



University of  
**Leicester**

CENTRE FOR LABOUR MARKET STUDIES

Working Paper 49

# The Role of Employers in Sectoral Skills Development: International Approaches

By Arwen Raddon and Johnny Sung



*The Role of Employers in Sectoral Skills Development: International Approaches*

Dr Arwen Raddon and Dr Johnny Sung  
Centre for Labour Market Studies  
University of Leicester

Address for correspondence:  
Centre for Labour Market Studies  
University of Leicester  
7-9 Salisbury Road, Leicester, LE1 7QR.

Tel: (UK) 0116-252-5935  
Fax: (UK) 0116-252-5953  
Email: [arwen.raddon@le.ac.uk](mailto:arwen.raddon@le.ac.uk); [johnny.sung@le.ac.uk](mailto:johnny.sung@le.ac.uk)

© CLMS 2006

**ABSTRACT**

This paper considers models of employer engagement within different international approaches to sectoral skills development, focusing on examples from the UK, New Zealand, South Africa, Hong Kong, Singapore, the Netherlands and the USA. We outline four sectoral models of employer engagement, exploring what is expected from employers within these different models. Some of the challenges and implications of these different sectoral approaches to engaging employers and creating demand-led skills systems are discussed.

## **The Role of Employers in Sectoral Skills Development: International Approaches**

### **Introduction**

In many countries, the current skills policy framework aims to embrace and deliver on multiple objectives. As a result, contemporary national skills policies seldom focus purely on national skills formation. For example, in the UK, state policy around skills, learning and work seeks to simultaneously fulfil both economic and social goals, often involving many stakeholders. This entails meeting the skills requirements of industry and the labour market, whilst simultaneously enhancing social participation, inclusion and employability. Thus, the UK White Paper on skills opens by stating that:

Skills are fundamental to achieving our ambitions, as individuals, for our families and for our communities. They help businesses create wealth, and they help people realise their potential. So they serve the twin goals of social justice and economic success. (DfES, 2005, Part 1: 5).

Likewise, in the developing world, the South African National Skills Development Strategy (NSDS) has a twin focus on the economic and social objectives. In its transition from Apartheid to a democratic country, the NSDS aims to build the national economy whilst developing skills for work, social inclusion, health and equity:

The overall vision of the NSDS is “Skills for Productive Citizenship for All”... addressing the structural problems of the labour market inherited from the past, and transforming the South African labour market from one with a low skills base to one characterised by rising skills and a commitment to lifelong learning. The NSDS also seeks to ensure that through responsive education and training the labour market is better able to support social development to reverse the challenges inherited from the past, such as poverty, inequality, disease and unemployment. The NSDS is an inclusive strategy that addresses national, provincial, sectoral and individual needs. (South African DoL, 2003: 9).

The emphasis within these approaches is on joint responsibility between state, employers, other social partners and individuals for skills development. Furthermore within this multiple-stakeholder and multiple-objective approach, another prominent trend can be observed in the recent approaches to national skills formation. This involves the use of employers to spearhead a demand-led skills policy in order to ensure that training can closely support industries and those who work in them.

One of the unintended consequences of these parallel developments is that the role of the employers is never quite the same in the different demand/employer-led skills systems. This paper argues that not only does the nature of employers' involvement vary substantially from one case to another but, with it, the effectiveness of the role of employers in creating these demand-led skills systems. This paper identifies the main types of demand-led skills systems in different countries and the factors behind the differing roles of employers. The paper concludes by arguing that it is misleading to speak of 'demand-led skills systems' as if they were all the same without considering

the contextual (political and social) and systemic structure in which employers are involved. The lessons from our case studies show that simply 'involving' employers does not necessarily create an effective demand-led skills system.

### **Demand-led Skills Development and Sectoral Approaches**

This emphasis on joint responsibility - between employers and employees - for skills has led to an increasing accent on demand-led skills development systems. Two demand-led systems can be identified. Firstly, employer-led systems, where demand stems from employers' articulation of the skills they require. Employers directly spell out what skills they require or indirectly articulate this demand via employers' associations or representative bodies. Secondly, employee-led systems, where the demand for training is articulated by individual employees' or learners' choice of education or training. This paper focuses upon the employer-led aspect.

Sectoral approaches to skills development form an important element of this combined aim of creating economic wealth and social objectives, both seeking to engage employers in skills development, whilst developing better linkages between employer demand for skills and education and training supply. Nevertheless, the current research and literature often overlooks or underplays the role of employers within such approaches. Much of the VET literature focuses on the role of the state and the education system in supplying the necessary skills for the world of work. Where sectoral systems and the role of employers appear in the literature, the writer's emphasis is often on another, connected element of the VET system. A recent study by Otero and McCoshan (2004), for example, gives a substantial discussion of a number of sectoral and occupation-based approaches to skills. However, the sectoral nature of these systems and the role of employers are masked by the author's emphasis on, and remit to study, 'provider specialisation'. Thus, the research focuses on occupational (Germany), regional (the Netherlands) and further education (New Zealand) specialisation within colleges or vocational training, such as colleges that focus on sciences or on training for a specific sector. While the focus of the research was on the supply side and specialisation of provision, the Netherlands and New Zealand systems are actually among some of the key employer-led approaches to VET, with employers engaged in driving the standards and skills requirements that underpin VET provision and providing a considerable part of the financial and other resources in order to meet this.

Similarly, the abundant literature on the costs of training and its financing (Gasskov, 2002; Ashton et al., 2003; OECD, 2004), return on investment (Wang et al., 2002; Fitz-enz, 2000) and the effects of establishing national qualifications systems (Young, 2003; van Zolingen, 2002) give little consideration to the wider issue of engaging employers as a group or a constituency such as via a sectoral approach. Moreover, while there has been a growth in research on the workplace as a site of learning, much of this research focuses on the individual learner/trainee or individual organisations, leaving the wider role of employers or sectors in policy approaches and skills development relatively under-researched (Eraut, 2004; Cully, 2005). However, with an increasing emphasis on co-financing and support, the role of employers and the ability for a skills system to successfully engage employers are vital to the success of skills development policies.

## **Re-engaging Employers via a Sectoral Approach?**

Sectoral approaches are increasingly seen as the best means of engaging employers in skills development. This is not a new idea, with sectoral approaches dating back centuries in the form of traditional industrial training agreements and associations related to apprenticeships. Earlier sector skills arrangements were concentrated within a small number of traditional, male-dominated trades. In the UK alone, sectoral approaches have taken a number of shapes, spanning from the traditional apprenticeship focus through to Industrial Training Boards in the 1960s, Industry Training Organisations in the 1980s, National Training Organisations in the 1990s and, since 2001, their successors the Sector Skills Councils. Nevertheless, there has been a recent renewed interest in many countries in developing specifically sectoral policy approaches to skills that cover a broad range of vertical and horizontal sectors and that seek, above all, greater employer engagement in the skills debate and in skills provision.

From the international perspective, three key drivers can be identified within this renewed focus on sectoral skills development policy. Firstly, the multi-stakeholders policy climate outlined above, in which there is a shared responsibility between the state, employers and individuals for investment in skills development. Secondly, VET systems continue to be criticised for not meeting the needs of industry and the labour market in the face of global competition, despite VET reforms in most industrialised countries in the 1990s. This has combined with labour/skill shortages in countries such as New Zealand, Australia and Canada. As such, a number of governments are focusing on ways for VET systems to better meet the needs of employers and the economy. It is now argued that VET systems need to shift away from a supply-side focus towards a demand-side focus. Lehmann and Taylor (2003) argue that this shift is part of the new vocationalism discourse, which seeks to develop workers for the knowledge economy and promote the effective integration between academic and practical skills and knowledge. Again, this view of supply-side failure is not new; indeed, it was a driver for many of the precursors to the current sectoral approaches and for recent reforms. Thirdly, with the emergence of China and India as low cost manufacturing bases, there has been urgent emphasis in national skills policy in many industrialised countries to encourage employers to demand higher skills levels, to move up the value chain, to develop a better qualified and skilled workforce in order to maintain growth and innovation. Sectoral approaches to skills development are seen as a key means through which to develop this responsibility, reform VET systems and drive up demand for skills.

In the following section, we will focus on the sectoral systems in the UK, New Zealand, South Africa, Hong Kong, Singapore and the USA. We will use these cases to highlight the diverse approaches to engage employers in sectoral training. These examples will show that not all employer-led skills systems engage employers to the same level of effectiveness. Although all sectoral systems claim that they are driven by employers and are therefore responsive to demand changes, we will argue that substantial variations exist in nature of employer engagement. Employers' ability to drive sectoral systems depends on which of the four models of employer-led system they operate within.

## Models of Engagement: Employer Roles and Responsibilities in Sectoral Skills Development

Broadly speaking, four different models of employer engagement can be identified when examining approaches to sectoral skills development in different countries. These are represented in the Figure 1. Employer engagement in each model has its own distinctive relationship with other components within the national skills system, with specific roles and effectiveness in driving up the demand for skills in the different national context. We distinguish these subtle differences through the use of four specific terms - namely 'involved', 'owned', 'modelled' and 'driven'.

**Figure 1: Sectoral Models of Employer Engagement**

<p><b>Employer-involved (2 variants)</b></p> <p>a) Voluntary engagement of employers in sectoral skills debates, primarily via consultation</p> <p>b) Statutory engagement of employers in financing sectoral skills delivery and voluntary consultation</p>	<p><b>Employer-modelled</b></p> <p>Best practice models of skills development used to shape training practice within the sector</p>
<p><b>Employer-owned</b></p> <p>Employer-funded sectoral approach which ties into sectoral skills strategies and needs, as identified by employers' associations and representative groups</p>	<p><b>Employer-driven (2 variants)</b></p> <p>a) Public VET system determined by employer-demand</p> <p>b) Private partnerships bringing employers together in order to identify and invest in training</p>

These models will now be substantiated through case study examples from a range of countries, drawing on primary research conducted for an international study of sectoral approaches to skills development (Sung et al., 2005).

### 1) The Employer-involved Approach

There are two clear variants within this model of employer engagement, namely voluntary involvement and statutory involvement.

#### *Voluntary Employer-involved*

Despite the need to promote greater employer involvement in skills provision, 'voluntarism' is still an important feature within the formation of this type of sectoral approach to engaging employers. A number of national sectoral approaches fit within this model of employer engagement. We focus here on the United Kingdom, however, the sectoral approaches of Australia, Canada and New Zealand also fit within this model. The emphasis in all of these countries is on the sector bodies to reach out and engage employers in a dialogue about their demands and the wider skills agenda. The aim is to increase awareness of, and investment in, training and development. Thus,

employers remain fairly reactive and the sector bodies are primarily government-backed/financed organisations.

*The United Kingdom's Sector Skills Councils (SSCs)*

The UK sectoral skills development system revolves around a network of 25 UK-wide Sector Skills Councils (SSCs) and is represented by the overarching public body, the Sector Skills Development Agency (SSDA). The SSCs replaced the National Training Organisations which were set up in the 1990s. The role of the SSCs is to:

... lead the skills and productivity drive in industry or business sectors recognised by employers. They bring together employers, trade unions and professional bodies working with government to develop the skills that UK business needs (SSDA, 2005).

The SSCs are positioned as the main interface between employers, unions and government in relation to skills development and industry needs. They are described as 'independent', 'influential', and 'employer-led' organisations (SSDA, 2005), and as the key means through which employers can exercise influence over skills supply. As noted above, the UK Skills White Paper lays out the government's intention to shift from a supply-driven to a demand-led VET system. In exchange for delivering on this demand-led VET system, however, employers are equally expected to take on their own roles and responsibilities:

Employers will have new powers to shape the design, content and delivery of training to meet their needs. In return, we look to employers to invest more in training, where there is a clear return to the employer and the learner. We look to them to engage more actively in developing and deploying skills to meet business priorities, and to articulate their needs in a way that schools, colleges, universities and training providers can understand and act on (DfES, 2005: Part 1: 9).

The sectoral skills development framework is seen as one of the key means of building this increased investment among employers. SSCs are expected to have representation from leading employers on their board, and to consult employers in the sector and other stakeholders when developing their strategies and targets in meeting four key goals:

- Reducing skills gaps and shortages
- Improving productivity, business and public service performance
- Increasing opportunities to boost the skills and productivity of everyone in the sector's workforce, including action on equal opportunities; and
- Improving learning supply, including apprenticeships, higher education and national occupational standards.

The role of employers in the UK system is to feed information, via the SSCs, to the government and the VET system about their skills needs and priorities and about the future shape of the sector. One of the ways of encouraging employers to take up their role in the system - beyond the wish to articulate their skills demands to government - is to ensure a high-level industry presence within the SSC board. Often this means the appointment of a number of prominent employers within the sector. Equally, SSCs are required to work with employers to develop Sector Skills Agreements (SSAs) for each sector. SSAs identify the kind of skills employers want and their priorities for

public spending on training. SSAs are specifically intended to give employers a stronger voice in shaping the demand for and supply of training.

While there is room for individual SSCs to take different approaches with the partners in their sector, the nature of employer involvement in many of the SSCs is one of 'being involved' and 'being consulted', e.g. employers are represented on the board, and are consulted about the strategic direction of the SSC and skills strategies in the sector.

#### *Statutory Employer-involved*

Within this variant of the employer-involved model, employers are required by law to invest in training and development. We focus here on the South African approach to sectoral skills development as a prime example of this approach to engaging employers. However, the French approach to skills development and the Sector Council system in Quebec, Canada, equally fit within this model, with a statutory training levy and collective arrangements and 'sector-like' bodies created in certain sectors and professions.

As well as contributing to South Africa's productivity, competitiveness and employment, education and training have been identified as fundamental to developing social cohesion, citizenship, equity and stability for the future<sup>1</sup>. In order to deliver on the South African government's skills strategies, employers are required to invest in training and development via a statutory levy. The Department of Labour's (DoL) Skills Development Act (1998), with a particular focus on skills development in the workplace, established the framework for a compulsory training levy and a network of Sector Education and Training Authorities (SETAs). The levy was set up on April 1st 2000 and is collected monthly through taxation by the South Africa Revenue Service. This is currently set at 1% of the wage bill (originally 0.5%). The levy supports the government's skills strategy in various ways. It has been used to:

- Establish a national network of 25 SETAs (replacing a limited number of Industry Training Boards);
- Encourage employers to develop workplace skills plans and invest in skills by moving beyond compliance towards the development of an embedded culture of skills development and lifelong learning; and
- Fund national priority skills development programmes through the National Skills Fund (NSF), providing a range of training programmes and strategies to fill skills gaps and increase employment opportunities and social cohesion.

The SETAs started operating in 2000, covering all public and private sectors. Currently, there are 25 SETAs, the funding of which depends upon the size of the sector and the levy paid, but it is on average R2.5 billion (£190 m) each year. SETAs are bipartite, bringing together industry and unions, and are entirely funded via the employer levy. The key roles of the SETAs are to:

- Organise and administer the levy funds and grants, 80% of which are passed on to them after the payment of 20% to the national fund;

---

<sup>1</sup> Likewise, the French statutory employer-involved system has a heavy emphasis on social partnership and social objectives.

- Develop a sector skills development plan and strategy for the sector;
- Develop, register, promote and monitor learnerships, ensuring access to quality training within the National Qualifications Framework (NQF);
- Help companies develop their workplace skills training and development plans and practices; and
- Provide information about current and future skills needs in the sector;
- Act as agents for NSF strategic projects (e.g. bursaries, funding training places etc.).

The role of employers within this approach is primarily to finance skills development in a collective manner (i.e. via the levy system) and to recognise the role of skills and training in the enterprise, within the sector and more widely in the national economy. Employers can then work with their respective SETA to reclaim up to 70% of the levy payment through engagement in certain required skills development activities. This approach seeks to engage employers in sectoral skills development, and to take responsibility for training, through a statutory means. However, tying a number of key skills development activities to the repayment of the levy is used as a means of promoting both investment and good practice. A key requirement, for example, is to appoint a Skills Development Facilitator. The facilitator's role is to develop and put into practice the company's yearly training and workplace skills plan, to prepare an annual training report, and to keep the company informed of issues relating to accreditation, available courses and learnerships.

Employers are also involved in more voluntary ways by the SETAs, being represented on the SETA boards in order to provide information about the identification of skills needs and future strategies. Equally, employers are encouraged - with some incentives - to provide Learnership places that are tied to the National Qualifications Framework, the new form of Apprenticeship for all ages of employee. While the funding for SETAs and sectoral skills initiatives is collected via taxation, one of the major challenges faced by the SETAs has been involving employers in a more voluntary manner and gaining support from the leading players in industry. In order to be effective, SETAs recognise the need to have high level of industry representation on the SETA board and a dynamic leadership. Employers can, of course, opt to pay the levy and not to work to reclaim the payment or to invest in training. Indeed, some larger organisations that already invest far higher amounts in training and development have not reclaimed their levy payment. This has left a surplus in some SETAs, which has raised criticisms of a lack of accountability and effectiveness. Such accountability is vital when employer funds are being used to fund public sector policies. However, funds left within the SETA are used to support special sectoral training programmes or discretionary measures, such as attracting more women into areas where they have low representation, or providing health training programmes to try to counteract the impact of HIV AIDS on the workforce. As such, employer's role and investment works to develop skills in a much wider manner across the sector. Moreover, a new focus for the SETA system will be engaging the informal sector, which currently represents 18% of the employed workforce (Statistics South Africa, 2004).

Despite the fact that the SETAs are entirely funded by employer contribution through the levy, the nature of employers' role is one of being (statutorily) 'involved' and they

do not own the sectoral bodies. The SETAs remain the main vehicles through which national workforce and social projects are to be achieved.

## 2) The Employer-owned Approach

Employer-owned approaches are characterised by high, if not sole employer funding and a singular focus on meeting employer demand within the same sector. Unlike the 'employer-involved' approach, this model is (mostly or wholly) employer-funded and employer-owned, with little government intervention. These employer-owned sectoral bodies are relatively rare and are only possible under certain conditions and, as such, it has not been possible to identify any nationwide employer-owned sectoral system. Thus, the following cases are applicable only within clearly defined sectors, but are not national schemes.

### *Hong Kong Industry Training Associations*

A key example of an employer-owned approach can be seen in the case of the Hong Kong Industry Training Associations (ITAs). Rather than being a current national approach that covers all industries, these are a legacy from the former colonial government and a number have remained active in certain key sectors since their introduction in the 1970s. ITAs were set up by the Hong Kong Government under the Industrial Training Ordinance. The aim was to ensure that employers in key economic sectors were investing in training and development. Rather than being initiated by government, as seen with the employer-involved model, the government put in place the law that enabled industries and related groups to establish their own ITA. Thus, employers were generally the major drivers behind their creation in the respective industries. The resulting ITAs can be strongly linked to employers associations. ITAs have a number of statutory roles, as defined by the separate Industrial Training Ordinance identified for each industry. The Construction Industry Training Association provides a useful example here of how sector bodies and employers' associations work together to support and grow the industry. The CITA supports and implements the skills and future industry growth policies set out by the Hong Kong Construction Association (HKCA). In effect, this ITA acts as the 'skills branch' (or the training department) of the employers' association. Skills needs and shortages and policies for the sector are identified and laid out at the level of the HKCA. These policies are informed by the conditions of the industry, future strategies and programmes of work, and by government legislation. The ITA then enacts these policies. Thus, the CITA has a range of roles, including:

- Working with the industry to identify and set skills standards;
- Running dedicated industry training centres;
- Designing and providing demand-led training programmes that will help to meet the skills shortages and policy goals, such as developing new areas for the industry;
- Assessment, examinations and accreditation;
- Facilitating placements and employment for individuals who have completed CITA training programmes;
- Recommending the level of the training levy for the industry.
- 

Within this arrangement, the CITA has a more reactive role, reacting to and delivering on objectives set by the industry via the employer's association. The role of the ITAs

has tended to change over time, in line with the demands of the industry. Thus, the Clothing Industry Training Association - the other employer-owned sectoral body in Hong Kong - focused far more on delivering basic training in clothes manufacturing in the 1970s and 1980s, when Hong Kong was a major manufacturer of garments. In more recent years, however, with manufacturing moving to mainland China, the Hong Kong clothing industry requires a more value-added approach, and the ITA correspondingly focuses on delivering higher skills training and more niche market skills such as leading edge design, marketing techniques, fabric research and logistics (supporting Hong Kong clothing manufacturers who are operating in mainland China). Similarly, the construction industry has shifted focus from basic craft training in the 1970s and 80s, to management and specialist skills training in the 1990s and 2000s.

The ITAs are financed by their respective industries. This is usually via a statutory levy on employers. In the construction industry, for example, this is collected as 0.4% of the total value of any completed construction work (contracts) worth over HK\$ 1 million (approx. £72,000). In the clothing industry, this is as a percentage of the value of goods being exported, and collected via Customs and Excise. As a result, this funding changes with the conditions of the industry - in years where the industries are doing well, the funds of the ITAs will be higher and vice versa. The distinctive feature of this form of employer-owned sectoral system is that rather than employers having one defined role, employers design, prioritise and drive the whole sectoral training system. Similar activities can be seen in the UK, where a small number of Industrial Training Boards still exist, albeit having taken on new SSC roles (e.g the Construction Industry Training Board which incorporates Construction Skills).

In these cases, the government puts initial policy in place that enables sectors to set up an employer-owned and -funded sectoral body. Part of the legislation will include the ability to set up a statutory levy, which is then used to establish the sector body and to organise sectoral initiatives and programmes. This is a way of ensuring that companies invest in training and development and organisation of programmes at a sectoral level. The sector body then focuses on skills needed for the sector, but by linking into the objectives of the sector, they also play an important role in the development and strategic position of the sector. The funding role of government is negligible. Nevertheless, the government does feed into the sectoral approach in some areas of government policies and agendas, and works with the sector in order to facilitate its wider economic objectives. For example, this might include working on immigration projects in order to attract the right skills for the industry, or on strategies for dealing with global competition.

### **3) The Employer-modelled Approach**

There are relatively few formal sectoral bodies in Singapore. However, an employer-modelled approach to skills development has been taken within the sectors since 1993 as part of the wider workforce training system. This involves an on-the-job training (OJT) 'Blueprint' approach, and is specific to Singapore. This government-led initiative involves developing excellence by creating a Blueprint of training and development practice in a leading organisation. This forms the basis of structured training documents that outline standards of performance in a number of important job functions within the leading organisation, and how these can be achieved. A key

emphasised is that OJT is not done through a hit and miss process. It should be structured following successful organisations upon which the Blueprints are derived. Although individual companies can work to develop their own Blueprints, according to their own objectives and job roles, the government developed a number of leading-edge company Blueprints. These blueprints are intended to improve the quality of training through learning from the very best companies, providing a best-practice model that companies could consult and learn from, and to speed up the process of developing these across industry.

By taking a more strategic approach, rather than leaving training to chance, companies are required to focus on business objectives and to build training that focuses on developing critical skills and which incorporates both practice and underpinning knowledge, e.g. not just how to, but why to. In addition, assessment and accreditation must be built into the process, with skills being certified through the National Skills Recognition System (NSRS) or equivalent programmes. As an incentive, companies that develop an OJT programme in accordance with the Blueprint can also take certain steps to apply to become a certified deliverer of OJT. Once certified, the programme will attract support from the Skill Development Fund (SDF), which covers a percentage of the costs of OJT delivered both by internal and external trainers.

The Blueprint approach differs from benchmarking or best practice models used in other countries in a number of ways. Firstly, it provides a model of excellence in the development of structured and strategic on-the-job training (and not just an 'entry threshold' that reflects the lowest level of acceptable standards. Secondly, the Blueprint forms a crucial element of the overall government skills strategy. In order to qualify for funding from the SDF, employers must make use of the Blueprint approach when designing and delivering on-the-job training. The aim is to ensure that OJT is of the very highest standard and, importantly, that it is certified. Certification of in-house and OJT is often a contentious point for employers, since it gives a certain level of mobility to employees to be able to show evidence of skills developed through experience. Thus, employers are less likely to recognise accreditation as their responsibility or cost. By building this into the system, with certain incentives for certification, accreditation is accepted as a necessary part of excellent OJT.

The role of employers within this model is primarily to recognise the importance of skills as a source of national competitive advantage, and to strive for excellence in their provision of OJT by learning from the ways in which leading companies in their sector undertake training. This requires employer financing the developmental work, such as an analysis of business objectives and the role of training and development within the organisation. However, for those companies that embrace this concept and seek recognition as a certified provider of OJT, public recognition and funding is available via the SDF. Within this system, employers play three key roles: (1) as a leading company providing best practices for other employers; (2) learning from best practices so that their own company can utilise training resources more effectively - like those who provide the Blueprints; (3) supporting the system by contributing towards the SDF levy. The SDF levies the proportion of the wage bill that is associated with low-pay workers, effectively penalising those employers with 'low skilled' and 'low paid' workers and using this fund to support strategic skills development.

Indeed, employers are keen to engage in this programme in order to learn how the leading companies in their sector train their workers, and to work and to develop their approach to skills development along the same lines. From a government perspective, this is recognised as a potential source of national competitive advantage. Of course, this approach requires leading companies to be open about their approach to training, which some companies may see as a major element of their own competitive advantage. Thus, there is a need for buy-in both at the level of leading executives and sector-wide in order for this approach to prove successful in engaging employers. There are currently moves in Singapore to tie this Blueprint approach into the developing National Qualifications Framework. If this does occur, these models of excellence will not only shape how the rest of the sector provides skills development, but how national qualifications are defined. In Singapore, this approach, in combination with the wider government skills strategy, has proved a very useful means of engaging employers in the higher skills debate.

#### **4) The Employer-driven Approach**

Within this sectoral model for employer engagement, two variants are evident. These reflect the underpinning model of the national vocational education and training (VET) framework of each country, namely: public VET and partnership VET. We will give an example of each of these two variants, focusing on the Netherlands and the USA.

##### *Employer-driven Public VET*

The Netherlands' vocational education and training system was reformed in 1996 under the WEB Act. This created a system in which employers are essentially the 'starting point' for the VET system, replacing a system that was often criticised for not responding to demand. As the following model illustrates, employers work through sectoral bodies, the Kennicentra - or Knowledge Centres - to identify and express the skills that are required for the sector. This is fed through to BVE Raad, the umbrella body for the regional technical colleges, which then feeds this through to the regional colleges in order to develop a curriculum primarily based on the standards and requirements set by the employers; although there is room for regional variation. The role of employers within this framework is to drive the VET system by identifying the skills needs and demands of the sector via the sectoral body (the Knowledge Centre). Once the curriculum has been developed, employers play a second vital role. Vocational education programmes are generally delivered in one of two ways, either work-based or school-based, with different percentages of training time within the workplace or the school depending on which pathway is chosen.

Employers are the primary training provider within the work-based pathway, which involves a work contract for each trainee, up to 80% on-the-job training, and release for school-based training, or in-house training provided by a visiting trainer from the school, for up to 20% of the training time. The sector body must accredit such employers before they can take on a trainee, ensuring the quality of training provision. Accredited employers are expected to pay a trainee wage and to cover the costs of training, however, they will receive a 15% tax rebate in order to do this. With the school-based route, the emphasis is on the technical college to provide up to 80% of training within the institution, and a minimum of 20% as part of a work placement.

Trainees on this pathway receive support for their school fees and a small allowance whilst training within the workplace.

Within this approach, employers have two key roles - to identify skills and to provide skills training at their workplaces. The 1996 WEB Act means that the whole VET system (i.e. the 43 regional colleges) is driven by the requirements of the 19 Knowledge Centres. This contrasts strongly with practices in other countries in which educational institutions and civil servants oversee the curricula within the VET system. Employers (together with other social partners) define the content as well as training places annually required. Not only do employers participate in the process of defining skills, but they also provide all the work-based training places. The work-based pathway is popular with employers and young people. The majority of new entrants into enterprises are trained through this route, particularly since it attracts a fiscal incentive and trains entrants to industry standards. However, the number of places does depend on the economic situation - when the economy is booming, there are a high number of employers willing to take on trainees. However, when there is an economic downturn, as is currently the situation, there will be a greater emphasis on school-based training.

#### *Employer Driven (Partnership VET) - USA*

An alternative employer-driven approach is via partnerships. In the USA, instead of a national sectoral system, workforce training is often localised. The High Job Growth Training Initiative (HJGTI) is one such example. Introduced in 2003, HJGTI works along side the wider Workforce Investment Act (WIA) and its resulting workforce provision (e.g. the One-Stop Centres). HJGTI is designed to be employer-led and focuses on partnerships that support job training for 12 key industrial sectors. These 12 sectors are expected to experience significant job growth in the next 10 years. Unlike previous WIA partnerships, HJGTI has little focus on tackling unemployment other than regarding the unemployed as one of the potential sources of new recruits and linking its recruitment mechanism to the WIA workforce infrastructure.

Common to all 83 HJGTI partnerships currently in practice is the need to develop seven sectoral-related dimensions. These dimensions in turn form a 'challenges and solutions proposal' that partnerships have to submit to the US Department of Labor to gain approval and funding. These seven dimensions include: 'pipeline' (recruiting young workers), new labour pools (e.g. immigrants, older workers, war veterans, people with disabilities), 'transitioning' (workers from declining sectors), competency models, post-secondary alternative training (including apprenticeship programmes and national training centres for 'Job Corps'), retention and small businesses. Public funding is often confined to seeding early initiatives. However, the basis of these partnerships will have to be supported by investment by partners, including employers. The automotive industry provides a useful example of the role of employers within a HJGTI.

The Automotive Industry Workforce Solution Forum, comprising 80 senior human resources Vice Presidents, was formed to tackle key industry issues and to identify possible partnerships. The DoL coordinates the progress throughout. One resulting partnership is the "Upgrading the Nation's Automotive Programs to Industry Standards" partnership, which has a \$900,000 HJGTI Grant to cover administrative and formation costs. The participants in the partnership include colleges, employers,

employer associations, coalitions of skills providers, One-Step Centres (which are like job centres) and other key stakeholders. The Gateway Technical College, for example, will work with the other partners to develop a blended training approach with online, classroom, and train-the-trainer methodology accessible to any automotive and collision repair program interested in certification.

The role of employers in such partnerships is critical in terms of developing an effective training system that will meet the needs of the automotive industry. They design specific partnerships to tackle a set of particular issues. Employers determine what targets have to be achieved as a result of implementing the partnerships. They also provide investment in these partnerships (e.g. \$2,110,000 in the form of vehicles and parts required in training). As public fund is only restricted to initial seed funding, these partnerships are driven by the objectives of the partnership concerned.

The partnership tackles just one issue identified by the Industry Forum. Other partnerships deal with issues ranging from sales and servicing to recruitment from the inner city and Hispanic communities. Some schemes are nationwide and others are regionally based. Training under these partnerships is defined by the HJGTI grant proposal. The relevant 'skill sets' are also specified by the employer-led Industry Forum. Unlike competency standards in other national sectoral systems, however, the skill sets in HJGTI are more traditional, ranging from apprenticeships and diplomas to associate degrees. The US system has not gone down the competency-based qualification route, as witnessed elsewhere.

## **Discussion and Conclusions**

Within these 4 models, employers are expected to play a range of roles in national and sectoral skills development, whether advisory, leading or fiscal. Each national approach is developed within a specific social, political, historical and cultural context. Very few national systems or policy approaches can be transferred directly to another country with the same outcomes (Ashton et al., 2000; Keep, 1999; Noble, 1997). Thus, rather than trying to identify a 'leading' or best practice model, we instead consider some of the implications of these different sectoral approaches to engaging employers and working towards a demand-led skills system.

### *Employer Demand and Public Skills Policy*

What does it mean to engage employers in public policy approaches? Each of these sectoral approaches, which we have conceptualised within 4 key models, seeks to make use of sectoral approaches to skills development to bring together employer demand for skills and national skills policy aims. In Model 1, employer demand for skills is identified and delivered on by engaging at an advisory level with employers within each sector, and then delivered either through voluntary means or through statutory levy-based financing. In Model 2, employer-demand is the very basis on which the sector bodies perform, with employer-owned and run sectoral bodies acting as the 'training department' for the sector. In Model 3, this demand is shaped by providing models of practice based on the very best performing companies in the sector. While in Model 4, employers drive the skill agenda either by leading the VET system or by forming project-driven or tailored made partnerships to solve specific skill problems.

As already noted, the renewed interest in sectoral approaches to engaging employers occurs within a demand-led context of shared responsibility for skills development, with an emphasis on the role of employers, individuals and government. However, the ways in which these 4 models operationalise this responsibility raises some interesting issues. It is important to ask to what extent government strategies and employer demands can be met through the same policy approach. In particular, how far can governments "let go" of public policy approaches? Ownership, forms of funding and responsibility are central issues within each of these 4 models of sectoral approaches to employer engagement in skills development.

*Ownership and Funding: Answering to Who?*

Employers are increasingly expected to take ownership of sectoral approaches. This is not only in operational terms, but also in financial terms, with governments worldwide seeking to engage employers in higher investment in skills. Nevertheless, the majority of models remain heavily subsidised by public funding. However, whether sectoral approaches are funded by government, employers or a combination of both, this can create a significant tension in the system, leaving sector bodies potentially trying to answer to the demands of both employers and government.

If we return to Model 2 and the experience with Hong Kong's ITAs, for example, these employer-owned and -run bodies collect their funding via a statutory levy in a similar way to the South African SETAs. However, the Hong Kong ITAs specifically focus on delivering on the skills strategy of the sector, working as the 'skills department' to the Employers' Associations and, for this reason, gain a high level of support within the sector. This combination of statutory skills investment and real employer-ownership has proved an effective means of engaging employers and the sector in a forward-looking skills debate and investment. However, there is little government intervention in the work of the ITAs, and since they are employer-owned and financed, little incentive to focus on delivering on national skills policies. For example, a national policy might emphasise the importance of basic skills training and retraining older workers, but this may not overlap with the demands of employers in a given sector. Without additional public funding, governments may find themselves with little leverage to drive a demand for basic skills training in the sector where sectoral approaches are truly employer-owned.

Interestingly, in those countries that fit with the Employer-involved (Model 1) approach, sector bodies are often initially intended to become self-sufficient, phasing out government funding whilst increasing employer funding and ownership. However, over time this becomes a less popular option with governments, even when sector bodies are successfully increasing the level of employer engagement and investment. Not only are some sector bodies heavily dependent on public funds, but also governments begin to see that withdrawing public funds entails a loss of leverage and influence over skills development. Essentially, the question is raised as to why a sector body would undertake activities or policies that support government policy if they were entirely employer funded. How would government influence the local or sectoral skills agenda if they did not put money into the system? Thus, in countries such as Canada, the government drew back on the original self-sufficiency plan in order to maintain their leverage at the provincial and sectoral level. As such, Model 1, the employer-involved approach, is underpinned by two aims - to engage employers,

expounding an employer-led approach to skills development, but also to maintain government influence over the skills agenda.

*The Social and Economic Value of Skills: Public Good and Competitive Advantage*

Skills have an intrinsic value beyond meeting the immediate demands of increasing productivity or market value (Grugulis and Stoyanova, 2005; Lloyd and Payne, 2003). Moreover, while there is considerable private investment in training, the organisation and aims of publicly funded training are quite different (Dumbrell, 2004). National skills development has a strong social and cultural dimension, not only meeting employer demand, but ensuring social inclusion, employability, equity and citizenship. Privately funded training tends to focus on the specific needs of employer, individual, and potentially the sectoral context. Smith et al. (2001) note that employer demand for VET is unlikely to be driven by the idea of learning or training for learning's sake, but is derived from a number of factors including business survival, performance and competitiveness, but rarely for the intrinsic value of skills or for social reasons. Thus, when industry really buys into, and takes ownership of, skills policy initiatives, there is concern as to what this means for the social dimensions of skills development and areas of market failure. In such cases, there is a vital role for governments, social partners and public funding sources. Inclusion and social participation, for example, have increasingly been built into some of these sectoral systems. Nevertheless, the statutory model of employer-involvement (Model 2) as illustrated through the case of South Africa, demonstrates one approach to engaging employers in the skills debate whilst requiring them to take financial responsibility for skills, both within their own company and sector and more widely within society. Equally, while employer-demand forms a starting point for the Netherlands' VET system, there is room for local variation and significant input by government and educators into the shape of the curriculum that is delivered.

*Forward-looking Skills Strategies and Future Planning*

Employers are often characterised as having a limited view of skills development, with a pragmatic focus on the short-term and shareholder value. The demand for training (or recruitment) usually occurs when there is a mismatch between business requirements and the current situation (Smith et al., 2001). In other words, employers' demand for skills is reactive, as opposed to a proactive, forward-planning approach to skills development and working to raise the level of skills and production. Thus, as well as areas of market failure, another concern with demand-led approaches to skills development is that employers will have a limited interest in high-skills or forward-looking approaches to growing their sector's and their company's and employees' skills. In this case, it would seem vital that governments and unions are fully engaged in any sectoral approaches to skills development, ensuring that demand-led skills systems provide a broad and forward-looking spectrum of skills. Nevertheless, the case of the USA partnerships, or the Hong Kong ITAs, demonstrates that employer-ownership of sectoral approaches does not necessarily lead to a low-skills route, or to a lack of future skills vision and strategy on the part of employers.

Sectoral approaches clearly are useful in engaging employers, albeit they take different forms within different national contexts. However, the extent to which employers will take ownership of, and responsibility for, public policy approaches to skills development depends upon a number of factors. Funding and the extent to which governments are willing to 'let go' of public policy approaches can have a

significant impact on the level of employer engagement, and the kinds of activities that can be achieved via a demand-led sectoral skills approach.

## References

Ashton, D.N., Sung, J. and Turbin, J. (2000) 'Toward a Framework for the Comparative Analysis of National Systems of Skill Formation', *International Journal of Training and Development* 4(1) 8-25.

Ashton, D.N., Sung, J and Raddon, A. (2003) *Raising Employer Demand for Skills: Lessons from Abroad*. Department of Trade and Industry Report, London: DTI.

Cully, M. (2005) *Employer-provided Training Findings from Case Studies*. National Centre for Vocational Education Research, Adelaide: NCVET.

DfES (2005) *Skills: Getting on in Business, Getting on at Work Part 1*. London: HMSO.

Dumbrell, T. (2004) *Resourcing Vocational Education and Training in Australia*. Australia: NCVET.

Eraut, M. (2004) 'Informal Learning in the Workplace', *Studies in Continuing Education* 26(2): 247-273.

Fitz-enz, J. (2000) *The ROI of Human Capital: Measuring the Economic Value of Employee Performance*. New York: AMACOM.

Gasskov, V. (2002) 'Industry Support for Training: An International Perspective', Conference Paper presented at *VET: Connections, Costs and Contradictions, 6<sup>th</sup> National Conference*. Monash University, Victoria: Centre for the Economics of Education and Training, 26<sup>th</sup> August 2002.

Grugulis. I. and Stoyanova, D. (2005) 'Skill and Performance', Paper presented at the *International Labour Process Conference*. University of Strathclyde, 21<sup>st</sup> - 23<sup>rd</sup> March 2005.

Keep, E. (1999) *Employer Attitudes Towards Adult Training*, ESRC Centre on Skills, Knowledge and Organisational Performance. Skills Task Force Research Paper, Oxford: SKOPE.

Lloyd, C. and Payne, J. (2003) 'The Political Economy of Skill and the Limits of Educational Policy', *Journal of Education Policy* 18(1): 85-107.

Noble, C. (1997) 'International Comparisons of Training Policies', *Human Resource Management Journal* 7(1): 5-18.

OECD (2004) *Co-financing Lifelong Learning: Towards a Systemic Approach*. Paris: Organisation for Economic Co-operation and Development.

SSDA (2005) *Welcome to the Skills for Business Network*, <http://www.ssda.org.uk/ssda/default.aspx?page=2>, accessed July 2005.

Smith, C.S., Ferrier, F., Anderson, D., Burke, G., Hopkins, S., Long, M., Maglen, L., Malley, J., McKenzie, P. and Shah, C. (2001) *CEET's Stocktake, The Economics of Vocational Education and Training in Australia*. report prepared for ANTA, Adelaide: NCVER.

South African DoL (2003) *National Skills Development Strategy, Implementation Report April 2002 – March 2003*. Pretoria: Department of Labour.

Sung, J., Raddon, A. and Ashton, D.N. (2005) *A Comparative Assessment of International Policy Approaches to Skills Leading to the Development of Policy Recommendations for the UK*. Research report for the Sector Skills Development Agency, Wath-Upon-Deerne, UK.

Wang, G.G., Dou, Z. and Li, N. (2002) 'A Systems Approach to Measuring Return on Investment for HRD Interventions', *Human Resource Development Quarterly* 13(2): 203-224.

Young, M. (2003) 'National Qualifications Frameworks as a Global Phenomenon: A Comparative Perspective', *Journal of Education and Work* 16(3): 223-237.

Van Zolingen, S.J. (2002) 'The Role of Key Qualifications in the Transition from Vocational Education to Work', *Journal of Vocational Education Research* 27(2): 217-242.