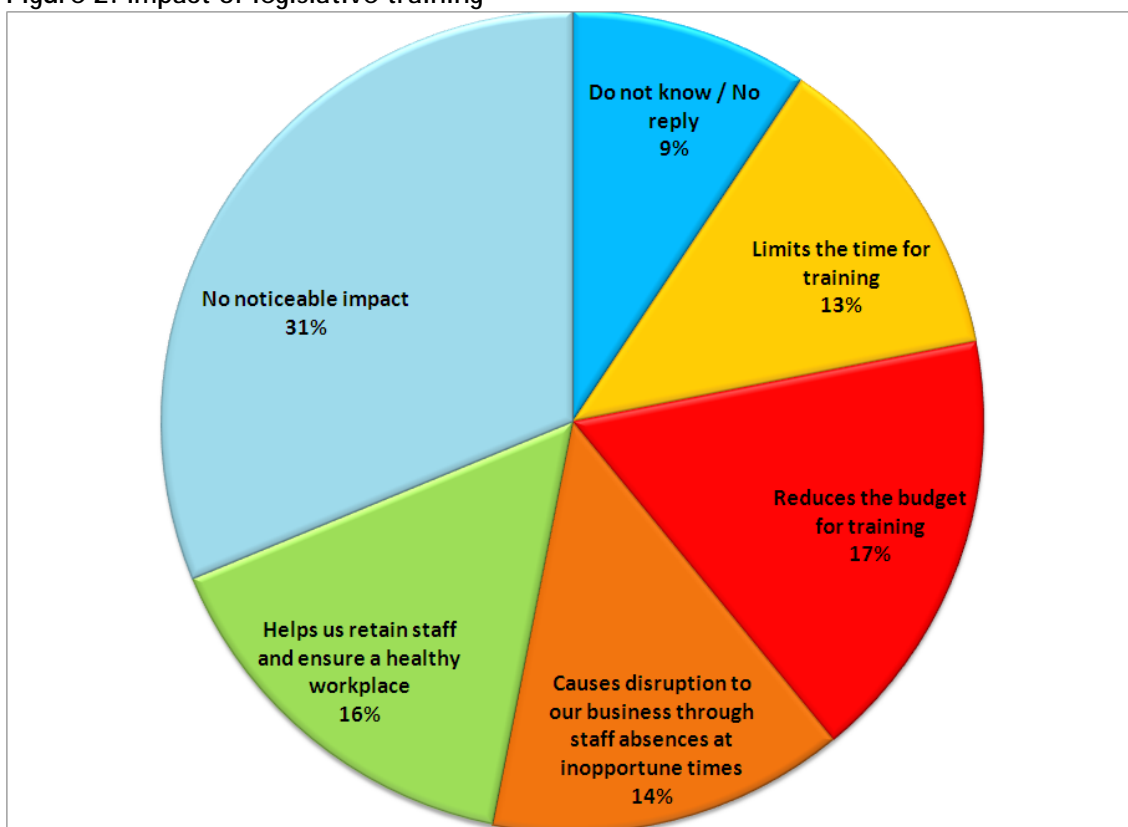
One business is also positive about the retention of skills in the business and another mentioned some specialist courses in terms of treatment of vulnerable groups that had helped the organisation develop in line with best practice

Just under 10% of respondents also mentioned that there is a greater range of online training provisions, in some cases this has helped to reduce the costs of training staff through the greater flexibility in terms of time or a cheaper alternative to traditional face to face training. One business owner felt there was some accreditation and funding bodies were suspicious of online courses and that usage in appropriate circumstances was important.

Impact of regulation

When asked about the training provided over the last few years, panel members generally commented that there had been an increase in mandatory training. In total the impact of training to meet regulatory standards were thought of positively by around 1 in 5 business owners.

Figure 2: Impact of legislative training



Unsurprisingly, the cost of the training and its impact on the rest of the training budget is the most significant problem for business owners, with time also a significant issue in general amongst businesses. As one business owner put it:

“People want to spend less on training - both in terms of money AND time.”

The disruption to the business was felt most by businesses who had to meet minimum levels of staffing each day to remain operational. This was not simply businesses with assembly lines, or a variety of specialist tradesman, but also business such as care homes, child nurseries etc where there are regulatory requirements.

Time to train

In contrast to mandatory training, there has not been much impact from the time to train legislation, with many businesses regarding it as not really relevant in the current situation.

Those that saw it as negative viewed it as unnecessary additional paperwork. One business owner resented the implication on their business:

“We already have a comprehensive training policy and staff have access to training”

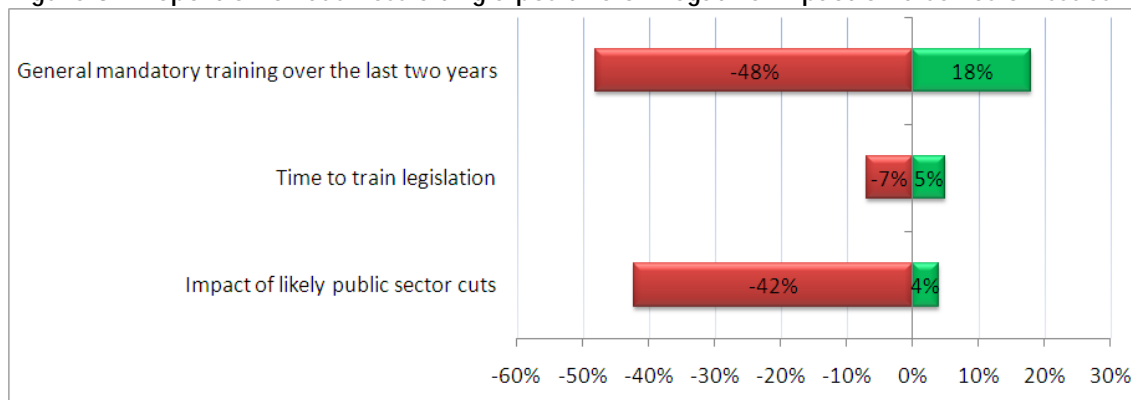
Others viewed it as difficult simply because the courses actually needed by their staff were not available locally.

A few companies did see some positive element as in some cases it has enabled staff to take more control of their own training needs (this seems to be effective for staff with very specialised skills) and encourages ‘buy in’ from staff.

One panel member summarised the whole aspect of the time to train legislation very effectively.

“To be honest it has had a minimal impact, the initial negativity towards the scheme has reduced and, as long as owner and employee are looking to the same long term gain, there are some long term gains.”

Figure 3: Proportion of business citing a positive or negative impact on a series of issues



Reducing mandatory training

When businesses were asked to specify which training could be reduced, many were unsure what training was actually required by law. In general business owners felt that if training was required it was usually for important reasons although some felt that upgrades for first aid and various accreditation schemes were felt to be inefficient - contractors with over 30 years' experience only need a refresher course in site safety as one business owner pointed out.

A number of business owners stated it was not the training per se, but the number of training courses they were required to do that was often the issue. This was particularly the case for businesses in highly regulated industries such as care, construction or education.

Impact of cuts on adult learning programmes

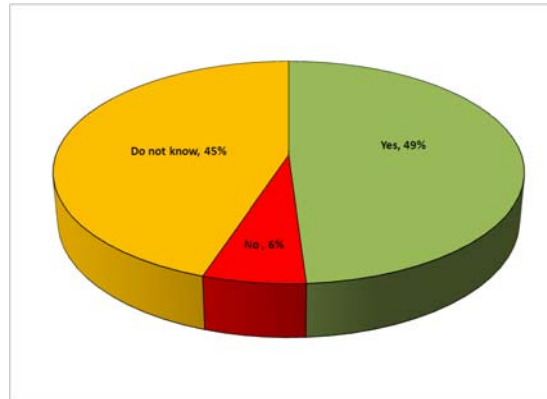
We also asked business owners the impact of likely cuts to the amount of free/heavily subsidised adult learning programmes would have on their business. Just under 5% saw this as a potential opportunity for their business although 54% felt that it would have no impact. This is predominantly because their own training programmes will not be affected and the fact that many industry specific courses do not get any subsidy.

Just over 10% already had seen a noticeable impact in terms of local authority courses being curtailed, training contracts being reduced or reviewed as well as the impact that the lack of investment in educational buildings will have on the construction industry. The remaining third were concerned about the impact any reduction will have on future recruit. Some owners highlighted that basic skills needed to be improved and were concerned that this was unlikely to improve the local labour force. The biggest concern was how businesses would meet the rising cost of training in the future as there was a general belief that prices would rise and comparable courses would be significantly more expensive.

Getting more value for money out of education

Businesses were also asked if they felt that the state could get more value for money out of their spending on education. 6% felt that there was no way of the government getting more value for money out of the education system and in these cases the majority felt that, if anything more could be spent.

Figure 4: Could the Government get more value for money out of the education system



The most frequent answers were based around cutting red tape, either to simplify funding streams or to reduce the forms that had to be filled in. Business owners find this self defeating and that this offers poor value for money.

“NVO training is not adequate...it takes too long, it would work but the administrative requirements and the bureaucracy involved make it expensive to run and deliver.”

Employers felt that the form filling did not help them much as they were not able to find out much information about the quality of the training and the data that they provided seemed to be fairly irrelevant. The feeling was that the administrative malaise was prevalent from the start as procurers seemed to be more focused on administrative compliance rather than an assessment of quality. The forms were felt to be too long and to a number of businesses a clear sign of wastage, particularly as potential providers have complained about the corresponding lack of feedback.

The other main stream of where the Government could reduce costs was to focus on the basics rather than try and provide all the necessary courses for every single industry. Owners also felt that there was too much focus on gimmickry rather than focussing on tried and tested formulae, so that the state managed to do the basics well.

“Stick to the basics. Teach people how to do things and not go around inventing new ways to do the same thing.”

Improvements to the current infrastructure

Funding

As the cost pressures on smaller businesses still rising the main concern is that of the cost of training. With costs likely to increase for a range of courses (some business owners already have seen this) this has become even more of a priority for owners. Business owners complain that often training schemes are inadequately funded and some owners have even given up on applying for funding as the process makes business planning far harder.

“Our sector skills council often runs out of money so we no longer apply for funding as otherwise planning for funding that may or may not materialise is a major issue.”

Some businesses wanted to apply direct for Europe for funding, however others simply wanted funding to be accessed as part of the training provision, either by the training provider themselves or by the Government simply allocating money for businesses to spend on the training that they wanted for staff.

Simplicity

The skills infrastructure is still very fragmentary and a number of businesses were concerned that the link between business support and training which had developed over the years would be curtailed due to the reduction of the Business Link service. Where business owners were positive about the training schemes it was due to having good contacts with training advisors in local councils, enterprise agencies and training providers. None of the institutional systems seems to work better or worse than others (East Renfrewshire was praised alongside councils from Southern and Eastern England), but rather down to the individual contact.

Co ordination

Businesses however wanted greater co-ordination for businesses with training schemes under one umbrella, regardless of whether they were for compliance with legislation or general personal/business development. As one respondent commented:

“It is frustrating with all these quangoes and a government that has over-reached itself with useless projects and training support that had not meaningful benefit in the real world”

One business owner gave an example of the local agricultural college that had ruined its provision to local businesses by trying to do courses on ICT and other courses outside its core services. This meant that it duplicated other training providers in the area but also focused fewer resources on the key training that local businesses wanted. Other owners also felt that there was a lack of focus in the further education system.

“Get rid of non work-related courses such as media studies, colleges should focus more on practical skills.”

Quality / transparency

Some business felt that finding the courses for staff was relatively easy due to the internet and local advertising by colleges. However the question of quality was another issue, as many businesses complained that they had no idea of the quality of a course until they spoke to the trainee after the event or from looking at the training materials. Accreditation had its limits as one owner felt that when he sent staff out for NVQ accredited training it did not seem as effective at their own internal courses.

“There are some good training schemes available for in terms of product knowledge, telephone skills and supporting the customer. It would be useful to find out how good these are for our industry. Finding out from other candidates on a course if it was effective for their industry would be highly useful.”

Owners would like to see an assessment of quality in terms of customer satisfaction to help them decide between providers. One or two businesses would like to see an online system akin to TripAdvisor for training providers.

Flexibility

Greater flexibility on courses was a key improvement suggested by a number of business owners. Times, length of courses, types of courses offered and media used were all mentioned as ways that training could be improved for smaller firms.

“More flexibility on times and types of courses available.” Panel member response.

Most businesses wanted the courses to allow a more tailored approach to their needs, with greater use of technology or modular structures used to make up the bulk of the courses.

Some of the most effective training mentioned was provided by the supply chain. Courses from manufacturers were felt to be reasonable in terms of costs and the time spent away from work. In-house training was also felt to be overlooked by most research into training and skills and could potentially offer greater scope for training courses in the future. Smaller firms were however concerned that opening their schemes up to outsiders, when such schemes were appropriate, as it could lead to them losing their edge. Many felt this would also be the case for larger businesses.

School learning

A number of respondents felt that basic English and maths skills were still not up to standard in many of the applicants that they considered and felt that there should be a greater prioritising of these areas. Others felt that there was still an attitudinal problem amongst the local skills base. On a more positive note, business owners felt that there should be short courses for children in areas that would help them in the future.

“Offer students basic life skills and useful ICT skills at school. IT skills should be issues such as touch typing but also a better knowledge of marketing. Pupils need to understand how to market themselves and understand about how to sell products.” Panel member response.

Other courses specified included cash handling, manual handling, rudimentary health and safety and marketing/selling. In Germany there is a focus on engineering in primary schools (the Ludwigshafen experiment) to meet the probable skills gap in engineers and technicians in the future. One manufacturer felt that there needed to be more to promote engineering work from an early age in the way that Meccano did for previous generations, but felt the real skills issue in the sector was the lack of job prospects.

Post school learning

Business owners from a variety of industry sectors felt that greater emphasis in the 16-18 age group with one construction subcontractor being unable to take on apprentices as the main contractors would not allow people under the age of 18 on site unless a mountain of paperwork was completed. This was not confined to the construction industry with insurers restricting the work that can be done by young people in the care and engineering industries.

For the care sector in particular the high costs of recruiting (with CRB checks on potential recruits costing an additional £50), and the likelihood of no price increases in the next two years, it is simply not cost effective to have an employee who is restricted on what they can and cannot do by their age.

Personal development for the employed

Some business owners believe that a different strategy is needed, focusing on reducing the barriers to employment and supplying more personal development to employees in the workplace. Day release or night school could then be used for theoretical work, improvement of basic skills and validation of learning.

For most business owners this meant less focus on the classroom and more focus on work-based learning as colleges were no longer geared up to provide sufficient working environments. One manufacturer stated that *“Colleges are reluctant to provide any machinery for students to learn with, this means that to train up new recruits we would have to provide intensive internal training with all the monitoring costs that go with it”*.

Personal development was also important for business owners, a number felt that the support was not there for them in terms of training in management and finance. The recession has made owner managers aware of the greater need for such training.

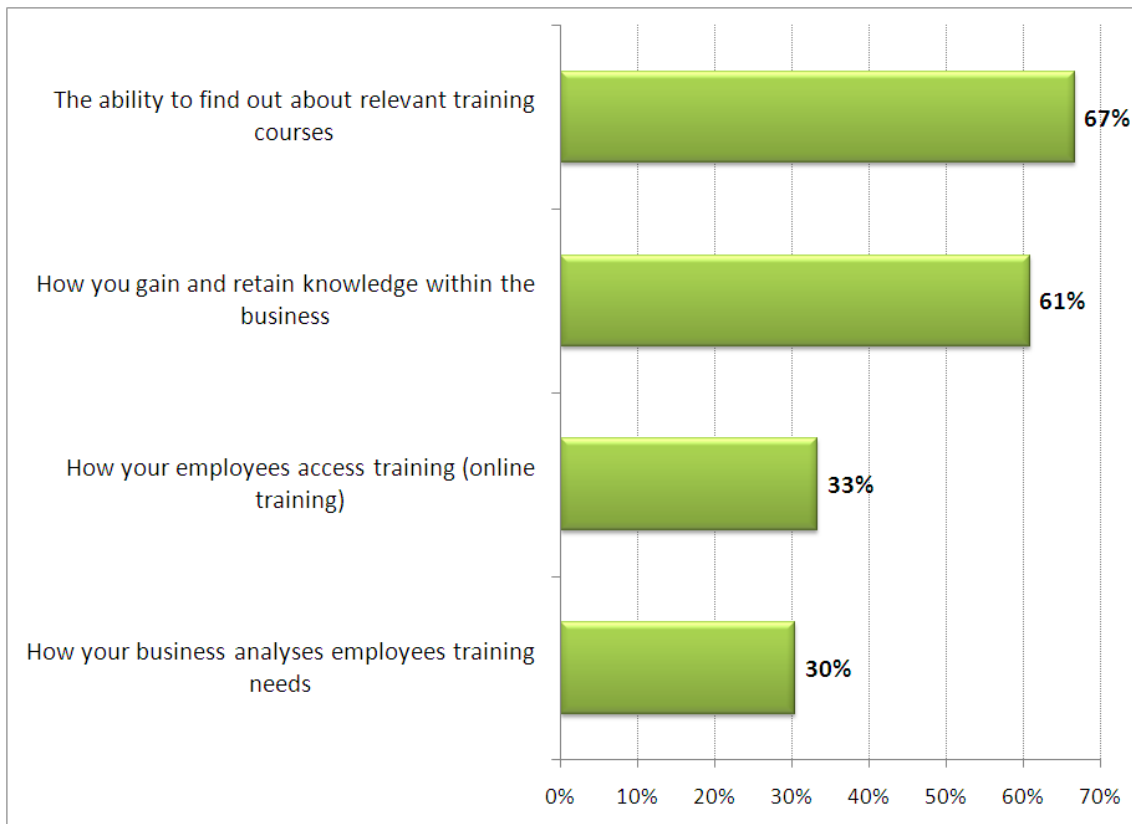
One or two business owners suggested that the system should go further and engage with businesses that are currently considered too small to access training: *“I'd like to see them reflect the change in the working population - as there are more specialists who are working on a self-employed basis (either through choice or because of redundancy etc) but who are often precluded from accessing business building training because they aren't employers.”*

Online solutions to training issues

As indicated by some of our panel members, there has been a noticeable increase and improvement in online training provision and information on training courses over the past few years.

Two thirds of businesses use the internet routinely to find out about relevant training courses, slightly more than the number who use online technology to gain and retain knowledge within the business.

Figure 5: Usage of internet/online solutions



Online training is still a niche sector and many businesses have been concentrating on practical training and mandatory training where online systems are seen as less effective.

Likewise just 30% of business owners use the internet to help business analysis of training needs and define what level is appropriate for that individual. This compares to around 40% of SMEs who do not undertake any form of training needs analysis in general.

Localisation of training provision

A number of businesses felt that they were hampered from accessing the training that their business required because of their location. Businesses in rural areas or locations away from the UK's big conurbations felt that they had fewer options in terms of training. In contrast businesses in cities such as London were more concerned over getting the right course.

"Some of our issues are due to our location, but the problems of dealing with the time to organise training, and then finding convenient opportunities to take part, would be common to most small businesses." Panel member response

Members of the panel adopted a slightly different approach to local training support in general to the main thrust of the Referendum in 2009 where the lack of industry specific training was highlighted by members. In both cases there was an issue over the lack of industry-specific training available locally, in this panel however a significant minority of businesses were wondering whether their industry should be provided for in these restrained times.

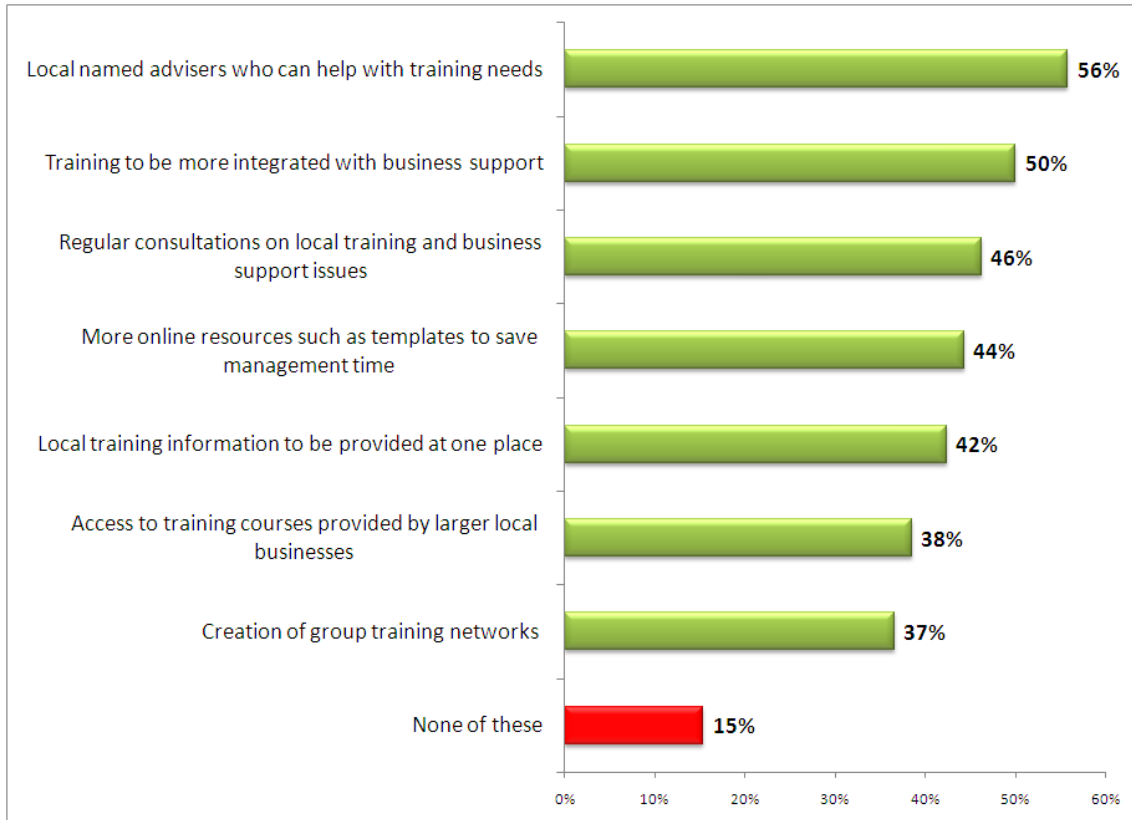
"It is frustrating with all these quangoes and a government that has over-reached itself with useless projects and training support that had not meaningful benefit in the real world".

In its consultation on Local Enterprise Partnerships, the Forum indicated that the services that should be considered by bidding authorities were:

- Localised business support
- Supplier matching and inward investment
- Export preparations
- Regional infrastructure investment
- Skills and training information and promotion

We asked panel members which of a number of potential aspects they would like to see in any local enterprise partnerships.

Figure 6: Elements that business owners would like to be incorporated into Local Enterprise Partnerships



As can be seen from the chart above the two most popular measures are about greater coordination of business services locally. 56% of businesses wanted local named advisers who could help with their training needs and around half wanted training to be more integrated with business support. Anecdotal evidence indicates that some businesses actually want training to be more closely aligned with regulation so that the burdens of compliance with new regulations are minimised. However only 42% wanted the training courses to be provided in one place, this could be that business owners appreciated the fact colleges and other training providers advertise in a number of ways or that they understand how difficult it may be to keep such a database up to date.

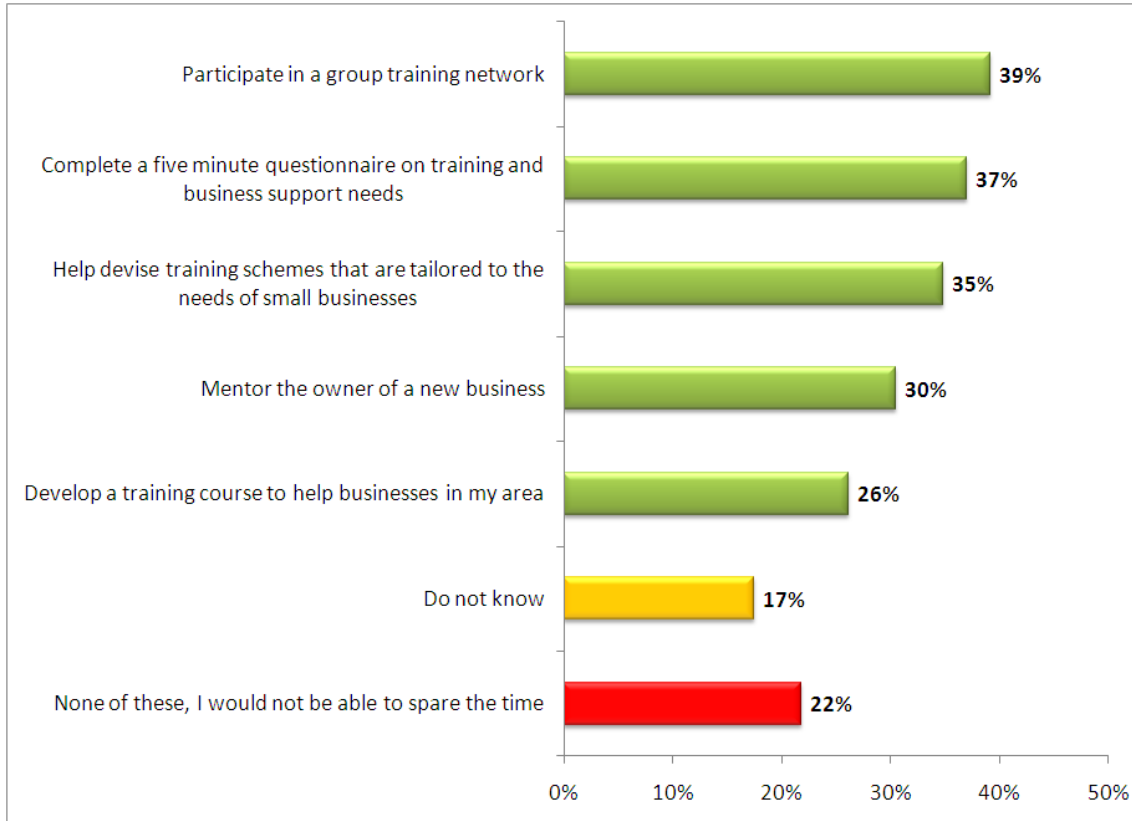
There was also broad support for regular consultations on local training and business support issues, although one panel member felt the success or failure of such consultations rested on any consulting to be done widely as there have been instances in the past where hard to reach groups such as small and micro employers (1-50 staff) have been contacted less than larger firms simply because these companies could put forward enough people to guarantee that a course could take place.

Marginally more businesses were prepared to participate in a group training network indicating how keen members of the panel are to support the training infrastructure in their

area. A number of business owners were quite modest about what they could add to training courses or whether they felt they had enough knowledge to impart.

One or two of those who would not be able to spare any time indicated that this was due to work commitments at the moment but may consider it at a later date.

Figure 7: What would business be prepared to offer to support a new training mechanism



What was surprising that few businesses could name examples of best practice that were institutionally based. Many referred to individual contacts that they had with private training providers or training advisors from colleges or councils rather than institutions. The possible exception was the Northamptonshire Association of Residential and Care Homes (NORARCH) who dealt with funding, industry specific training and co ordination of the private sector and the NHS.

How the Local Enterprise Partnerships should provide training

Whether it has been banks, utilities companies or local authorities, the last few years have seen smaller firms feel that they are getting a reduced service at an increased cost. For this reason it is important the Local Enterprise Partnerships look to engage with businesses and provide them with sufficient training and business support advice to justify the increases in local taxation. One business described the situation very succinctly: *"I pay £12,000 for business rates and what do I get? They do not even collect our rubbish."*

At this point there seemed to be two different opinions, one was that businesses should be given a level of information and perhaps advice in choosing the course they wanted but they should retain complete autonomy in choosing providers and purchase training like any other service. This should be done through tax incentives or simply in providing grants direct to the business. One response that typified this was: *"The provision of grants to businesses directly to be used for any training they envisage would benefit their employees."*

The other was simply to improve the current system, reducing cost, minimising paperwork and improving access, as a number of businesses felt that they were now 'too small to train'. The main suggestions are shown below:

Assessing demand

- Training and business support advisers are key and should focus on providing business owners with the information and advice they need to decide whether training is the best option and the best training solution.
- Overall demand will have to be assessed locally using a short questionnaire once or twice a year, perhaps combining business support and training to save owners time. Standard questions would allow providers to assess the relative strength of their region compared to others.
- Training groups networks could help colleges and training providers in prioritising courses needed based on the local business climate and any training needs due to regulation changes.
- Emails of likely courses could then be sent out to business owners. Ideally this would be by email.
- More help in the form of templates should be provided so that business owners can find out from their staff if there are courses etc they would like to see.

Marketing

- Marketing should be co-ordinated to reduce waste and avoid duplication through rival providers offering similar courses.
- Advisers should use links with key stakeholders, banks, accountants and business groups to promote courses.
- Courses to be shown on a website so that business owners could see what was available quickly. Ideally this would bring together most courses in the local area.
- Otherwise the marketing mix was broadly correct and business owners felt they knew where to look if there was a training need.

Take up of courses

- A pilot scheme should be introduced so that rather than provide courses and then remove them, employers and employees would be encouraged to sign up to courses and once a critical number had confirmed they would be run.
- Greater emphasis on how skills can be used in the business to improve and develop their own organisation.

Information

- Businesses do want more information on course providers and quality - this may be collected at a national level and feedback could be provided to a main website rather than expensive evaluation exercises.
- Simplified information on funding for training.

Forum of Private Business
Ruskin Chambers
Drury Lane
Knutsford
Cheshire
WA16 6HA

Telephone: 01565 634467
Email: info@fpb.org
Web: www.fpb.org