



Investing in tomorrow's skills today

The CII prospectus for skills

Contents

- 4 The CII's Call to Action
- 6 Foreword
- 8 Introduction
- 10 The Case for Skills
- 12 The Development of Skills Policy in the UK
- 14 The Economic Backdrop
- 16 Simplification & the role of professional bodies
- 22 Education
- 26 Careers advice & work experience
- 28 Life long learning – Supporting those already in work
- 30 Conclusion

The CII is the world's leading professional organisation for insurance and financial services, with over 95,000 members in 150 countries.

We are committed to maintaining the highest standards of technical expertise and ethical conduct in the profession through research, education and accreditation.

Our Charter remit is to protect the public by guiding the profession. For more information on the CII and its policy and public affairs function, including examples of the range of issues in financial services

and insurance that we cover, please see: www.cii.co.uk/policy

Please do not hesitate to contact us: **Daniel Pedley, Public Affairs Manager, Tel: 020 7417 4450, daniel.pedley@cii.co.uk**



Call to action

The Chartered Insurance Institute, the world's largest professional body for insurance and financial services, is a committed supporter of skills development with a long history of involvement in the sector. We believe in the importance of investing in skills training, even during tough economic times.

As the UK undergoes economic and political change there is an opportunity to reassess the approach to the skills question. In this document we set out our thoughts on improving the skills system.

Simplification

The new government needs to streamline the skills system. This will lead to cost reductions and an improved, easier to engage with network.

Stable policy framework

There needs to be an end to constant policy changes – the shifting sands help no one. A stable skills agenda is vital.

Long term goals

Politicians, skills related bodies and employers have to remain focused on long term goals, whilst responding to some short term needs.

Professional bodies

The new government needs to make better use of professional bodies. They have the experience, expertise and employer relationships. Crucially this is at no cost to the public purse.

Education

The new government needs to ensure that the education system provides students with a strong grounding in the basics, such as literacy and numeracy, so that employers can concentrate on developing technical skills.

Careers advice

The new government needs to implement an improved system of careers advice. Employers and other interested organisations need to be involved in order to provide potential recruits with quality information.

Lifelong learning

Employers need to support all employees, not just new recruits. The ever changing and increasingly competitive world means that firms and individuals need to ensure they have the skills to succeed. This is important in rebuilding consumer confidence.

Foreword

We face a critical juncture in the development of skills in the UK.



A strong skills base is the lifeblood of any economy but as the new government and employers alike wrestle with harsh economic realities there is the temptation to cut back on skills related spending. Yet it doesn't have to be that way. It's a question of making what money there is work smarter and harder, so as to deliver economically valuable skills.

Take for example the current skills system – a tangled web of agencies and organisations. Not only is it difficult for employers and individuals to engage with, its bureaucracy consumes large amounts of public money. In addition there are instances where activities are funded which are already performed by bodies which don't cost the exchequer a penny.

Professional bodies like the Chartered Insurance Institute play an important role in the development of skills and provide a whole host of benefits at no cost to the public purse. In these testing times this is something that the new government should not only acknowledge but also utilise.

Governments have a history of not working well with bodies they neither control nor fund. This is a mistake in public policy terms. Perhaps this will change as the Coalition Government talks of building a “Big Society” drawing on the skills of others. Professional bodies certainly fit within this model.

As the world's largest professional body dedicated to the insurance, savings and financial services sector with 95,000 members in 150 countries, the Chartered Insurance Institute takes an active interest in skills issues. We, and similar professional bodies across a whole host of disciplines, have a long tradition and proven track record in providing training and development solutions and meeting the needs of members and the industries we serve.

This year we have published the Aldermanbury Declaration, which seeks to raise professional standards for those working in general insurance, and have launched an initiative, Discover Risk, to attract the best talent to the insurance industry. Both were developed in cooperation with leading industry figures and will benefit the sector for years to come. This is about long term investment.

The issue of skills is a complex one with no silver bullet to deliver future success and prosperity. We face a delicate balancing act of meeting short term needs whilst not neglecting long term goals. Developing a successful skills system is all about partnership. All stakeholders, government, employers, skills organisations and bodies like the CII, have to work closely together to ensure there are policies and a framework in place that best serve our economy and create the conditions for skills to thrive at all levels.

Chris Hanks
President of the Chartered Insurance Institute
July 2010

Introduction

A strong skills base is the lifeblood of any economy – be it one emerging from a recession, as the UK is now, or one at the height of its powers.

It is central to being able to deal with the necessities of today and the challenges of tomorrow. This is why, throughout the economic crisis, the issue of skills has remained at the top of the political agenda. All three main parties' recent election manifestos recognised the importance of skills development. It is no surprise to see skills as a prominent issue for the Coalition Government.

However, building our nation's skills base is not just the responsibility of central government, far from it. Only with a concerted effort and cooperation across public, private and not-for-profit sectors will the UK emerge from the recent recession in a strong state and continue to be a player on an ever more competitive international stage.

Insurance and financial services play an important role in the UK economy both at home and abroad as an income generator. The UK insurance sector employs over 300,000 people nationwide and is the third largest in the world¹. The many and varied roles across our industry require a strong skills platform and ongoing development so as to provide the best outcomes for the public, firms and the economy as a whole. This is why the Chartered Insurance Institute, as the world's largest professional body for insurance and financial services, is committed to supporting the sector in nurturing its talent to realise its potential.

12th UK's 2009 position in World Economic Forum's Global Competitive Index (down from 9th in 2008)²

18th UK's position on education and skills³

312,000 people employed by the insurance industry⁴

£1.5 trillion – the worth of investments managed by the insurance industry

This equates to

21% of the UK's total net worth⁵

The case for skills

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Despite having a more skilled workforce than at any other time in our history, we still lag behind many of our major competitors¹⁰”

Chris Humphries
Chief Executive
UK Commission for Employment and Skills

Employers and individuals are constantly told skills investment is essential – but what is the evidence for this? Research suggests that a one percentage point increase in the proportion of employees trained equates to a productivity increase of 0.6 percentage points. If this were applied to the UK economy the benefit would be £6bn per year⁶.

As well as productivity benefits, a better skilled workforce is in a much improved position to drive innovation and adapt to new technologies and market innovations. Individuals who receive training and development are much more likely to feel valued and have satisfaction in what they do. In addition skills can provide wider benefits such as improvements in health and social cohesion⁷.

Skills are key to economic growth and vital to a UK economy looking to recover from recession. However the UK cannot be thought of as an economy in isolation. Global competition is increasing at a rapid rate and the growth of emerging markets means having the right skills base is more important than ever⁸.

The case for skills investment is a clear and strong one – for the economy and society as a whole⁹, and for firms and individuals. But in times of economic turbulence, skills investment is at risk of being neglected for more urgent tasks, often with a short-term focus.

£80bn net benefit of training over next 30 years should the UK realise its skills ambitions¹¹

12th UK's present position in OECD on high level skills (Level 4 and above). The ambition for 2020 is 8th but current progress would only see us reach 10th¹²

63% of employers see investing in skills as very important to achieving their strategic objectives¹³

The development of skills policy in the UK

The question of the nation's skill levels has always been an important one. But since the Leitch Review of UK skills in 2006 it has gained increased prominence, becoming a top political issue. The report shaped the previous government's policy and investment strategy through stretching targets aimed at making UK skills, at all levels, "world class". International competitiveness was and remains a key driver.

Times have changed since the Leitch report, not least as a result of the economic crisis. Priorities have changed. There is now a call to balance upskilling with reskilling, particularly for the young unemployed. And there appears to be a shift away from a system based simply on qualifications to one focused on employers' needs¹⁴.

Progress is being made on improving our nation's skills but, according to the UK Commission for Employment and Skills (UKCES), not fast enough¹⁵. This will be compounded by the inevitable pressure that will be placed upon the skills budget over the coming years. Tough decisions will have to be made and public money will need to be made to work harder.

At the same time policy makers will need to think smarter, in particular making much better use of relatively untapped but valuable resources that already exist within the skills landscape.

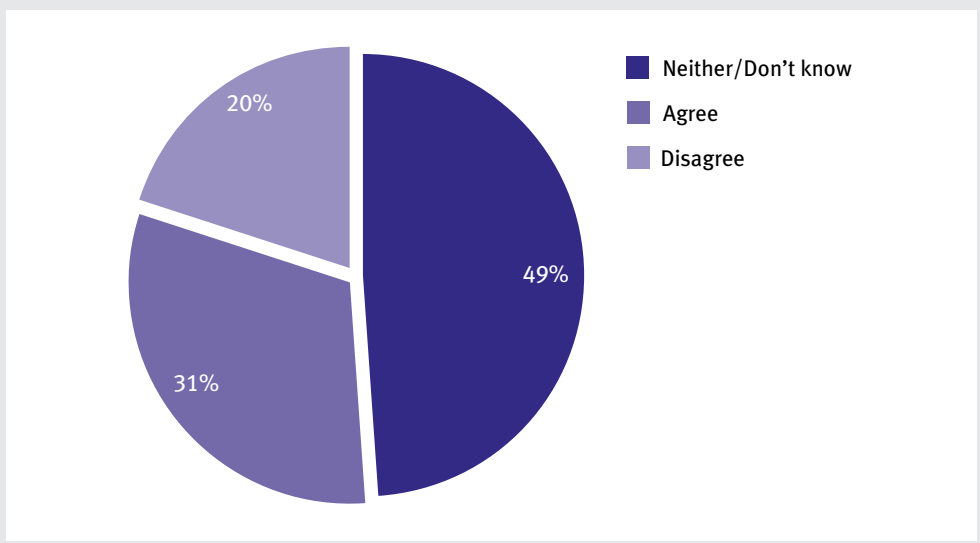
Employers will also need to realise that in this new world they will need to be more actively involved – and that doesn't always mean spending money. It is about engagement and commitment. It is more important than ever that we continue to invest so as to build and improve our skills base. We realise that there is intense pressure on budgets across all sectors and so it is imperative that all those with an interest work together to make best use of the resources available.

£39.2bn Total employer spend on training in 2008¹⁶

£3,050 Average investment per trainee by employers¹⁷

Q: To understand the attitudes of the Industry towards training and skills levels, will you please indicate how strongly you agree or disagree with this statement: **If we carry on as we are, by 2020, skills levels in the UK are in danger of being left behind.**

(CII Membership Skills Survey 2009. Sample size: 2562. www.cii.co.uk/surveys)



The economic backdrop

Investing for the future

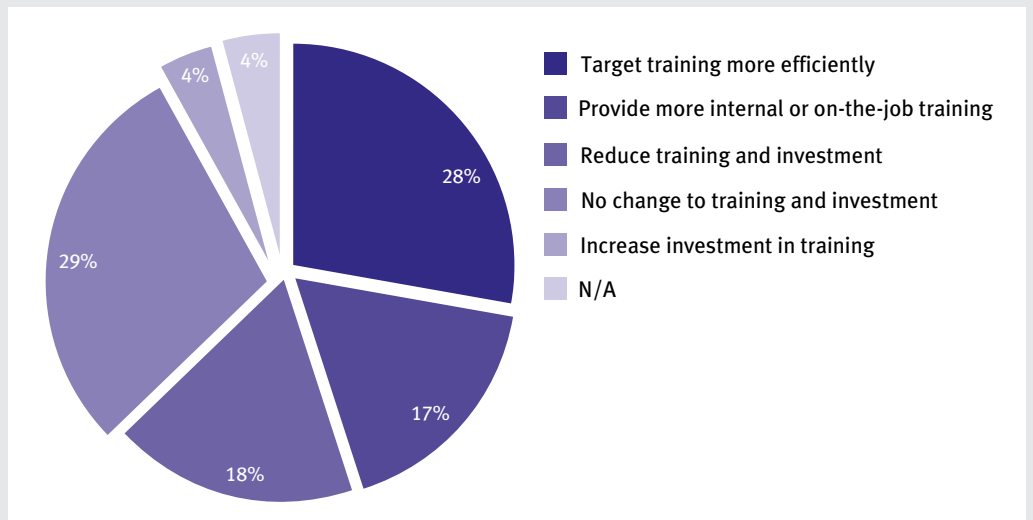
We call for the government and employers to continue to take the long term view when it comes to skills development.

We will support our members and employers to do this and will remain an advocate of the UKCES' approach to this issue.

As testing economic circumstances continue, firms' budgets are inevitably being squeezed. Training and development is often hit first as firms look to make spending reductions. However there is evidence that the insurance and financial services sector is not simply taking the easy option and cutting training budgets to make a quick saving. Employers are taking a long term view, learning key lessons from previous recessions by continuing to invest in training in order to put themselves in a better position for the future. Two thirds of our members agree with this sentiment, and over three quarters say that they will not be reducing investment in training despite the difficult economic situation. Developing the workforce in this difficult climate is one of the biggest challenges facing employers¹⁸.

It is not just firms' budgets that have been hit hard. The size of the UK deficit means that the new government will have to cut its cloth accordingly. We realise that there will be funding readjustments but hope that whatever measures are taken they do not have a negative impact on future prosperity. Public money needs to work harder and smarter and not be wasted on bureaucracy and duplication. We believe it is right that employers and the government of the day continue to take a long term view of skills development. We will continue to support our members and employers in achieving this and will remain an advocate of this policy.

Q: What impact will the current economic climate have on your plans to invest in training and development of your staff (in general terms)?



(CII Skills Survey 2009)

Simplification & the role of professional bodies

“

**...excellent
employer
relations enjoyed
by professional
bodies put us at a
distinct advantage
compared to
a number of
publically funded
bodies**”

Over the coming years public finances will inevitably be squeezed and skills funding will be no exception. However, savings are there to be made from the current system. The question facing decision makers will be how to make money work more intelligently.

One way of doing this is making much better use of organisations and expertise that already exists within the skills landscape. Professional bodies play an important role in the development of skills and have done so for many years. The Chartered Insurance Institute, for instance, was founded in 1873 and has a proud tradition in the field of skills development.

In launching its plans for a “Big Society” the Coalition Government acknowledged that it cannot fix every issue and that it will draw on the expertise of others. Professional bodies are a natural fit for this model.

The unique nature of professional bodies means that we are close to both our members and employers, and as a result able to marshal the opinion of large parts of our industry. Indeed the excellent employer relations enjoyed by professional bodies put us at a distinct advantage compared to a number of publically funded bodies.

We at the CII find that many of our members are sceptical of engaging with what they see as quangos – believing they are serving the government’s agenda and not that of employers. One such quango is the Financial Services Skills Council (FSSC). In the past it has been subject to criticism and the CII is working in partnership with it to improve its engagement with the insurance sector. This is through the cost effective use of our General Insurance Faculties which provide a way of engaging directly with employers and specialists.

“ The skills system is labyrinthine and there are a plethora of bodies duplicating one another’s work²¹ ”

Ralph Hartley
Policy Exchange

“

...it seems clear the wide range of organisations involved and the complex funding and qualification arrangements can be a deterrent to getting more involved with government programmes²³”

Nigel Snook
Education Executive
Chief Development International (EDI)

Recognition of the role of Professional Bodies

We are calling for greater recognition of the role played in the skills landscape by professional bodies. We bring a wealth of experience and expertise at no cost to the public purse – and have the confidence of our members and employers.

Professional bodies' specialisation enables us to offer detailed knowledge and insight into specific areas that others cannot. We have an intimate knowledge of our sector and our people have extensive experience of working in insurance. This enables us to develop skills services and solutions that employers want. And it is not just in the UK that bodies like the CII are well respected. There is demand through Africa, the Middle East and Asia for us to help shape their skills agenda and deliver training solutions.

Of most importance in tough financial times, professional bodies exist at no expense to the public purse. We are funded by our members and this support has been sustained over many years. If we were not doing our job then customers would simply go elsewhere.

The issue of funding is of particular interest when it comes to replication. A report by the think tank Reform found that publicly funded bodies were duplicating work undertaken by professional bodies. Surely that public money would be better spent elsewhere?²²

“ Sector Skills Councils sometimes duplicate roles that trade and professional bodies take on. In sectors such as financial services, for instance, a number of bodies already exist that provide effective guidance on career progression and professional development.”

Reform
Mobile Economy

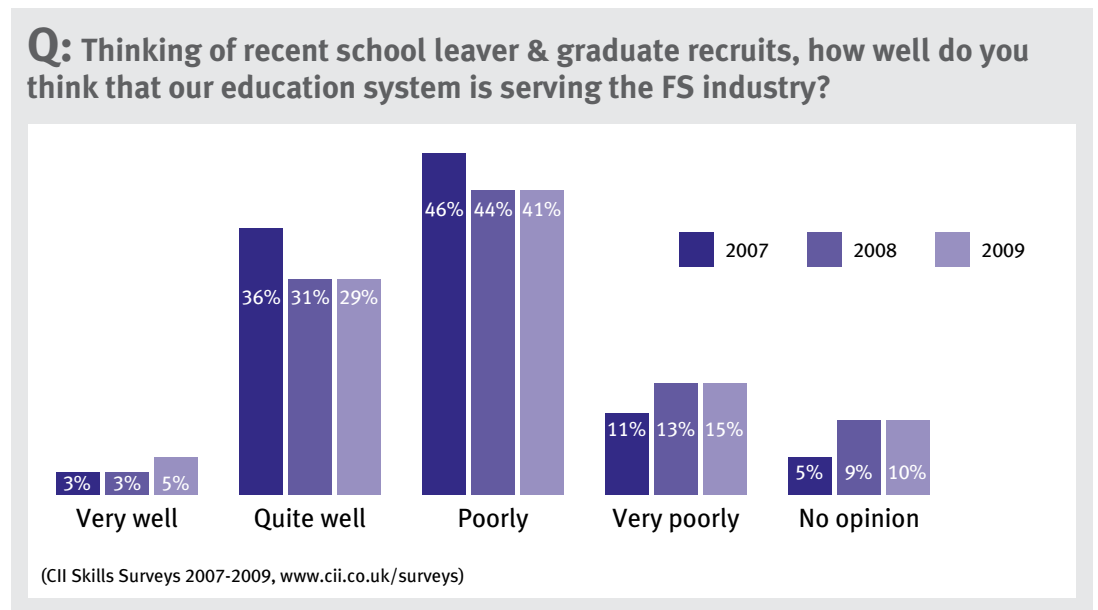
Despite the valuable job done by professional bodies in developing the skills of the workforce they are often overlooked by decision makers. Indeed mentions of professional bodies in government papers and consultations are the exception rather than the rule. Professional bodies have a lot to give in terms of experience and expertise and also offer the taxpayer fantastic value for money, as well as being in many ways the constant within a landscape that is forever changing. Policy makers need to draw upon our know-how. Only then will they begin to make savings whilst at the same time providing a good level of service and support.

Education

Quality of new entrants

We call for an improvement in the basic and soft skills of those leaving education. To help achieve this there needs to be a partnership between employers and education establishments to develop courses with elements relevant to the world of work.

To secure the future prosperity of the UK in the face of increasing international competition, our education system has to provide young people with the grounding to achieve success as well as produce individuals with the basic skills employers are crying out for²⁴. Common feedback from employers is that basic skills, such as correct grammar, accuracy and attention to detail, are important in the world of work. However our own skills survey shows a consistent concern amongst employers within insurance and financial services that the education is failing to deliver these essentials (see chart below). We have found over half (56%) feel the system does not adequately meet their needs. In addition there are often complaints from employers that they are required to provide remedial literacy and, or numeracy training before being able to offer technical training²⁵.



We believe there has to be an improvement in the quality of basic skills (i.e. literacy & numeracy) and employability skills (e.g. time keeping and teamworking) of those leaving education. This would enable employers to concentrate on developing technical skills. To achieve this end collaboration is key, with employers articulating what it is they are looking for from education (and in some cases providing practical support) and the government tackling literacy and numeracy.

Part of the solution lies with vocational and professional learning and qualifications. They can provide a viable alternative to university and provide individuals with employability skills and valuable work experience. In some cases, like the Apprenticeship in Insurance, they include professional qualifications which provide a valuable first step to building a successful career. There are those who prefer to enter the world of work rather go to university and they need to have access to good quality provision that provides them with the vital skills and qualifications that our economy requires.

“

We have to step up our game in making sure that our children have...not only the right academic skills but the right employability skills that they need and the skills that the employers actually need.”

Sir Mike Rake

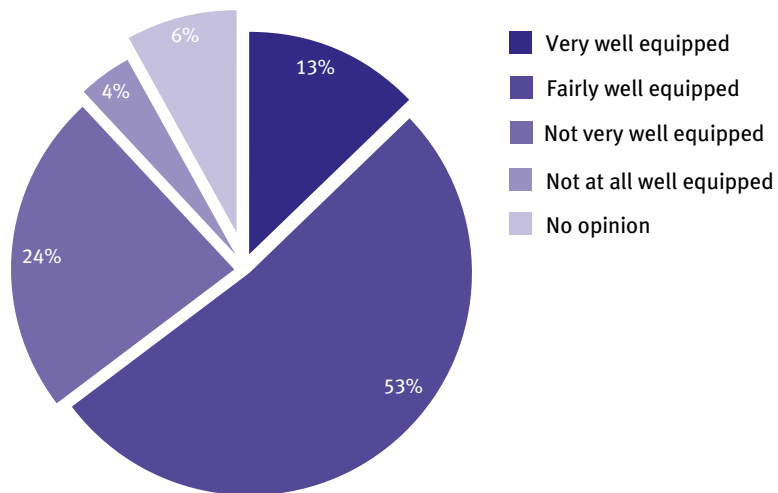
Chair UK Commission for Employment and Skills, Feb 2010

80% Employers who believe that apprenticeships have helped raise the overall productivity of their organisation²⁶

70% Number of employers who want to see the new government make employability skills of young people its top education priority²⁷

52% Number of employers who have to provide basic skills training to new recruits²⁸

Q: In terms of skill levels, how well equipped in basic communication, numeracy and literacy, would you say people are joining the industry today?



(CII Skills Survey 2009)

“ Employers aren't prepared to fund training to help develop the skills that they see as a basic requirement for employment.”²⁹

Learning and Skills Network
Employability skills explored

Careers advice & work experience

Improved careers advice

We call for an improvement in careers advice for all – be they in education or looking to change career.

To support this we as an industry need to engage with those who provide information, advice and guidance. This engagement can take a number of forms from supplying information to giving presentations or running sessions on careers in our sector.

Good quality careers advice supports individuals when making decisions about their futures and helps them in managing and developing their careers. Careers advisers are often the first port of call for those considering their options and we have found that almost two thirds of young people access this form of help³⁰.

The problem is that the general system of information, advice and guidance (IAG), be it in schools or universities, is not sufficient. Earlier this year the Institute of Career Guidance described careers advice as “patchy and inconsistent”³¹ and that as a result young people are not developing the necessary knowledge of the labour market. This has been supported up by CBI figures which show over a fifth of employers are concerned about graduates’ limited awareness of careers³².

We welcome the Coalition Government’s willingness to consider addressing the issue of careers guidance and hope that this important component of the skills debate is not neglected as a result of constraints on public finances. Improvements would lead to students making better informed choices about courses, qualifications and career paths – all of which would benefit employers and the country as a whole.

Yet the provision of good quality careers guidance is not simply the responsibility of government. Employers have to play their part and build stronger links with education establishments. This could be through the provision of information about their particular sector or direct student-to-practitioner contact via presentations and interactive workshops. Evidence shows that increased employer involvement in this area can lead to improved chances of being able to attract high quality applicants.³³

Industry-led schemes can be successful. The CII is actively involved in promoting careers in insurance at a number of levels – including supporting firms to get involved. We recently launched a new website, Discover Risk (www.discoverrisk.co.uk), as a follow up to our 2006 award winning Talent initiative³⁴. The site explains the insurance profession to a wider audience than has ever been done before and is being supported by a large number of employers within our industry. We urge more to follow suit.

As well as providing information to students, the CII continues to provide practical support to employers large and small through careers presentations in schools and universities, the promotion of insurance graduate schemes and work experience opportunities, and guidance on what makes a good placement.

61% Number of university students who said a work placement had influenced their career³⁵

59% Number of employers who say university engagement helps them attract high quality graduates to their organisation³⁶

Life long learning – Supporting those already in work

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It is my hope that we in the insurance industry could demonstrate that we held firm to the commitment to ensure that our people at all levels possess the skills to deliver a professional service to our customers.”

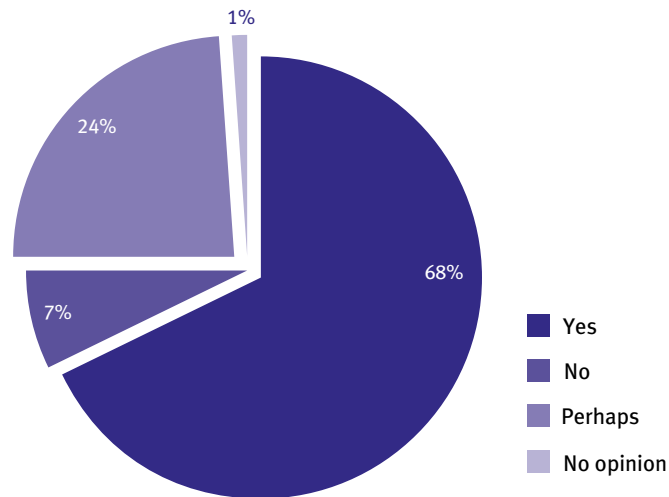
Andrew Torrance
Chief Executive, Allianz Insurance

The key to future success is not simply a question of being able to attract the best ‘new’ talent. Developing those already in work is just as vital. After all around three quarters of the 2020 workforce is already in place³⁷.

Learning doesn’t stop with the awarding of a qualification, be it a degree, apprenticeship or professional qualification – it is important to ensure that knowledge and skills are up-to-date. The world of work in 20 years’ time will bear little resemblance to the one we see today. Professional development and learning activity are a central and ongoing part of any successful career. Keeping abreast of technical and market developments helps individuals perform effectively, and satisfy regulatory obligations. Above all it demonstrates a commitment to maintaining professional standards.

Employers need to provide the opportunities and environment to allow employees to develop their skills and expertise. We discussed earlier the need for the government not to lose sight of long term skills goal and the same goes for employers too. Though economic conditions continue to prove difficult employers should resist the temptation to cut training investment. Our members agree (see below) that investing during a downturn does place you in a better position when the upturn comes³⁸.

Q: Do you believe that investing in training and development now (i.e. during the downturn) will help firms to be better placed in a recovery?



(CII Skills Survey 2009)

The benefits go beyond improved corporate performance and better individual career prospects. A profession that can demonstrate it is committed to continuous professional improvement is also much more likely to have the confidence of the public. We carried out research into rebuilding trust in financial services and respondents were overwhelmingly in favour of a long term commitment to improving professional standards³⁹.

The CII and leading general insurance figures recently launched the Aldermanbury Declaration setting out a framework for professionalism which includes training, qualifications and Continuing Professional Development for general insurance. A number of leading insurance companies have already pledged their support. In formalising such a framework we are sending a message of reassurance to consumers that we are committed to maintaining the highest standards, through the development of our people. The success of this initiative will result in a more trusted profession.

Conclusion

The world has changed considerably since Lord Leitch published his influential report into the UK's future skills needs – we have experienced the worst recession in generations, are witnessing a fragile recovery and have seen a change of government. As a result budgets, both in the public and private sectors, have come under immense pressure and many have questioned whether the Leitch vision is still relevant.

Though there are short term needs that need attention, especially the question of striking the right balance between upskilling and reskilling, it is vital that we are not distracted from the long term goal world class skills.

International competition is intense and will only continue to increase, the pace of technological change is rapid, rules and regulations are constantly updated and consumers are, quite rightly, demanding higher levels of professional and ethical standards. For the UK economy, and the insurance industry in particular, to meet these challenges the commitment and investment to improve and develop skill sets and skill levels is essential – whether it be from the government improving levels of literacy and numeracy, employers engaging with education institutions and providing placement opportunities, or the CII supporting the industry to nurture its talent to realise its full potential.

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“One of the biggest challenges for business over the next ten years will be how to build, retain and make the most of knowledge and experience in the workforce while finances for training are restricted, there are major changes in the make-up of the population available for work and individuals’ expectations of work continue to evolve. Businesses will refocus their approach to training and development.”
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The Chartered Insurance Institute 42–48 High Road, South Woodford, London E18 2JP
tel: **+44 (0)20 8989 8464** email: customer.serv@cii.co.uk website: www.cii.co.uk

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