



BRIEFING NOTE

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The City & Guilds Centre for Skills Development (CSD) is an independent, not for profit research and development body which is committed to improving the policy and practice of work-related education and training internationally. It is part of the City & Guilds Group.

This briefing note forms part of a series of notes produced by CSD on issues affecting the global vocational education and training sector. These notes aim to briefly summarise and compare existing research, policy and practice in different countries, and to use this to develop general principles as a starting point for debate among education stakeholders. For more comprehensive information on specific issues please refer to the further reading sections of the notes, or contact CSD directly.

SECTORAL APPROACHES TO SKILLS

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1. INTRODUCTION

The term “sector body” refers to an organisation whose remit is to promote skills development in a specific economic sector, and to ensure that training in that sector meets the needs of employers as well as any government objectives. Examples include Sector Skills Councils in the UK, Sector Councils in Canada, and Kenniscentra (“Knowledge Centres”) in the Netherlands. Although these organisations have broadly the same remit, they differ in terms of their range of activities and how they fit into the broader structure of the national economy. This briefing paper will draw out some of these differences and examine what a successful model for sector bodies might entail. It should be stressed that the examples of successful systems mentioned here cannot be applied simplistically to other political and social settings: few national systems can be transferred directly to another country with the same outcomes.¹

Although sectoral approaches to skills development have a long history in many countries, it is only relatively recently that formalised sector-specific bodies with a skills remit have begun to materialise. In some cases they have developed organically and shifted remit over time (e.g. in Canada, where they emerged from efforts to respond to deindustrialisation as the country’s economy changed from manufacturing to services); in others, such as the UK, they have been grafted onto existing structures with a recognisable skills-promotion mandate

2. WHY A SECTORAL APPROACH?

The creation of sectoral bodies reflects in many cases the recognition of a need to shift towards more demand-led provision of vocational education and training. That is, governments have found that providing training exclusively on the basis of central planning to fill expected gaps in the economy meant that the provision of training was not responsive to the real needs of employers. Sectoral bodies have, in many cases, assumed the role of articulating business needs in relation to training and (to varying degrees) using this information to shape the provision of training.

¹ Raddon, A. and Sung, J. (2006), [The Role of Employers in Sectoral Skills Development: International Approaches](#). Centre for Labour Market Studies, University of Leicester



Recent years have seen increasing emphasis on demand-led provision. Raddon and Sung (2006) identify three main reasons for this²:

- The development of a corporatist, multi-stakeholder policy climate, in which there is shared responsibility between the state, employers and individuals for investment in skills development
- The failure of vocational education and training reforms to ensure training meets the needs of industry and the labour market, combined with labour/skill shortages in many developed countries
- The emergence of India and China as low cost manufacturing bases, and the resulting pressure on developed countries to move into more high-skill areas in order to maintain growth.

3. THEMES AND ISSUES

Sung et al (2006) identify a number of key themes to be considered when comparing sector skills approaches in different countries³:

Incentivising skills training and raising employers' demand for skills.

Different systems make varying use of financial incentives to encourage employers to improve training provision. The Dutch system, for instance, makes use of fiscal measures (see box on right), while the French system depends more upon levies.

Financial incentives are unlikely to be effective, however, unless there is a clear link between employers' needs and vocational education and training provision. In the Netherlands this is achieved by organising college-based training specifically to support the needs of employers, via an employer-led competency framework. Sector bodies also have a role in raising employers' commitment to training and creating a learning culture within their sectors.

Sectoral system effectiveness and political governance.

Sector bodies should align with other components of the overall system, and there should be balance between the various stakeholders. Ashton (2006) contrasts the central position of sector bodies in the Dutch system with the sometimes peripheral one of Sector Skills Councils in the UK. This particularly applies to funding issues: in the UK, other agencies (e.g. the Learning and Skills Council, Regional Development Agencies and Train to Gain) control the use of funds and tend to respond more to government policy agendas than employers' needs.⁴ In addition, two-tier systems of governance (e.g. federal systems like Canada and Australia) create different sets of issues – in particular, there can be conflicts between regional bodies that respond to regional needs and national ones that respond to government policy incentives.

Country example: the Netherlands

In the Dutch system, employers occupy a central position and lead sectoral skills development through Kenniscentra ("Knowledge Centres"). The system brings all key stakeholders together to work towards sector-defined training objectives and uses various financial incentives.

The Kenniscentra have a tripartite structure: employers, workers' representatives and the Government all participate, meaning that the competencies developed have the support of a wide range of stakeholders. This provides the basis of the national vocational education and training framework, placing employers at the forefront of driving national vocational qualifications.

Kenniscentra are responsible for accrediting employers who wish to provide traineeships. Employers who do so receive a tax rebate of 15% of the trainees' wages, which has been an effective financial incentive. Kenniscentra receive substantial government funding but are relatively autonomous. Funding can be supplemented by a levy system to meet urgent short-term needs.

The Dutch system can be seen as one that is genuinely industry-led, that has full stakeholder participation, that provides a clear and coherent qualification system with room for learner choice, and that has the commitment of employers. A number of issues remain, in particular continuing high rates of drop-outs. The compulsory participation age was recently raised to 18 as part of efforts to combat this. It should be noted that this system has developed under a specific political culture where consensus is central. It can nevertheless be seen as one of the best examples of an effective sectoral system.

Reference: Sung et al, 2006

² Raddon, A. and Sung, J. (2006), [The Role of Employers in Sectoral Skills Development: International Approaches](#). Centre for Labour Market Studies, University of Leicester

³ Sung, Raddon and Ashton (2006), [Skills Abroad: A Comparative Assessment of International Policy Approaches to Skills leading to the Development of Policy Recommendations for the UK](#). Centre for Labour Market Studies, University of Leicester

⁴ Ashton (2006), [Lessons from Abroad: Developing Sector Based Approaches to Skills](#), SSDA Catalyst



Social partners' involvement

This concerns not only the involvement of employers and employees' representatives, but also the involvement of small as well as large employers. The engagement of small and medium sized enterprises remains a major issue in many countries.

Sectoral systems and economic development

In some countries, sector bodies have worked strategically across sectors to achieve results in areas of particular value to the national economy, such as the forestry and furniture sectors in New Zealand. Sectoral approaches can also facilitate structural adjustment to economic changes, as seen in Hong Kong's clothing industry, which shifted from low-skill to high-skill in response to competition from China with a key role played by its levy-supported sectoral body.

Performance monitoring

In terms of accountability and good use of funds, some form of performance monitoring of sector bodies is necessary. Experience in some countries (eg France, Quebec), however, shows that it can become bureaucratic and counter-productive.

Research capacity and the changing role of sector bodies

International comparisons show differences in the extent to which sector bodies are able to carry out their own research and to which systems are vulnerable to duplication of effort in this area. A second question concerns the question of leadership, and whether sector bodies restrict themselves to an information function within their sector or as representing the skills element of a wider sectoral vision.

Relationships with skills providers and national qualifications systems

Sectoral bodies have differing relations with qualifications frameworks even within countries. In general, linkages with the qualifications framework can be a useful means to ensure that supply meets demand. Relations with skills providers vary from collaboration to competition, often reflecting the political culture of the country in question.

4. WHAT MAKES AN EFFECTIVE SECTOR BODY SYSTEM?

Drawing on Sung et al (2006), Ashton (2006) concludes that to fulfil their remit effectively, sector bodies should follow six guiding principles:⁵

- **Enable employers to play the key role in identifying skill requirements and designing the competencies required.** In the "employer-involved" model outlined above, employers play a more indirect role in determining competencies. Ashton sees an approach in which competencies are employer-driven, particularly in combination with some control over funding, as the best way to ensure that other involved parties work to the sector's agenda.
- **Secure the consent of employees.** Unions, professional organisations or employee representatives should be involved alongside employers in determination of skill needs.
- **Maximise the use of financial incentives.** This can include statutory payments such as a levy system (e.g. the French levy system), direct government subsidies (e.g. England's Employer Training Pilots), or indirect financial support such as fiscal measures (e.g. the Netherlands' tax refund of 15% of trainees' wages). Such measures can only be effective if they suit the specific institutional and political conditions of the country implementing them.
- **Use government funding of sector bodies to ensure they take into account longer-term government objectives.** While bodies must respond to employer demands, they have to keep sight of wider objectives such as long term economic transitions or responding to social equity issues. In Canada, sector councils were originally intended to become independent of government funding after three years, partly to ensure real buy-in from employers and to reduce perceptions of the councils as an extension of government. In practice, however,

⁵ Ashton (2006), [Lessons from Abroad: Developing Sector Based Approaches to Skills](#), SSDA Catalyst



this objective to achieve self-sufficiency distracted councils from their main mandate, and some level of ongoing government support and involvement was seen to be necessary for building effective partnerships with business and education.⁶

- **Ensure at least some of the funds for public training provision are directed through employer-led sector bodies.** Ashton identifies the most effective sector bodies as those in New Zealand and the Netherlands, where employers were both in a leading role and in control of substantial funding. He contrasts this with Australia, where councils with no control over funding “act as the voice of employers, but whether that voice is heard or not is beyond their control”⁷.
- **Acknowledge and manage the tensions between central and regional government structures.** This is particularly relevant for the UK as it moves to a more devolved system of government. Australia and Canada, both of which have federal systems, have experienced problems with communication and conflict between state councils (which respond to local concerns) and federal councils (which respond to the political priorities of the federal government). In the UK’s increasingly decentralised system, these issues should be properly addressed as early as possible.

Ashton recommends a number of steps governments can take to create effective sector bodies systems:

- **Ensure that the component parts of the system are aligned to the same objectives and that employers are driving it.** Ashton contrasts the system in the Netherlands, where the employer-led *kenniscentra* are an integral part of the vocational education and training system, with that in the UK, where they are more peripheral.
- **Be selective about the use of sector bodies.** Singapore, for example, has chosen to focus its attention on those sectors that are oriented to international markets.
- **Ensure that sector bodies continue to represent real divisions in the economy.** Important sector-based differences in skill demand should be articulated in the vocational education and training system. The UK has a good record in this area, since sector groupings have been defined by employers themselves.
- **Ensure clarity in the functions of sector bodies.** Sector bodies can help develop a strategic business model for their sector, or focus solely on training issues. There are successful examples of both, but a clearly defined role will help sector bodies to be more effective.
- **Ensure complementarity of research and labour market information between the centre and individual sectors.** French experience suggests that a central body providing national, international and cross-sector research and labour market information frees up sector bodies to carry out more focused research.
- **Ensure effective performance monitoring.** Governments should ensure quality control, while minimising the bureaucratic burden placed on sector bodies.

5. THE ROLE OF EMPLOYERS

Ashton (2006) identifies proper employer engagement – that enables them to be the principle drivers of the process – as the single most important element in devising a successful sectoral strategy. Raddon and Sung (2006) argue that four broad types of employer involvement in the system can be identified⁸:

⁶ Watt and Gagnon (2005), *The Skills Factor in Productivity and Competitiveness: Canada’s Sector Councils are Playing a Role*. The Conference Board of Canada

⁷ Ashton (2006), page 4

⁸ Raddon, A. and Sung, J. (2006), *The Role of Employers in Sectoral Skills Development: International Approaches*. Centre for Labour Market Studies, University of Leicester



Type	Characteristics	Examples
Employer-involved	Either: a) Voluntary engagement of employers in sectoral skills debates, primarily via consultation, or: b) Statutory engagement of employers in financing sectoral skills delivery and voluntary consultation	a) UK, Australia, Canada, New Zealand b) South Africa, France, Quebec
Employer-owned	Employer-funded sectoral approach that ties into sectoral skills strategies and needs, as identified by employers' associations and representative groups	No national schemes exist. Sector-specific schemes in Hong Kong (clothing & construction)
Employer-modelled	Best practice models of skills development used to shape training practice within the sector	Singapore
Employer-driven	Either: a) Public vocational education and training system determined by employer demand, or: b) Private partnerships bringing employers together in order to identify and invest in training	a) Netherlands b) USA

The fourth model, whereby employers drive the process and, through sector bodies, have significant control over funding, can be seen as the most likely to create a system that is responsive to industry needs. As highlighted above, however, it runs the risk of losing sight of longer term government objectives and, in particular, any social benefits that might otherwise accrue from improving vocational education and training. This highlights questions of the ultimate goal of sector strategies as well as issues of ownership, funding and responsibility that will ultimately depend on the political culture of individual countries. The Netherlands, for instance, has a long-established tradition of consensus and shared responsibility that enables it to maintain both extensive government involvement in the system and strong industry leadership. For countries without this political culture, such a system may be hard to work in practice.

6. RECOMMENDED FURTHER READING

Relatively little research has focused on the sectoral approach or the role of employers in vocational education and training. Useful further reading includes:

- Raddon, A. and Sung, J. (2006), [*The role of Employers in Sectoral Skills Development: International Approaches*](#). Centre for Labour Market Studies, University of Leicester
- Sung, Raddon and Ashton (2006), [*Skills Abroad: A Comparative Assessment of International Policy Approaches to Skills leading to the Development of Policy Recommendations for the UK*](#). Centre for Labour Market Studies, University of Leicester

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