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ABSTRACT

A case study approach was used to analyze the commercial training markets for further education (FE) colleges in Sheffield, England. The following aspects of training supply and demand in Sheffield were examined: regional employment market (occupational structure and economic outlook); size, value, and segmentation of the training market; competitive position of the region's FE training sector; and strategic capability of the FE sector. It was concluded that Sheffield's political and social environments are such that FE colleges are likely to experience continuing pressure to compete successfully in the training market. Medium and large companies were determined to offer the best market opportunities for FE colleges. The process model developed for analyzing commercial training markets included the following steps: define scope/purpose of analysis; collect labor market information; develop generalized models of training behavior; analyze/segment market, analyze training industry structure and competitive position; identify strengths/weaknesses; select markets, objectives, and strategies; and conduct surveys of key market segments. Contains 38 references and 16 figures. Appended is a comparison on 4 data categories: standard industrial classification; training in Britain industry groupings; training in Britain summary groupings; and training provision. (MN)

The Staff College

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by Dr Paul Martinez

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Coombe Lodge Report

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Editor: Pippa Toogood

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Preface

Over the last 20 years there have been dramatic changes in the employment and training structures of 'GB plc'. Service sector employment has displaced jobs in manufacturing; white collar, skilled and knowledge-based occupations have replaced blue collar and unskilled professions; industrial training boards, apprenticeships and training levies have largely become things of the past. Market forces and concepts of efficiency and value for money have assumed ever greater importance in the public sector, not least in education. Finally, and by no means least, there is a substantial consensus that education and training have been neglected, require new emphasis and are important to the national good. Witness the substantial support from national and local government, business and trades unions and educators for the CBI's proposals for 'World targets for education and training' now rendered into National Education and Training Targets (NETTs).

Given these developments, it is surprising that so little analysis has been done on commercial training markets in terms of the trends in training behaviour by business, the structure of the training market (the demand side), or of the composition and nature of the training industry (the supply side).

The paucity of research is unhelpful at the national level and may reflect the absence of a training strategy beyond deregulation, tax incentives for individuals and the removal of barriers to training. At the college level, however, it creates a serious problem. The most elementary principles of responsive planning, product design, portfolio management and promotion can have little application unless colleges have some idea of the markets they intend to serve, their competitive position, where they hope to get to and how they propose to get there. The absence of analysis and information become all the more critical as the longer-term implications of operating as independent businesses in the newly incorporated sector work themselves through.

Aside from inexperience, the greatest barriers to progress in this area are probably employer reticence in disclosing potentially sensitive information, the resource costs of data collection and analysis and uncertainty about the benefits or payback to the colleges. The intention, therefore, of this report is to identify the robust, simple and inexpensive method of market analysis based largely on readily available public sources. The particular focus is a case study of the Sheffield regional commercial training market.

ACKNOWLEDGEMENTS

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ABOUT THE AUTHOR

Paul Martinez is a staff tutor at The Staff College. He is part of the college's curriculum management and marketing teams. Paul's previous experience includes four years spent lecturing in various universities and five years working for Sheffield LEA. He was successively principal benefits officer. marketing director and education officer (tertiary programme and planning) for Sheffield LEA. Paul joined The Staff College in December 1992.

Chapter 1

Background and introduction

WHY IS THIS SUBJECT IMPORTANT FOR COLLEGES?

In view of the continuing discussion about the mission and underpinning values of not-for-profit and public sector organisations of which the further education (FE) sector forms a part, it is necessary to ask whether the commercial training market is particularly important.

The answer must be in the affirmative for a number of reasons. Throughout the 1980s, the Government expressed the view that colleges had lost touch with employer requirements, were inflexible, unresponsive, and that their provision was lagging behind commercial and technological development (Employment Department 1984, Hall 1990, Coopers and Lybrand 1985). Colleges were successively encouraged, cajoled and coerced to change their ways through the introduction of the PICKUP (Professional Industrial and Commercial Updating) initiative, technical re-equipment particularly in new technology areas, the introduction of the requirement on local education authorities (LEAs) to develop work-related further education planning processes and plans, investment in new learning and training methods based around the workplace assessment of competency and the devolution of decision-making powers from LEAs to college governing bodies with a significant and statutorily defined employer membership. This process culminated in the introduction of incorporated college governing bodies with statutory training and enterprise council (TEC) representation and a majority of business/industrial governors.

Alongside this process, the Government moved towards the creation of a market in vocational education and training through a succession of training initiatives culminating in the present youth and adult training schemes managed by the network of TECs and funded by the Employment Department. Although in some areas FE institutions became the largest if not the monopoly suppliers of training, in many other places a combination of political ambivalence on the part of elected members, unresponsiveness on the part of colleges and political inclinations on the part of the Training Agency, led to the development of a flourishing private sector training industry supplying initial training for which colleges had previously been virtually the sole suppliers.

The incorporation of colleges takes this process a stage further. While the precise mechanisms for the allocation of funding in England, Wales and Scotland are still evolving, it is clear that they will reward efficiency, penalise colleges with relatively high unit costs and distribute resources on the basis of some sort of standard unit of resource. The funding councils have signalled their intention to see substantial growth in student numbers at the same time (in England at least) as a decline in the value of units of resource.

Finally, the national application of training credits for all 16 and 17 year olds will effectively subject all publicly-funded part-time vocational provision for 16 and 17 year olds (whether in YT or not) to the discipline of the commercial training market. Despite some rather equivocal evaluation of the training credit pilots the Employment Department seems reasonably satisfied with the operation of this scheme and continues to anticipate its extension to other age groups. In this context, while full entry into the commercial training market is not compulsory, colleges are being strongly steered towards this area of activity. Indeed, the Scottish Office Education Department is formally requiring colleges which it funds to 'offer an extensive range of short courses of the PICKUP type' (SOED 1993).

Another major factor which promotes participation in commercial activity is the change within the market for training. The economic recessions of the early and late 1980s, combined with government training policy, exacerbated the long-term decline in traditional approaches to the training of apprentices and other long-term trainees. Between 1964 and 1989, the number of apprentices and long-term trainees in the manufacturing industry, for example, fell from 390,000 to 88,000 (Employment Department 1990a). Between 1970 and 1984 across all industrial sectors, the number reduced from over a million to just over 634,000 (Employment Department 1990a). This long-term structural change appears to be continuing with the onus on initial and foundation training being placed more and more firmly on the public sector. The main disadvantage of such provision, from an employer's point of view, is that it generally takes place over long periods of time and involves considerable expenditure on apprentices and long-term trainees in terms of 'unproductive' staff time. The market-place, therefore, invites increasing activity by colleges in the offering of shorter, more intensive and more commercial training packages.

A further major factor is a general reconsideration by colleges of their missions and the emphasis placed on this activity by the new funding bodies. Partly in response to the pressures mentioned – to the perceptions that college provision might be lagging behind changes in industrial, technical and business practices – and partly in the context of arguments about the mission and values of publicly-funded education, voices in colleges have been raised in favour of increased participation in the commercial training market. Two main lines of argument can be identified. The declared exponents of a business-like approach to education and training wish to expand commercial activity for its own sake. In an alternative view, purely commercial motives are secondary to the need to develop improved quality, a more modern curriculum and more competent and skilled staff. In this second view the discipline of the market-place is seen as a powerful means to achieve these ends.

WHAT CAN WE LEARN FROM THE LITERATURE?

Marketing theory has not been applied or developed in any significant degree to this aspect of colleges' activity. This bold statement requires some elaboration. Marketing is a relatively well-established branch of Anglo-American business studies, with its own institutes, body of theorists and applied research, extensive literature and dedicated journals. Within this general corpus of work, however, the marketing of commodities has tended to be the dominant area of interest at least until comparatively recently. There are only a limited number of general texts, therefore, which are specific to the marketing of services (**The marketing of services** by Cowell 1992, for example). A smaller subset of this literature is focused on marketing issues specific to not-for-profit (primarily an American mode) or public sector (the British mode) marketing. Finally, there is a small body of specialist writing on the marketing of education (see The Staff College 1993).

The strengths of this literature can be summarised briefly. Work on services marketing extends the theoretical propositions developed in relation to the marketing of commodities and demonstrates that there is a core of generalisations and techniques applicable to both sectors. However, there are crucial differences of emphasis between the two areas. The marketing of service products has certain key features which distinguish it from the marketing of commodities:

- intangibility;
- consumer participation in the production process;
- overlap of production and distribution;
- perishability;
- variability;
- greater client uncertainty and post-purchase evaluation.
  (Lovelock 1990 and Cowell 1992)

The British literature on public sector marketing, however, has a rather different focus which suggests a relative lack of maturity in this area. Without exception, authors feel compelled to make the case for the applicability of marketing principles in relation to these organisations (see, for example, Scribbins and Davies 1989). This provides an indication of the currency of the debate which continues in colleges between proponents and opponents of commercialisation who tend to define themselves as managerial realists on the one hand and upholders of the tradition of public service on the other. Nevertheless, the argument has been useful in that it has focused attention on specific features of public sector marketing:

- ambiguous goals;
- lack of agreement on the relationship between means and ends;
- financial constraints;
- multiple publics and stakeholders;
- culture of 'we know best';
- often monopoly suppliers;
- tight constraint by legislation.

Turning to the specialist literature on the marketing of education, this is quite rich in the UK. This is partly due to the thrust of the government policy outlined above and partly due to the importance assigned to this activity by bodies such as The Staff College. The writing tends to fall into three main types. There are general texts emanating mainly from authors associated with The Staff College which apply and to a degree reinterpret, general marketing propositions for colleges (see, for example, Theodossin 1989). A second strand is mainly preoccupied with the underpinning values and beliefs of education and contains the sort of arguments touched on above (Scribbins and Davies 1989 and Leyland 1986, for example). Finally, there is a smaller body of work, mainly in the form of journal articles, which discusses and to some degree evaluates actual practice (see The Staff College, 1993, for a bibliography).

The college sector in the UK has an annual turnover of some £3 billion, and yet the body of marketing literature is surprisingly small. When one looks at the total volume of published material produced by The Staff College, the Further Education Unit (FEU), the National Institute of Adult Continuing Education (NIACE), PICKUP and similar bodies, which have received substantial government funding to promote college responsiveness and align them more closely to their markets, the lack of attention to commercial marketing is striking. The predominant focus is on the content of the curriculum and processes of curriculum development. In other words, the literature has, in the main, a product or process orientation rather than a market orientation; it starts with the existing product and offers action plans, case studies and check lists concerning the search for new markets and the increased differentiation of the curriculum content and processes to those markets. What it generally fails to do is to start with a consideration of the potential market demand.

Attempting to generalise about a small but diverse body of literature, three broad conclusions may be drawn. First, marketing theory has a great deal to offer in terms of the strategic management of activity and the development of a market or customer orientation. Particular marketing practices, including marketing research, market segmentation, portfolio management, the utilisation of competitive positioning techniques as aids to decision-making, the development of marketing information systems and control and evaluation mechanisms are all highly relevant. Second, the ultimate weakness of the specialist literature reflects and i conditioned by the current practice of FE colleges. It is, in the main, concerned not with marketing strategy, but rather with marketing as a discrete and narrowly-defined function at the periphery of college managerial activity. Corporate image, publicity materials, press releases, exhibitions, student evaluation surveys, liaison with existing customers tend to dominate discussions of marketing within a college context. It is not, therefore, accidental that the works which do address the issue of marketing strategy in considerable detail and with some success tend to emanate from outside the British tradition of writing (Kotler and Fox 1985, for example). Third, and finally, no serious work has yet been undertaken in respect of commercial training markets for colleges.

WHAT DO WE WANT TO ACHIEVE IN THIS STUDY?

The study sets out to achieve the following objectives:

- to establish a viable (i.e. low cost) methodology to identify and analyse commercial training markets;
- to provide a case study in the analysis of commercial training markets for the college sector; and
- to identify opportunities for (and threats to) the development of commercial training activity in colleges.

In order to achieve these aims, the chapters which follow discuss the following in the context of the case study:

- the scope of the market;
- the size and value of the market;
- market segmentation;
- characteristics of different segments;
- trends in the market-place;
- the competitive position of colleges within the training industry;
- strategic options; and
- methodological conclusions.

GENERAL CONSIDERATIONS

This report concentrates on the analysis of markets and opportunities. It is beyond its scope to discuss implementation strategies, cultural change, barriers to implementation, operational details and resource allocation.

The structure of the study is as follows. Chapter 2 examines available research, notes the limits of such work in terms of quantity and quality and proposes the analytical methods employed in this study to generate useful data. In Chapter 3, base data are established for the industrial and occupational structures of the region under discussion, together with some information concerning trends. Chapter 4 works from the base data to provide estimates of the volume and value of commercial training activity and a preliminary segmentation of the market by industrial sector. The remainder of the chapter provides further segmentations by company size, occupational category and type of employee. The structure of the local training industry is analysed in Chapter 5 and related to the competitive position of colleges. Strategic options for colleges are outlined in Chapter 6 and the concluding chapter contains some brief reflections on methodology.

Chapter 2

Sources of information and research methodology

WHAT CAN WE LEARN FROM EXISTING RESEARCH?

There is an almost complete absence of marketing research in FE such as one finds in respect of financial, business support or advertising services markets. Such direct research as exists on commercial training markets essentially comprises a number of limited surveys conducted by bodies with a distinct interest in the research outcomes. Thus, research tends to be structured by the desire to sell consultancy and/or direct training courses or obtain further research contracts. For the purposes of this report, such research is of limited value since it tends to concentrate on a small number of large companies which, by their size and sophistication, may be unrepresentative of the mass of employers. The one exception to this general observation is an elaborate study published in 1988 (**Training in the UK**, Personnel Today 1988). Unfortunately, even this study which originally retailed at a hefty £275 is limited in its survey base (no companies with less than 100 employees are included) and might be criticised in its methodology. Although the survey data are of some indicative value, there is conflict between its conclusions and those of **Training in Britain** (Employment Department 1989a); those of the latter are preferred.

The only extensive research conducted on UK training markets in the last 10 years was done on behalf of the (then) Manpower Services Commission. The published report, **Training in Britain** (Employment Department 1989a), contains a reasonably comprehensive survey of employer activities nationally and a series of more detailed studies of training markets in a number of different areas.

However, even this research must be treated with a certain amount of caution. First, it was not the intention of the authors to analyse commercial training markets as such. It is a broad description of employer training activity in which commercial markets are discussed by implication insofar as employers buy-in their training. Moreover, **Training in Britain** appears to have been constrained by the agenda of the Government. Research parameters were constructed in such a way as to validate the Government's contention that vocational training was (and should be) led by employers. This has already caused controversy since the optimistic note struck in the research concerning the degree of investment in training has been challenged by the Labour Party (**Training Digest** 1990a). Where **Training in Britain** is of particular use is that it contains a rigorous analysis on a relatively broad survey base of employer perceptions, volumes of training activity, value of training costs as expressed by employer and sourcing of training broken down by industrial sector, employer size and type of employee trained.

Further sources of research are the labour market reports produced by TECs and LECs. These are somewhat variable in quality but generally contain useful localised updates of changes in employment by industrial sector, skills shortages and some local information on training activity.

Outside of these two main types of source material, there is virtually nothing. The annual Labour Force Survey conducted by the Employment Department is of limited value in that it surveys recent employee training experiences but does not distinguish the source, type, value or duration of training.

For the purposes of this report, the most useful additional research is not focused on training activity as such but is collected as part of the Government's monitoring of the economy. This research comprises the census of employment (a triennial national survey of employers) which contains detailed analyses of trends in employment by industrial sector and company size, broken down by planning region. This is complemented by local data on occupational structure compiled on the basis of census data, local surveys and labour market information reports referred to above.

This brief survey of readily accessible research materials would not be complete without reference to the Skills and Enterprise Network. Supported by Employment Department funding, the Network produces a variety of useful materials which summarise, disseminate and draw attention to relevant research.

HOW CAN AVAILABLE RESEARCH DATA BE UTILISED?

In an ideal world, we would be able to refer to detailed surveys of customers and other suppliers, at levels appropriate to college markets, whether local, regional or national. However, as can be seen from the discussion above, these are not readily available.

The method adopted and exemplified here is to make use of all available materials rather than initiate such surveys. This approach has the merits of low cost, speed and relatively secure data. Insofar as more specific and detailed information is required from commissioned surveys, the approach demonstrated in this report could provide a first stage of desk research which would clarify and inform the requirements and conduct of direct surveys.

Essentially, this method marries the two different sorts of material: the national data on training behaviour, patterns of activity and expenditure (derived mainly from **Training in Britain**) and local and regional labour market and other information concerning volume of employment, employment by industrial sector, company size and occupational group.

Using several sources of available data, a robust model of the commercial training markets may be derived. This in turn can help a college or group of colleges to cross-reference and cross-check sources of information and to make reasonable inferences about changes over time.

Having introduced the broad approach adopted here, it is pertinent to observe some of the limitations and problems inherent in the information sources and the ways these have been addressed in the study. First, although the **Training in Britain** survey is the most comprehensive ever undertaken in Britain, it is limited by the size of the sample: some 1600 senior managers and 2000 other persons involved in the delivery of training. Wherever possible, the survey material has been validated against information from other sources; notably the annual Labour Force Survey. Second, a parallel survey of 500 employers and 92 providers in six local labour markets suggests that national data must be handled with some care. This study examined conditions in Cardiff, Derby, Ipswich, Livingston, Sunderland and London and suggests that there are significant variations in training patterns and behaviour in different parts of the country, amounting to what can be described as different training cultures.

Third, the 1986–7 survey has not been followed up by comparable work and national data are thus weak in terms of their ability to identify trends. There is some evidence, moreover, that the training market expands and contracts with economic fluctuations. Unfortunately, the absence of longitudinal studies means that it is not possible to forecast the effects of the economic cycle and the present recession on training, with any degree of accuracy.

Wherever possible recent survey data have been used to infer changes in the market over time. These data sources are, however, sometimes incomplete. The data in **Training in Britain** require further analysis for technical reasons. Throughout the presentation of their data, the authors preferred an 18 category breakdown of industrial activity or a 10 category summary of industrial activity to the conventional 10 categories of the Standard Industrial Classification (SIC). Only SIC data are available locally. This has meant the recalculation of some of the data from **Training in Britain** to make it compatible with local information. The three sets of categories are set out in Appendix 1, together with a breakdown of conventional categories of training (using the training occupational classification – TOC). The main practical effect of reconciling SIC and **Training in Britain** information is to move elements of SIC 9 into a category broadly equivalent to SIC 6 in the national data with a consequent degree of mismatch between national and local statistics.

Having stated these notes of caution, reasonably clear estimates can be generated concerning the size, nature and value of local commercial training markets. Where **Training in Britain** figures have been recalculated, this is indicated. This analysis is undertaken in the following two chapters.

WHAT IS THE SCOPE OF THIS STUDY?

Available anecdotal and qualitative information strongly suggests that for most colleges, commercial training comprises a relatively small part of their activity, and is largely directed towards local or regional markets. In this respect, The Sheffield College which is the subject of this case study is reasonably representative of the sector in that commercial activity in the national and international markets is quite small. On the other hand, it is clear that the commercial training market is not limited to the geographical area of the local authority district. For these reasons, the geographical focus of the study is the sub-region comprising South Yorkshire and North Derbyshire.

Commercial markets are defined here as training provision which is designed to produce an operating surplus (i.e. a profit) taking into account all direct and indirect costs. This point is important since well over 90 per cent of college funding is currently drawn from one or another public sector source. This creates considerable scope for subsidised provision such as the day release courses. On the other hand, it is this market which appears to be declining relative to the growth of the commercial market for training.

The last issue of scope relates to the nature of the intended markets themselves: do they comprise private individuals or businesses? The markets under discussion here have been defined as business markets, on the basis of a number of assumptions. The price of training which really does generate a surplus is likely to be prohibitive to the vast majority of individuals unless they are sponsored by their employers or can offset fees against business expenses or potential future earnings. Furthermore, college missions in relation to equal opportunities imply a commitment to maintaining a remission policy in respect of individuals' fees. Thus it will generally be courses leading to graduate or post-graduate qualifications and clear career progression routes which are likely to be sufficiently attractive to gain a share of this limited market. In the case study area Sheffield Hallam University and the University of Sheffield have a virtual monopoly of such courses.

WHAT DEFINITIONS ARE USED IN THIS REPORT?

The following definitions have been taken from **Training in Britain**:

- training is the process of acquiring knowledge and skills related to work requirements by formal, structured and guided means;
- training is designated 'off-the-job' if a trainee leaves his/her workplace to receive training;
- on-the-job training occurs where a trainee is receiving instruction at the normal place of work during which little or no useful output is produced with the objective of learning or enhancing specific skills.

Training costs comprise three major elements:

- direct costs associated with off-the-job training including payroll costs for both trainees and in-house trainers and expenditure on equipment and fees to third party trainers;

- direct costs associated with on-the-job training including payroll costs for trainees and trainers; and

- other expenditure and income including costs of support staff, premises costs, levies and grants.

From this model of costs, the two models of training markets can be constructed. There is, first, the training which is purchased through the operation of a market in training provision. The market is constituted by purchasers (employers) and providers, which include colleges, HE institutions, private sector training organisations and in-house training establishments which offer training externally to this market. The second, and it might be inferred much larger potential market, comprises the training which companies source internally. The value of this *potential* market is represented by the cost of the provision of training internally: the payroll costs of in-house trainers, training management and support staff, costs of equipment and premises. The value of both actual and potential markets should exclude the payroll costs of the trainees themselves since these are opportunity costs and do not reflect directly on the value of the market (although they may well be relevant from the point of view of the selection of one or another mode of training).

Customer loyalty, inertia and a reluctance to change supplier are all greater in respect of industrial as opposed to consumer markets and in respect of markets for services rather than markets for goods (see Lovelock 1990, for example). There is no information in **Training in Britain** concerning the propensity of employers to change their supplier. The analysis in the following chapters generally reinforces the view that these two markets operate separately. The first is relatively small but growing and gives rise to competition largely on the grounds of quality and reputation. The second is much larger but far more difficult to penetrate as the competition will ultimately be between an external supplier and in-house provision, where market considerations may well operate imperfectly if at all.

SUMMARY

There is no obvious source of research on the local market for commercial training, and available national surveys are subject to a number of limitations. In order to generate reliable estimates and analysis of the training market, the method proposed here is to apply generalisations about training behaviour nationally to base data concerning the industrial and occupational structures of the local region. Generalisations about training behaviour nationally are derived mainly from the **Training in Britain** survey but can be checked against data from other sources, notably the Labour Force Survey.

Chapter 3

The regional employment market in Sheffield

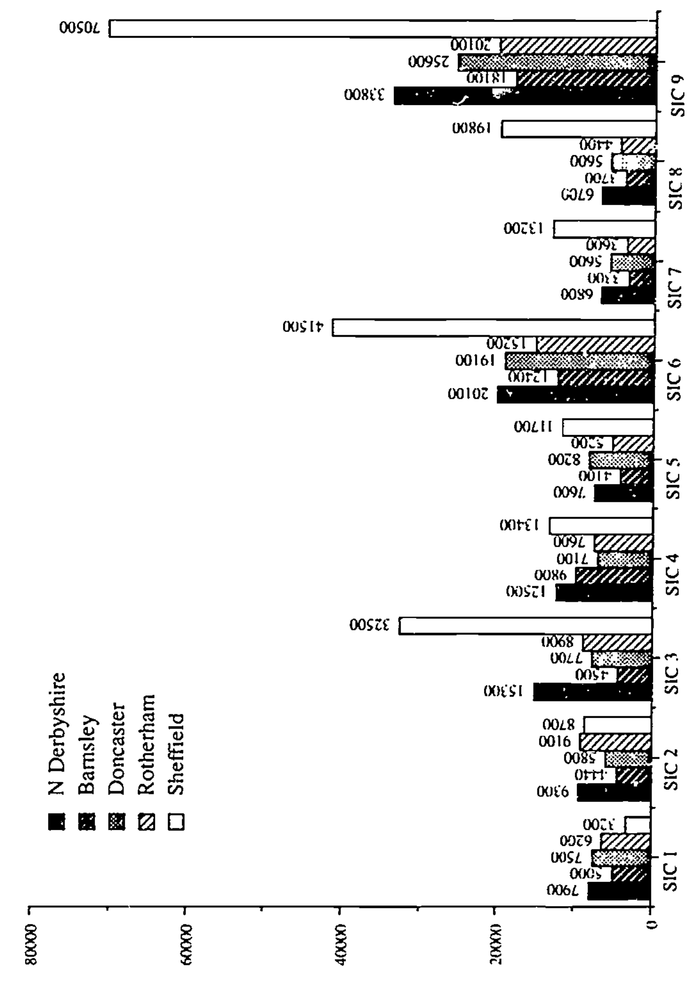
Given the proposed methodology, it is important to establish some base data concerning employment in Sheffield and the region. **Figure 1** sets out the estimated size of the labour force and the number of persons in employment.

Figure 1: Size of the regional labour force

	Labour force '000s		*In employment '000s*	
Sheffield	272	(1981 est.)	214.7	(1989)
Rotherham	127	(1981 est.)	80.3	(1989)
Barnsley	100	(1989 est.)	65.4	(1989)
Doncaster	129	(1989 est.)	92.2	(1989)
N Derbyshire (Bolsover High Peak, NE Derbyshire and Chesterfield)	171	(1991 est.)	120.1	(1989)
Total	799		572.7	

Source: Local TEC labour market surveys.

Figure 2: Employment by industrial sector in N Derbyshire, Barnsley, Doncaster, Rotherham and Sheffield (1989)



Source: Local TEC labour market surveys

Employment is not equally distributed across industries. **Figure 2** shows employment in the five districts by standard industrial classification.

This is not a static picture. Figures from the Yorkshire and Humberside region bear out national trends in terms of a long-term transfer of employment away from extractive and manufacturing industries and into service sector employment. Between 1971 and 1990, employment in mining and manufacture decreased from 880,000 to 560,00. By the year 2000, it is expected to decline further to 430,000. Service sector employment in Yorkshire and Humberside currently stands ar around one million and is expected to increase by some 10 per cent by the end of the decade (Employment Department 1992b). Detailed trend figures for Sheffield, which provides 37 per cent of all the case study regional employment, are set out in **Figure 3**.

Trends in Sheffield between 1984 and 1989 show a dramatic decrease in employment in primary sectors (SIC 1 and 2), growth against regional and national trends in SIC 3 (engineering), a counter-to-regional decline in transport and communication (SIC 7) and strong growth, as expected, in banking and finance (SIC 8).

SIZE OF COMPANY

One of the key determinants of recruitment and training behaviour in companies is their size. Available data confirm anecdotal evidence that employment in Sheffield is more concentrated in smaller companies than might be predicted from national trends. **Figure 4** shows the share of the employment population by company size and broad industrial classification in Sheffield, and compares this with national data.

Information about trends is not available for the local region. It may be inferred from national data that a growing proportion of employees will work for small companies. On the other hand, the fact that over 60 per cent of employment in Sheffield is already concentrated in such companies may mean that this process is unlikely to develop further. Nationally, under 50 per cent of all employees are employed in companies of less than 200 employees. In terms of the relative dynamism of companies, national research suggests that the overwhelming majority of small firms (under 50 employees) do not anticipate fast growth – indeed the majority are not seeking to grow at all. This finding is reinforced by a separate study which demonstrates that while net job creation is higher among

Figure 3: Employment structure 1984-89 (Sheffield travel to work area)

Sector (1980 SIC)	*1984*		*1987*		*1989*		*1984-89*	
	No	*%*	*No*	*%*	*No*	*%*	*No*	*%*
0 Agriculture, forestry, fishing	658	0.3	722	0.3	na	na	na	na
1 Energy, water supply	9,262	3.9	6,920	3.1	3,200	1.5	-6,062	-65.5
2 Extraction/m'facturing minerals/metal	18,529	7.9	10,484	4.8	8,700	4.1	-9,829	-53.0
3 Metal goods/vehicle industries	30,554	13.0	35,289	16.0	32,500	15.1	1,946	6.4
4 Other manufacturing	14,901	6.3	14,228	6.5	13,400	6.2	-1,501	-10.1
5 Construction	11,776	5.0	11,599	5.3	11,700	5.4	-76	-0.6
6 Distribution/hotels/catering/repairs	47,152	20.1	40,204	18.3	41,500	19.3	-5,652	-12.0
7 Transport/communications	15,618	6.6	12,602	5.7	13,200	6.1	-2,418	-15.5
8 Banking, finance, insurance, leasing etc.	16,091	6.8	17,181	7.8	19,800	9.2	3,709	23.1
9 Other services	70,494	30.0	70,843	32.2	70,500	32.8	6	0.0
Total	235,035	100	220,072	100	214,500	100	19,877	-8.5

Source: Employment Department 1984, 1987, 1989b

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the smallest companies (1–24 employees), the most sustained growth (following an abrupt decline 1982 to 1984), has been in companies with 50 or more employees (Gallagher, Daly and Thomason 1990).

Figure 4: Employment by broad industrial sector and company size

	Sheffield								*Great Britain*			
	0-24		*25-199*		*200+*		*All*		*0-24*	*25-199*	*200+*	*All*
SIC	*No*	*%*	*No*	*%*	*No*	*%*	*No*	*%*	*%*	*%*	*%*	*%*
0–4	9362	4.6	21648	10.7	26524	13.1	57534	28.4	4	7	21	32
5	3932	1.9	5213	2.6	1189	0.6	10334	5.1	1	1	2	5
6–9	41081	20.3	45103	22.3	48323	23.9	134507	56.5	8	7	48	63
Total	54375	26 8	71964	35.6	76036	37.6	202375	100	13	15	71	

Sources: Bannock and Daly 1990, Sheffield TEC 1990b

OCCUPATIONAL STRUCTURE

SIC categories give an imperfect measure of demand for training because a wide variety of different types of training are subsumed to the main industrial activities of the company. In particular, this tends to disguise demand for training in occupations involving administrative, business and clerical skills which are common to all industries.

In terms of broad occupational groupings, managerial and professional occupations now account for some 31 per cent of all employment; clerical and other non-manual occupations for 23 per cent; craft and similar manual occupations for 16 per cent; and personal service and other manual occupations for around 28 per cent (Employment Department 1990c). The 1989 data conceal a number of recent trends. Between 1984 and 1989 there was a sharp decline in the employment of unskilled manual workers and a rapid increase in managerial/ professional employment (up by 17 per cent). Clerical and other non-manual occupations also increased (up by 13 per cent) and there was a small rise in the employment of craftsman and supervisors (up by four per cent). Forecast trends between 1989 and 2000 suggest continuing strong growth in the first broad occupational grouping and an absolute decline in the others (except for the personal services sub-sector of the personal and other manual broad occupational grouping).

Figure 5: Distribution of employment by occupational group

Occupational groups	*SIC 0-4*	*As % of total*	*SIC5, 6-9*	*As % of total*
Managers/professionals	2,396	6	21,319	22
Scientists, engineers technologists	1,064	3	3,876	4
Technicians	1,345	4	2,537	3
Foremen/supervisors	1,915	5	2,810	3
Office staff	4,096	11	16,391	18
Sales staff	1,426	4	6,158	7
Personal service and security staff	492	1.5	5,203	5
Skilled manual	7,163	18	5,284	6
Semi-skilled and unskilled manual	16,725	43	17,858	19
Trainees and apprentices (excl. YTS)	1,047	3	1,525	2
Others	222	0.5	9,416	10
YTS trainees	412	1	904	1
Total employees	38,303	100	93,281	100

Source: Sheffield Training and Enterprise Council (1990b)

There are considerable differences between the occupational structures of industrial and manufacturing industries on the one hand, and in service industries on the other. The annual CALLMI (computer aided local labour market information) surveys (1986–90) were conducted on too small a sample size to infer detailed trends within the Sheffield labour market. **Figure 5** shows the percentage of employees in different occupations averaged over the four year period, in the Sheffield area.

Specifically, it can be seen that managers and other professionals, office staff, personal service staff and other occupations predominate in the service sector; while skilled, semi-skilled and unskilled manual staff are found predominantly in the manufacturing sector.

REGIONAL ECONOMIC OUTLOOK

At the time of writing it seems that the UK economy is beginning to emerge from a deep recession. Although the impact of national trends on the local economy is difficult to measure, there are a number of indicators which suggests that the local region may be subject to further relative decline in the medium- to long-term. A study conducted on behalf of the European Commission (University of Louvain 1989) suggests that the region runs the risk of becoming increasingly marginalised within the European economy. Specific areas of structural weakness include:

- a low ratio of GDP per head of population despite a relatively healthy position over Yorkshire and Humberside as a whole;
- over-reliance on traditional industries;
- the lowest concentration of high-tech businesses in Sheffield of any major UK city;
- insufficient applied research and linkages between research and local businesses;
- poor communications and peripheral location exacerbated by the shift in the focus of European economic growth to Germany;
- lack of head office location in the region and consequent low status as a centre of decision-making.

Indicators of local weakness are reinforced by survey data which suggest that relatively few local businesses were preparing for the single European market. Indeed, the majority of companies were apparently unaware of the threat of European competition in their domestic or local market. In Sheffield, only 22 per cent of companies surveyed by the Sheffield TEC were actively preparing (although engineering companies were demonstrably more active), while in Barnsley and Doncaster the figure fell to 15 per cent (Sheffield Training and Enterprise Council 1990b).

SUMMARY

The overall size of the labour market in the region is expected to grow slowly if at all in the next decade. There will be a continuing shift in employment away from manufacturing towards service sector employment, although the engineering and manufacturing sectors locally have out-performed their sectors on a national basis. There is unlikely to be an appreciable further shift in the balance of employment towards smaller companies. Within occupational sectors, there is likely to be continued growth in managerial, professional, technical and clerical and administrative employment and a continuing decline in semi-skilled manual employment and a slower decline, or possibly even relative growth, in craft and skilled manual employment. On the basis of this information, some realistic estimates can be made concerning the volume and value of commercial training in the region and the possible segmentation of the commercial training market.

Chapter 4

The size, value and segmentation of the training market

HOW MUCH TRAINING IS BEING DONE?

Training in Britain estimated that, on average, employees received seven days of training in 1986/7. Overall, the volume of on- and off-the-job training was approximately equal. Employees who were trained received an average of 14.5 days of training. The remaining 52 per cent of the workforce received no training at all (Employment Department 1989a).

The national survey revealed some variations in training behaviour by regions. Employees in Yorkshire and Humberside who were trained received an average of 15.8 days of training – slightly above the national average – but employees were less likely to be trained. Only 41 per cent of the total employed workforce received training, against the national average of 48.3 per cent (Employment Department 1989a).

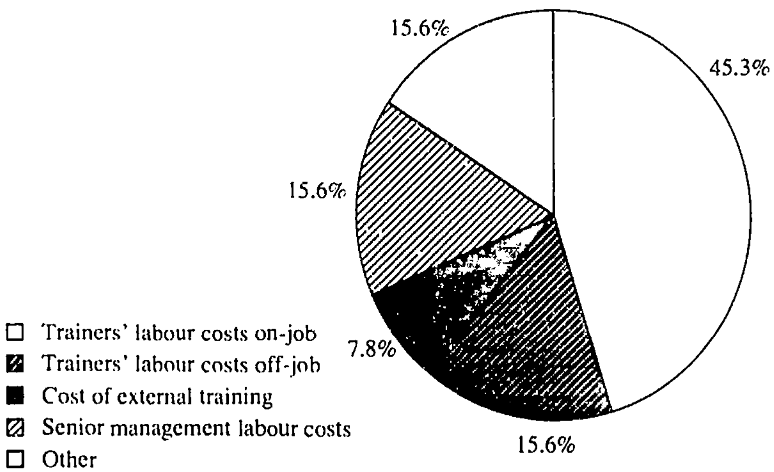
The data from **Training in Britain** are in line with that generated by the larger Labour Force Survey. The latter suggests that there is a continuing trend towards an increase in training since the number of employees who reported participation in training in the previous four weeks rose from 11.8 per cent to 15.4 per cent between 1987 and 1990, although the figure dropped in 1991 and again in 1992 to around 13.4 per cent (Employment Department 1992a). For this reason, it has been assumed conservatively that the volume of training has grown by no more than 10 per cent between the date of the **Training in Britain** survey and the present time. On this assumption, the current annual number of days of training in the region would be approximately 4.3 million, of which 1.65 million days would be delivered to Sheffield employees.

HOW MUCH IS THIS TRAINING WORTH?

The total value of bought-in training, in other words training purchased from external sources in a commercial training market, was £606 million in 1986–7. This is only a small fraction of the cost of in-house provision which amounted to £2.747 billion (off-the-job), £4.158 billion (on-the-job) and £1.75 billion (other costs). All figures are net of grant and other income. These figures exclude the labour costs of trainees since these are opportunity costs and do not reflect on the size of training market (Employment Department 1989a).

Figure 6 illustrates the relationship between different elements of cost. The value of externally sourced training only amounts to 7.8 per cent of the total, while the cost of in-house training amounts to just over 60 per cent, and senior management costs to around 16 per cent of the total. To put this another way, the value of in-house internal training is around 12 times greater than the value of the commercial market in which colleges compete to provide training places (Janes and Roberts 1990, Employment Department 1989a).

Figure 6: Elements of training costs (%) excluding trainees' labour costs



HOW DOES TRAINING ACTIVITY VARY BETWEEN INDUSTRIAL SECTORS IN THE SHEFFIELD REGION?

By reworking the national data generated by the 1986–7 survey against regional data from the 1989 census of employment **Figure 7** has been prepared to show the total number of employees, percentages of employees training, total training days, training days per employee and total training days per trainee, across nine SIC categories.

The picture that emerges demonstrates considerable variations in training activity between different industrial sectors. Thus, construction (SIC 5) has the lowest incidence of training (i.e. the percentage of employees trained) while banking/finance/insurance (SIC 8), retail and distribution (SIC 6), other services (SIC 9) and energy and water supplies (SIC 1) have the highest. When we look at the density of training (i.e. days of training per employee), however, the picture changes somewhat due to the relatively high number of training days per employee in certain sectors. Finally, if industries are ranked according to the intensity of training (i.e. days of training per employee), engineering (SIC 3), construction (SIC 5), banking/finance/insurance (SIC 8) and other services (SIC 9) are top of the list, while retail and distribution drops back because of the low number of training days per trainee. Transport (SIC 7) and process industries (SIC 4) score fairly low in all areas. This picture is broadly confirmed by information from the Labour Force Survey (Employment Department 1990c). By building up the picture of local training by industrial sector, we arrive at a total number of training days (1986–7) of around 3.9 million split roughly equally between on- and off-the-job training. If we assume that training activity has increased by 10 per cent, this would give us a current regional activity figure of some 4.3 million days of training.

HOW MUCH IS THIS TRAINING WORTH BY INDUSTRIAL SECTOR?

Before drawing any conclusions about the attractiveness of any part of the training market, we need to examine the available information about the value of different market segments. National data from **Training in Britain** have been recalculated from the 10 summary industrial categories employed in that study to the nine SIC categories for which local labour market information is available (Employment Department 1989a, 1990a).

Figure 7: Volume of regional training by industrial sector

SIC	No. of employees (000s)	% of employees trained	Total training days total (000s)	Total training days on-job (000s)	Total training days off-job (000s)	Training days total	Training days on-job	Training days off-job	Training days per trainee Total
1	29.8	64.0	208	95	113	7.0	3.2	3.8	10.9
2	37.3	47.7	190	93	97	5.1	2.5	2.6	10.7
3	68.9	38.4	455	172	283	6.6	2.5	4.1	17.1
4	50.4	32.0	197	106	91	3.9	2.1	1.8	12.3
5	36.8	24.4	213	70	143	5.8	1.9	3.9	23.7
6	108.3	55.9	736	477	259	6.8	4.4	2.4	12.1
7	32.5	39.7	127	62	65	3.9	1.9	2.0	9.8
8	40.2	51.5	322	177	145	8.0	4.4	3.6	15.5
9	168.1	56.1	1462	672	790	8.7	4.0	4.7	15.5
Total	572.3	n/a	3910	1924	1986	n/a	n/a	n/a	n/a

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Figure 8: Value of regional training markets

SIC category	*Number of employees* '000s	*Average cost of training per employee (inc. salary costs) £*	*Average cost of training per trainee (inc. salary costs) £*	*Average external fees per employee £*	*Total costs by industrial sector inc. salary costs £000s*	*Total external fees by SIC £000s*
1	29.8	723	1131	44	21,545	1,311
2	37.3	637	1336	30*	23,760	1,119
3	68.9	649	1691	38	44,716	2,618
4	50.4	494	1545	30*	24,898	1,512
5	36.8	714	2923	31	26,275	1,141
6	108.3	836	1515	23*	90,539	2,491
7	32.5	478	1204	22*	15,535	715
8	40.2	1198	2328	64	48,160	2,573
9	168.1	927	1654	32	155,829	5,379
Total	572.3	-	.	.	451,257	18,859

* Recalculated and estimated from **Training in Britain** data.

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Applying generalisations from **Training in Britain** to regional information on employment by industrial sector, **Figure 8** suggests that the total value of training, including the salary costs of trainees in the region, is around £450 million (1986–7 prices). If trainee labour costs (36 per cent) are excluded, this would fall to £289 million. The annual value of the external training market, however, is only £18.9 million. If we assume a 25 per cent increase in cost inflation since 1986/7 (i.e. five per cent per annum, offset by some savings in efficiency) and an across the board increase in training activity of 10 per cent, we can calculate the current value of training in the region as £361 million (internal training, excluding trainee labour costs) and £26 million (external training fees).

Within the industrial sector categories, there is considerable variation with SIC 8 (financial services), 3 (engineering) and 1 (extraction and energy) spending a relatively large amount in external training fees per employee. SIC 9 (public sector and other services) by its weight in the employment market comprises the largest external training market. SIC 5 (construction) trains relatively few employees quite intensively; SIC 7 (transport) is by far the smallest market for training whether internally or externally resourced. SIC 6 (retail and other personal services) comprises a large market for external training but resources the great majority of its training internally.

Within the category of external fees, valued at £26 million, will be a proportion of fees which are currently spent on day release in the region's tertiary and further education colleges. **Training in Britain** estimated that the average cost per day of off-the-job training in a college was £9. Since the prescribed rate for day release courses is currently less than this figure we must assume that some elements of commercial training were included. For present purposes, therefore, we use the current price per day as the actual cost of day and block-release courses per day. The 1989 Labour Force Survey concluded that 28 per cent of employees who received off-the-job training in the previous four weeks did so in a college of further education (Employment Department 1990a). This figure is broadly in accordance with the 20 per cent estimate recorded in **Training in Britain** (Employment Department 1989a). By splitting the difference and assuming that 25 per cent of off-the-job training is provided by colleges, the number of days training they provide would amount to some 540,000 at a cost of £2.7 million. This would mean that after excluding low cost (i.e. subsidised) further education provision from the calculation, the commercial training market in the region is worth around £23.3 million in current prices.

WHAT SIZE OF COMPANY SPENDS MOST ON TRAINING?

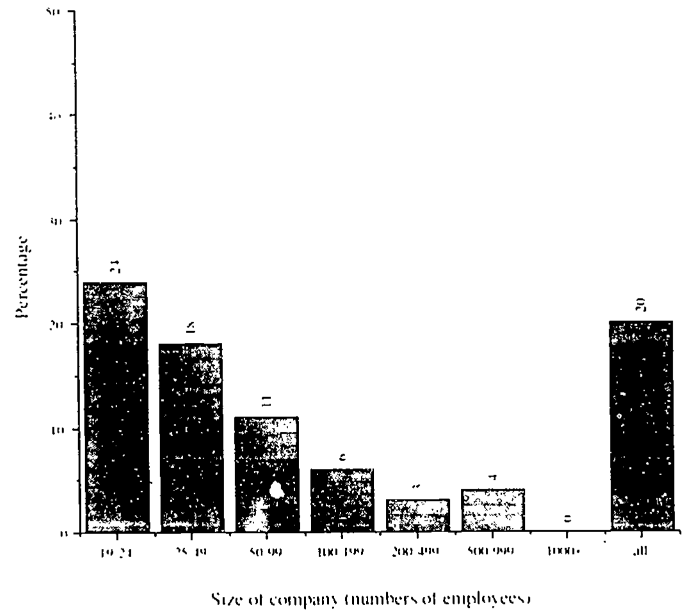
There is a clear pattern of the cost of the delivery of training – it is higher in smaller establishments. The average cost per employee in establishments with less than 100 employees in 1986–7 was £848, while the cost in establishments with more than 100 employees was £666 or less (Employment Department 1989a). These figures include the salary costs of trainees.

This pattern is largely a reflection of the higher non-labour costs in the smaller companies. Non-labour cost per employee can be as high as £442 per employee in establishments with 10–24 employees; this figure falls to around £250 per employee in establishments with 100 or more employees.

Two conclusions may be inferred from this. First, large establishments probably achieve economies of scale in the delivery of their training. Second, the decline in non-labour costs may be attributable largely to the lower managerial costs incurred in larger establishments. Such costs fall from around a quarter of all costs (including labour costs) in organisations with 10–24 employees to only two per cent of all costs in the largest establishments (1000+ employees) (Employment Department 1989a). The same pattern emerges from a consideration of the size of enterprises including all their establishments. The other noticeable feature about the cost structure of training is the high expenditure in the largest establishments (and organisations of which they may form a part), on the delivery of training through dedicated training facilities. Such organisations incur 19 per cent of their total costs through the use of such facilities. In most cases, these facilities must be on-site, as these larger organisations deliver very low levels of their training off-site: only three per cent of the days of training they provide.

The final element which completes this picture is a consideration of the volumes of training undertaken by organisations of different sizes. It has long been supposed that large companies train more than small ones. **Training in Britain** (Employment Department 1989a) provides empirical evidence that qualifies this view somewhat. **Figure 9** shows that around one-quarter of establishments in the size band 10–24 employees undertake no training at all. The percentage of non-trainers falls sharply as establishment size increases, and reaches zero in establishments with more than 1000 employees.

Figure 9: Establishments that do not train their employees



What is perhaps surprising is that if non-trainers are excluded from the calculations, establishments of all sizes train roughly the same percentage of their employees and provide almost as many days training per employee. Approximately 40 per cent of employees were trained and an average of six days of training per employee was undertaken (Employment Department 1989a).

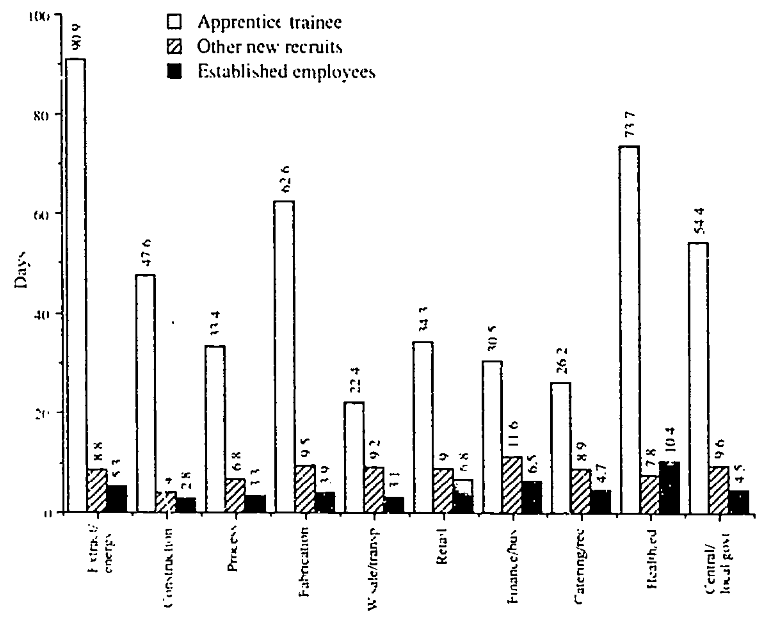
To summarise, in terms of the value of the training which is bought under competitive conditions, the largest market is composed of the largest establishments and organisations. On the other hand, the high cost of training internally for small companies means that there may be scope for colleges to penetrate a difficult but potentially very large market by encouraging such organisations to buy-in their training. In the medium- to long-term, this may well be the more lucrative market for colleges and their competitors.

WHAT SORT OF EMPLOYEES HAVE MOST MONEY SPENT ON THEM?

It seems plausible on first principles that the volume of training and the value of training markets may be skewed towards new employees, apprentices or towards management. The evidence from **Training in Britain** suggests that training activity is indeed concentrated on these three elements of the labour force.

Figure 10 shows that the population of some 650,000 apprentices and long-term trainees covered in the survey receive overwhelmingly more training than other new employees or existing employees. This figure uses the summary industrial sector categories employed by **Training in Britain** (Employment Department 1989a) which are set out in Appendix 1.

Figure 10: Training by industry (summary) and type. Total days of training per employee



Other data suggest that each apprentice or long-term trainee receives on average five times as much training as other new recruits and over eight times as much as existing employees (Employment Department 1989a). Moreover, if we concentrate on off-the-job training, which is the market most accessible to third party trainers, the ratio is increased to 11 and 15 times respectively (Employment Department 1989a). Data concerning the average length of training received by trainees merely reinforce this view; apprentices and long-term trainees are overwhelmingly trained off-the-job and receive considerably more days of training than other new recruits or existing staff. This picture can further be refined by reference to patterns of training disaggregated by the grade (or type) of employee. For the purposes of this calculation, the following broad occupational groupings, derived from **Training in Britain**, are employed :

- management and other professional staff;
- other non-manual/office staff/sales representatives;
- personal services and other manual staff;
- skilled or semi-skilled manual staff.

Using this four-category breakdown of occupations/grades, we can examine training behaviour in further detail. The health sector, which places a strong emphasis on training, does so largely through the training of management and professional staff. The construction industry, by contrast, trains a small proportion of its workforce intensively, and devotes training effort largely to its skilled and semi-skilled workforce. Education, to take another case, trains a reasonably high proportion of its workforce but does not train particularly intensively; much of the training in the education sector is concentrated on management and professional grades (Employment Department 1989a).

More general inferences can be drawn from these data. The private service sector (transport/communications/wholesale/retail/finance/banking/catering/personal services) stands out by providing similar levels of training to all types of staff. Private manufacturing and the public sector (the other 12 categories combined) show a much wider dispersal of training levels across grades. In the private manufacturing sector (broadly SIC 1–4) employers devote much of their training to skilled and semi-skilled staff. This may reflect the high proportion of training given to apprentices in these sectors. The private manufacturing sector is also notable, along with the public sector, for providing lower levels of training to the personal services/other manual grade staff, than in the private service sector. This picture is confirmed by data from the Labour Force Survey (Employment Department 1990a).

Management/professional, skilled manual and clerical and selling broad occupational groupings are far more attractive commercial markets than the personal services and other manual grouping. This arises from four considerations First, **Training in Britain** suggests that the average external fees and expenses in the first three categories are £130, £34 and £73 respectively, compared with £10 for the fourth group (1986–7 prices). Second, management, skilled manual and clerical/sales occupational groupings receive on average more days off-the-job training than the personal service and other manual occupational grouping (5.5, 3.7 and 3.1 days of training per employee respectively, compared with 1.3 days of training per employee). Off-the-job training is by definition more likely to be bought from an external provider. Third, trainees in the management/professional and skilled manual occupational groupings receive on average 63 and 53 days of training respectively, compared with 37 days for the other two occupational groupings. The one major qualification is that if the training to managerial and professional occupations is disaggregated, managers actually receive less training than some other occupational groups (Employment Department 1989a). Fourth, the projected growth in the different occupational groupings to the year 2000 is overwhelmingly in favour of the professional and managerial group.

Linking the estimates of the value of external fees to the size of broad occupational groups within the region, some rough and ready estimates can be made of the proportion of the £23.3 million commerical training purchased in respect of different groups of employees.

The proportion of commercial external fees accounted for by personal services and other manual occupations is only some five per cent. The percentage of fees paid in respect of craft and skilled manual employees is 18 per cent. Clerical and selling occupations account for around 13 per cent. The lion's share of external fees is generated by the managerial and professional grouping, however, which comprises over 60 per cent of the total.

IS THE MARKET GROWING?

In the absence of any comprehensive follow on study to **Training in Britain**, this question is difficult to answer. There is no shortage of surveys which announce authoritatively that retraining is the answer to skills shortages (**Training tomorrow** 1989a), that 22 per cent, 55 per cent or 59 per cent of companies are planning to increase expenditure on training (**Training digest** 1990b, **Training**

tomorrow 1989b, **Training magazine** 1989), that 50 per cent of employers are proposing to offer improved training as a recruitment incentive (**Training digest** 1990c), 85 per cent of companies agree that skills training is the greatest single influence on staff retention (**Training digest** 1990d), or that training expenditure has risen by 33 per cent in three years (Graham 1989).

On the other hand, **Training in Britain** (Employment Department 1989a) was far less sanguine, concluding that:

> Overall, changes planned by employers in their training are mainly concerned with in-house provision and greatly increased use of the training market is unlikely...

In general, plans to increase spending were being made by only 2.3 per cent of the sample. Among the geographical areas studied in detail, few employers in Derby, which resembles Sheffield in the significance of traditional engineering, were planning to make any changes at all to their training practices (Employment Department 1989a).

On balance, it seems reasonable to suppose that there may be a long-term trend for a slow year-on-year increase in training activity. Between 1984 and 1992 the number of respondents in the Labour Force Survey who stated that they had received some training in the previous four weeks increased from around nine per cent to a little over 13 per cent. Some of this reported increase may be due to increased diligence on the part of the surveyors, some to an increased formalisation of training (i.e. 'sitting-next-to-Nellie' is now classified as training) and some to the (subjectively) increased profile of training in recent years. It is reasonable, based in the data, to make an estimate of market growth of around 2.5 per cent per year on average.

The precise impact of the present recession on training activity is not clear. On the one hand, a number of commentators have drawn attention to survey material which seems to suggest that training activity has not been affected. Equally, and in the absence of company-supplied data, cynics have suggested that the main effect of the new emphasis on human resource management and development is that respondents are too embarrassed to admit cutbacks in expenditure. The Labour Force Survey does, however, provide hard evidence of a reduction in activity.

Given the preponderance of in-house training as compared with expenditure on external providers, the following working hypothesis is suggested. In the long-term, an annual growth rate averaging perhaps 2.5 per cent will assert itself; in the short-term condition of recession, although overall expenditure on training will not be significantly affected, fees and expenses in respect of the commercial training market are likely to be reduced.

SUMMARY

Around 4 million days of training are delivered to employees each year in the Sheffield region. There are effectively two different training markets; training that employers obtain from external providers such as colleges and that which they provide internally. Even excluding the cost of trainee salaries, the value of the latter is around 12 times greater than the costs of bought-in-training. The total value of the external training market is around £23 million in current prices; the total value of the training market resourced internally is around £361 million.

There is considerable variation in training activity between different industrial sectors, with financial services, public and other service sector employers, engineering and metal manufacturing providing particularly large markets for external training providers.

In terms of the size of companies, the larger organisations provide the most attractive markets for external training providers and are the most committed to training. On the other hand, the high costs of training for smaller employers suggest that among those smaller employers who train, there is considerable scope for the expansion of services provided by third party trainers. Finally, looking within the training market, it is management/professional and skilled/semi-skilled manual employees who together with administrative and other non-manual occupations comprise the largest consumers of training, particularly where they are classed by their employers as long-term trainees or apprentices.

This analysis of actual or potential demand is relatively inert, however, and it needs to be set against an analysis of the structure of the commercial training industry and of the competitive positioning of colleges. These are discussed in the following chapter.

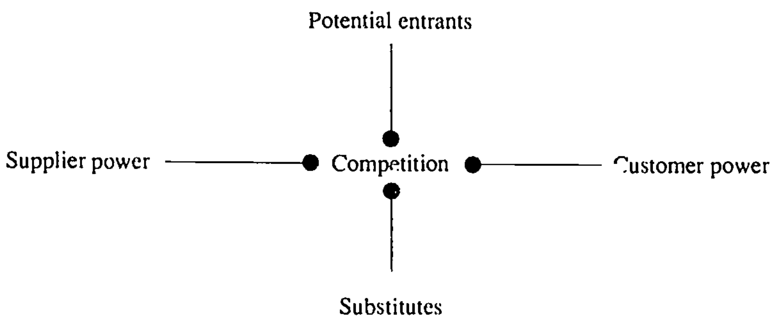
Chapter 5

Competitive position, opportunities and threats

WHAT IS THE INDUSTRY STRUCTURE?

It bears repetition that what is discussed here is the training industry (comprising suppliers who offer their services in the market-place) and consumers, as distinct from in-house training which does not constitute a commercial market. The generic model of the industry structure developed by Porter (1981) is set out in **Figure 11**.

Figure 11: Commercial training industry structure



Source: Porter (1981)

Some elements of this model are relatively easy to analyse. Entry barriers are relatively low, at least in respect of training which does not involve considerable expenditure in respect of training methodology (e.g. computer-based training or multi-media training) or in respect of training content (e.g. craft training in engineering, construction or catering). Even in the relatively high entry cost training, the last decade has seen a considerable but unquantifiable entry into the training market of suppliers who are either adding value to their products through training (suppliers of high technology equipment) or a smaller but significant entry into the commercial market-place of in-house training divisions which are seeking to increase efficiency and manage peaks and troughs in demand by offering services to third parties. In the case study context, the Yorkshire Water Authority and Trent College of Nursing have signalled a clear intention to commercialise their activities.

In the dimension of supplier power, colleges appear to be operating at the same level of disadvantage as their competitors in HE – there is a long tradition of relatively favourable terms and conditions enjoyed by staff, most notably in respect of lengthy holidays and a limited working week. To some extent, however, these disadvantages are offset by the institutions' considerable asset base which continues to be maintained from public funds. The threat of substitutes is relatively low and overlaps with another dimension of the industry structure. It comprises recruitment policies which focus on the recruitment of fully trained staff from elsewhere (i.e. poaching) on the one hand, and replacing external by internal training on the other. There is some anecdotal evidence that companies are increasingly coming to the conclusion that poaching implies higher labour costs and expensive incentives and is an unsatisfactory strategy. The substitution of internal for external training is essentially a subset of customer power. This may well pose a problem for colleges and similar external suppliers. For all but the smallest companies, the option to source training internally is always open. The limits of this option are that there appears to be an increasing need for off-the-job training, which is by definition less easily resourced internally due to the increased theoretical and technical content of required skills, and the relatively high cost of internal resourcing, particularly for smaller companies (Employment Department 1989a).

The most difficult dimension to analyse is that of competition. Here, the evidence is contradictory, incomplete and requires considerable analysis. Subjectively, competition appears to be strong: 'It's tough out there on the streets,' is the view reported back by commercial training managers in colleges. On the other hand, there is evidence from **Training in Britain** that the commercial market is highly compartmentalised and that suppliers tend to concentrate in narrow areas of expertise. According to the survey:

> ... there is little direct competition between different types of provider at the local level. In the first instance there is the broad distinction that much public provision is concentrated in initial VET while the intermediate and private sectors devote most of their resources to continuing training. There was some competition between different provider types in the localities but this tended to be confined either to high value added provision like management and supervisory training, or areas such as clerical, secretarial and office skills where there was very buoyant demand from a range of client groups. There was also some overlap at craft and other manual levels between courses run at colleges of further education, skill centres and intermediate sector training centres, but even here the extent of direct competition was not very marked ... Direct competition was much more apparent between providers of the same type. Further education colleges, institutes of high education and polytechnics saw themselves as competing with similar institutions in other parts of the country. (Employment Department 1989a)

Finally, there is evidence that competition is largely on image and perception rather than price. Among employers' perceptions of the relative importance of different decision criteria in selecting providers, expertise (66 per cent of respondents), quality (44 per cent), experience (41 per cent) and flexibility (28 per cent), were all ranked higher than value for money (24 per cent); while reputation was ranked equal with cost (12 per cent) (Employment Department 1989a). All the criteria mentioned, apart from cost, relate to perceptions of suppliers' images rather than any more objective criteria.

The idea that the market is divided into niches is further confirmed by present purchasing patterns of employers, where HE is seen to be the natural provider of professional and managerial skills training, colleges of further education for professional and craft skills training, industrial sector bodies for training in supervisory, craft and selling skills, and private providers for managerial, craft and equipment use training (see **Figure 12**).

Figure 12: The external training providers used for different types of training by employers, 1987 (percentages)

Training type	*Universities*	*Polytechnics/ colleges of HE*	*Colleges of FE*	*Skills training agency*	*Industry/ sector body*	*Other private provider*
(Main answers only)						
Further/higher education courses	34	22	17	2	2	2
Teaching professional skills	10	12	13	2	3	1
Manager/ supervisor training	3	30	7	13	20	13
Job skills training	6	17	29	42	16	12
Use of equipment/ machinery	–	3	4	5	11	17
Selling/sales/ retail	–	–	5	8	18	5
Health and safety	1	1	9	5	5	7
Skills relevant to new technology	–	–	5	3	5	19
Other answers	46	15	11	20	20	24

Source: **Training in Britain**. (Employment Department 1989a)

In a broad sense, the data are confirmed by a local survey conducted by the Sheffield Training and Enterprise Council which suggests that colleges have a portion of the market for managerial and supervisory training but are the largest external suppliers of clerical and shop floor training (Sheffield TEC 1990a).

This apparent conflict of evidence can be resolved if we focus our attention exclusively on that part of the external training market which is not subsidised by public funds. This represents a relatively small proportion of the training surveyed by **Training in Britain** and tends to be somewhat lost from view among subsidised training. Nevertheless, it is precisely this high added value area in which competition is fiercest. It is, moreover, in this part of the commercial market that colleges are relatively poorly placed in terms of the market segments which they have traditionally served and consequent perceptions about what they deliver and the volume of current activity.

The figures need to be treated with a degree of caution, but the amount of surplus generating provision in Sheffield colleges appeared to grow rapidly in the first three years of their existence.

Year	Turnover (£000s)
1988/89	87
1989/90	471
1990/91	647

Some humility is necessary, bearing in mind that the 1990/91 figure comprises only three per cent of the estimated value of the regional commercial training market. It is, moreover, salutary to note that Sheffield Hallam University, which admittedly operates on a wider geographical basis, had a turnover at that time of around £1.2 million in terms of its commercial training activities.

WHAT ARE THE COMPETITIVE PRESSURES IN THE MARKET-PLACE?

The previous chapter concentrated on the training markets segmented by internal/external supply, industrial sector, occupational category and size of company. In order to analyse the competitive positioning of colleges, we need to re-segment the market in two ways: product offering and competitive positioning, on the one hand, and benefits sought by employers on the other.

The commercial training market can be segmented in terms of product offering using a matrix comprising specificity and flexibility (see **Figure 13**).

Figure 13: Matrix of training products by specificity and flexibility

Specificity	Low flexibility	High flexibility
High	Long courses Extensive training A	Tailored, intensive training D
Low	Short, open courses B	Training and human resource development consultancy C

Low — Flexibility — High

Long courses are almost exclusively subsidised from public funds and are thus largely outside the commercial market. Competitors include universities, colleges and private sector trainers whose main business is delivering Employment Department training programmes. Short open courses are locally offered primarily by HE institutions, group training organisations, nationally-based training suppliers, colleges of FE throughout the region, suppliers of equipment who also provide training and a significant number of locally-based private sector trainers. Tailored, intensive training is ostensibly offered by every conceivable supplier as a sort of 'flavour of the year'. In reality, customised provision is available only from colleges, HE institutions and one or two private sector trainers. Finally, consultancy is the almost exclusive preserve of private sector consultants, the Sheffield Business School and The Sheffield College. The segmentation of competitors by their offerings would, thus, look something like **Figure 14**.

Quantitative information in terms of market share, turnover etc. is simply not available. This segmentation by product offering, however, strongly suggests that there is relatively little competition in segment A between the three levels of activity (HE, FE and ET/YT managers); that there is increased competition in segments D and C, where a limited number of providers are offering substantially the same products. Finally, in segment B, there is intense competition from a large number of providers offering a similar service.

Figure 14: Training providers by type of offering

	A	D
	Regional universities Regional colleges ET/YT managers	Regional universities 3 or 4 private sector trainers Regional colleges
	B	**C**
Regional universities Regional colleges Fred Pryor Seminars Spearhead Training Cobalt UK Sight and Sound Dean Associates Quality Service Systems Park Language School Business Needs Training ITD Training Ltd QED Computer Training Time Management Int. Kalamazoo N Trent College	Group training organisations CMS Training Services Grass Roots plc ENTRA Institute of Management Programmes Training Handley Walker Guardian Business Services Chamber of Commerce Industrial Society Steel Training Association Dale Carnegie Domino Training Esholt Training	TEK, Transform and other consultancies Sheffield Business School 2 or 3 colleges based in the region

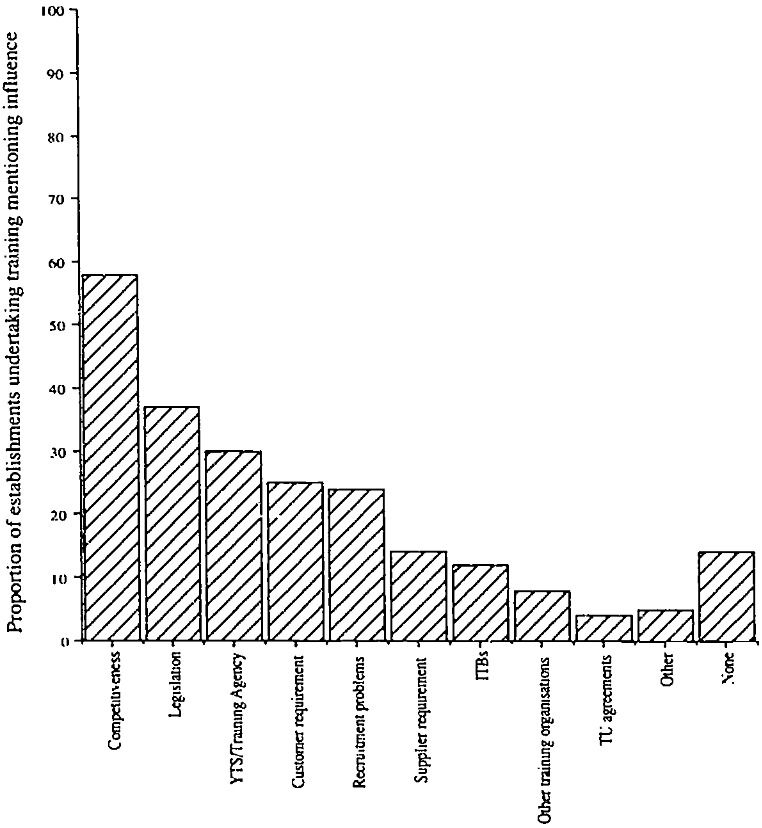
Returning to the earlier remarks about the pressures on publicly-funded training, the information in **Figure 14** suggests that competitors in segments A and B are likely to move over the course of the next decade into segments C and D. Indeed, this process can be detected among publicly-funded suppliers who are reacting to pressures on unit funding (colleges of further education and higher education institutions) and the run-down of TEC-funded schemes (chambers of commerce etc.). Competitive pressures, stagnating markets and pressures on the unit of resource in traditional markets provide the push for this process. The market opportunities which are likely to increase in respect of segments C and D provide the pull and are discussed in the next section.

WHAT BENEFITS DO EMPLOYERS SEEK FROM TRAINING?

If we attempt to identify where growth is most likely to occur over the next decade, there is an enormous wealth of anecdotal evidence but little hard data. It seems logical, therefore, to start with the benefits which employers themselves identify as the reasons for training.

Survey data from **Training in Britain** is not particularly satisfactory on this point. **Figure 15** shows the influences employers have identified in this survey which promote training (Employment Department 1989a).

Figure 15: Influences promoting increases in training, 1986/7



The implicit methodology of the survey is unhelpful in building up the picture. The influences arising from business needs are confused with agencies which actively promote training. In an attempt to give some sort of logical coherence to this re-segmentation of the training market, a four-category hierarchical model is proposed:

- statutory needs (health and safety and other regulatory requirements);
- competency needs (customer service requirements, supplier requirements, customer skills requirements, technical skills, managerial/supervisory skills, functional and professional skills);
- organisational needs (staff turnover, personal effectiveness, team work, communication, organisational development);
- business needs (this includes all other categories of need and adds competitiveness and efficiency).

On the basis of this model, it is possible to analyse what employers actually do, rather than what they claim to do. Perhaps the most surprising conclusion from **Training in Britain** is that, notwithstanding the general agreement that training should serve business requirements and create competitiveness, most employers' training strategies barely encompass statutory and competency needs. This can be demonstrated by reference to the extent to which training is geared to organisation and business requirements in practice. Thus, only 30 per cent of employers who undertake training at all had any identifiable training plans (24 per cent overall) (**Training tomorrow** 1989a). Of the minority which had such plans, only some 30 per cent had a training budget (seven per cent overall) and only 40 per cent had training targets (10 per cent overall). Of the establishments which train, only 20 per cent make any assessment of benefits (16 per cent overall) and only three per cent make any assessment of benefits against costs (two per cent overall) (Employment Department 1990a). The final and perhaps most striking aspect of the management of training is the data concerning the evaluation criteria among the 16 per cent of employers who assess the benefits of training. Of these, 53 per cent monitor trainee output, 42 per cent obtain reports from trainers, 32 per cent analyse exam and qualification results and 26 per cent survey their trainees (Employment Department 1990a). Thus, while all and sundry concur that (in theory) training is about attaining business objectives, there is no identifiable employer constituency which evaluates whether this objective is achieved, still less gauges the relative efficiency of the chosen training.

This message is reinforced by the volume of the **Training in Britain** survey which gave an in-depth study of human resource management practices in 20 companies. All but three of these were part of large groups and the great majority had large and sophisticated internal training mechanisms. The general conclusion was that:

> ... while there is wide spread evidence of business performance considerations during training, evaluation of the bottom line or tangible benefits of vocational education in training and human resource development is rare ... Evaluation turns more on the cost of training (although even that is often rudimentary) than on the benefits, and is more attuned to validating appropriateness and benefits before training is undertaken ... than evaluating what has occurred. Costs and benefits are rarely brought together and reviewed. (Employment Department 1989a)

A different survey suggests that 41 per cent of companies still believe in leaving the main responsibility for training to individuals. (**Training tomorrow** 1989a)

Three main conclusions can be drawn from this analysis. First, employers are not able to obtain the benefits they seek from the present management of training. Second, opportunities may grow dramatically over the next decade for training consultancy to assist employers to establish, monitor and evaluate training and human resource development mechanisms. Third, it is likely that business requirements on the one hand and value for money considerations on the other will continue to promote the growth of the market for intensive, tailored training with substantial implicit savings in respect of trainee labour costs.

Chapter 6

Strategic capability of the FE sector

The focus of the preceding chapters has been the exploration of a low cost, relatively robust and rapid means of analysing a market for commercial training on a regional basis, through the use of a case study based on Sheffield. Before drawing conclusions about methods, it seems pertinent to return to issues raised in the first chapter about the significance of such markets and reflect on the capability of colleges and the options open to them.

It has been emphasised in this report that the primary focus of this case study is external to colleges – the market for commercial training and the competition to service that market. It is necessary, nevertheless, to offer a brief analysis of the capability of colleges.

The present portfolio of commercial training offered by colleges is extremely variable. Some colleges undertake almost no training for commercial markets. Some have a very large portfolio, most of which remains 'on the shelf' in any particular year. Indeed, in the main (although with some notable exceptions) the development of product offerings has been opportunistic and haphazard, inspired largely by more or less accidental contacts and with a high proportion of courses which are never repeated. Insofar as colleges have concentrated on attractive segments of the market and areas of their own strengths, offerings have been developed in a more coherent way. Thus, the portfolio of The Sheffield College at the heart of this case study, includes management training and consultancy, outdoor leadership, organisation development, IT applications, team and communication skills and business languages.

In the main, however, the variation in college activity, the relatively small degree of penetration of commercial markets and the almost complete absence of compelling business strategies are not accidental, and can be largely attributed to the culture and 'recipe' of colleges which reflect and reproduce their conflicting priorities and multiplicity of interests.

The prevailing ethos of colleges in general and, a fortiori, tertiary colleges, is not particularly conducive to entrepreneurial commercial activity. Staff are drawn from a variety of backgrounds and those with a commercial or industrial formation have typically sought to escape from those working environments. Tertiary colleges bring together the traditions of the sixth form, the FE college and adult education; usually combined with a strong sense of equal opportunities priorities, social objectives and a sense of public service. When this is combined with a lack of discretionary funding, a steady decrease in staff:student ratios and a strong defence of relatively generous terms and conditions of service, practical constraints on innovation and change are significant.

Finally and perhaps most significantly, there is no deep-seated tradition of private sector or business activity within colleges. Although the terminology has made an appearance in the discourse of further education, there appears to be little practice of business planning, strategic marketing or marketing management in respect of commerical training markets. In many colleges, marketing functions tend to comprise general promotion and publicity, the development of entrepreneurial activity or some mixture of the two. At a more general level, it has been the preparation for the incorporation of the sector, detailed guidance from the funding bodies and externally imposed planning requirements which have tended to drive the development of strategic and operational college plans. This lack of commercial experience is not unique to Sheffield as the difficulties at Coventry College would indicate. It does mean, however, that there are a number of difficult implementation issues to be addressed if colleges are going to make significant progress in this market.

On a more positive note, colleges have three distinct strengths. First, they have a large number of skilled, experienced and innovative educators and trainers. A distinctive feature, moreover, of FE staff is their continuing contact with hands-on training and local industry. Second, colleges have a large asset base in terms of land, buildings and equipment, which is not encumbered by debt and over which they now exercise more or less complete control. In common with the HE sector, the new national funding regime will continue to support the greatest part of infrastructure costs which gives the public sector trainers a distinct advantage over their private sector competitors. Third, and by no means least, colleges have a distinct presence in the subsidised training market which can be turned to advantage in the commercial market-place. The Sheffield College alone provides around 20,000 vocational training places each year – a number which exceeds the combined capacity of the universities and the training places offered by TECs. What colleges fail to do is to turn this preponderance in the publicly subsidised training market to account in the commercial market.

It might be added that in the case study area, the six tertiary colleges in Sheffield failed in four years of collegiate activity to develop a corporate identity, strategy, product range or database. This failure is largely attributable to the operation of six relatively small independent colleges in Sheffield.

Consideration of the commercial capacity of The Sheffield College did not play a part in the decision to create a city-wide tertiary college. The new amalgamated college is in a good position to benefit from the strengths of two of its constituent centres and, in particular, from the expertise in training consultancy, organisation development and whole company training strategies developed in the former Parson Cross College.

WHAT STRATEGIC OPTIONS ARE OPEN TO COLLEGES?

In the light of the analysis above, there are really only three options: attack, follow or withdraw. Colleges can make a substantial investment and pursue an aggressive strategy of challenging existing market leaders or adopt a market follower strategy or exit from the market-place altogether.

The first option would pre-suppose substantial investment in service offerings that appear to hold the key to growth (consultancy and intensive customised training) and would be focused on the most important market segments in terms of managerial, administrative and other white collar staff, and skilled manual workers. It would imply, further, a concentration on key industrial sectors and on large to medium-sized companies within those sectors together with smaller companies which currently train.

In view of the small market share of colleges, their traditional strengths and consequent competitive positioning, the substantial volume of necessary investment and the difficulties of such a degree of strategic change, this may sound like a daunting if not impossible proposition. The alternative follower strategy may imply even greater risks, however.

If colleges content themselves with their present strategies, a number of serious implications could flow. First, they would be unable to generate the vital surpluses necessary to support future investment. Second, colleges run the risk of becoming second class competitors even in their current fields of excellence. Third, colleges are likely to be excluded from the major new markets identified above. Fourth, they are likely to be left behind in terms of key developments in the field of training. Fifth, the implementation of training credits and the possible extension of this mechanism to adults, suggests that the publicly-funded markets which colleges currently dominate will become increasingly commercialised. The implication is that failure to compete aggressively in the commercial market-place will lead to the undermining of the position of colleges in the provision of training for all people who are employed. This would have the ultimate effect of restricting colleges to the provision of pre-employment education and training and substantially reduce their resource base.

On this analysis, the market follower strategy is tantamount to a decision to withdraw from the commercial training market altogether and resign colleges to a lengthy and painful process of relative decline.

Chapter 7

Summary, conclusions and references

A number of conclusions can be drawn from this report. The political and financial environments are such that there is likely to be continuing pressure on colleges to compete successfully in the commercial training market. For educational and technological reasons, the external push is matched by an internal pull associated with the need to modernise curriculum content, update training methodology and keep in touch with technical developments.

Both pressures are being reinforced by the incorporated status of the sector. Externally, new funding regimes in Scotland, Wales and England are likely to focus attention on income generating provision as an area of growth which is not constrained by allocation formulae or indicative targets. Indeed, for some colleges, development in commercial markets may appear an attractive alternative to the 16–19 year old or adult student market. Naturally, such activity may well prove attractive to college governors drawn from the business community and TECs or LECs.

In terms of the training market, it has been suggested that it should be divided into three major components. The publicly-funded or subsidised sector is dominated by colleges but does not form part of the commercial market; by far the greater part of employer-led training is sourced internally and forms only an indirect and relatively inaccessible potential commercial market; the smaller, but growing commercial training market which is sourced externally is the most immediately attractive to colleges. On the other hand, internally sourced off-the-job training, worth in excess of £3 billion nationally, is potentially a huge market and may become more accessible to external suppliers as companies attempt to resolve the apparent contradiction between their determination to reduce overheads and their increased recognition of the need to train. The methodology adopted by some colleges in developing and part-sourcing whole company training and organisation development strategies may be the key to successful entry to this part of the market.

In terms of the segmentation of the commercial market, medium and large companies will continue to offer the best market opportunities, although among the smaller companies which train, the high relative costs of internally sourced training creates considerable scope for expansion into this area. Within these companies, it is management/professional and skilled/semi-skilled manual employees who, together with administrative and other non-manual occupations, comprise the largest body of consumers of training.

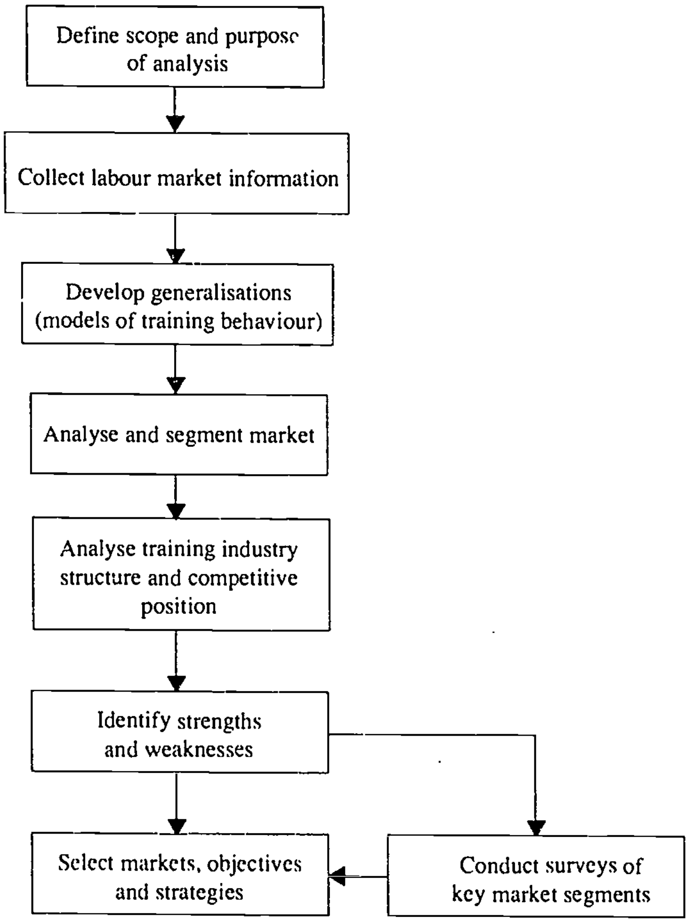
The analysis of the industry structure and competition suggests that employers are not able to obtain the benefits they seek from the present management of training. Nor are they particularly well served by the current offerings of training providers which tend to be concentrated in the area of short open courses. The implication is that opportunities may grow dramatically over the next decade for training consultancy to assist employers to establish, monitor and evaluate training and human resource development strategies and mechanisms. Business requirements and value for money considerations will continue to increase the market for intensive tailored training with substantial implicit savings in respect of training labour costs and substantial benefits in terms of business outputs.

A consideration of the current share of colleges (around three per cent in the case study) of the commercial market, their strengths and weakness and the long-term competitive threats, suggests that colleges have no sensible option but to compete aggressively for market share. This implies a strategic prioritisation of this aspect of college activity, a programme of organisational and cultural change, and substantial investment in product development.

METHODOLOGY

The approach developed in the analysis of the Sheffield regional commercial training market seems eminently capable of being applied to sector markets elsewhere. The process is set out in **Figure 16** and comprises seven or eight stages. The first stage is to define the objectives of the study, essentially the geographical scope, nature of the markets and purpose of the exercise. In the case study, the range of commercial opportunities in a defined region has been studied. Evidently a college might wish to focus on a local sub-set of the commercial training market or, alternatively, examine the national market (the international market is outside the scope of this report).

Figure 16: Analysis of commercial training markets: process model



The next step is to access sources of information on the relevant labour market and industrial and commercial structure. Relevant data might include employment by industry, employment and occupational structure by company size or employment by broad occupational grouping. Possible sources of such information include TECs or LECs, economic development units of the local authority and the careers service.

The third stage involves the derivation of appropriate models or generalisations, for which **Training in Britain** will probably be the most authoritative source. The models which proved most useful for this case-study included:

- categorisation and sizing of internal and external training costs;
- volume of training by industrial sector and size of company;
- value of training by industrial sector and size of company;
- volume and value of training by type of employer;
- volume and value of training by occupational grouping and grade.

Evidently, differently focused market analyses may rely on a different set of generalisations.

The application of these models to local data with suitable modification to deal with differences of categorisation comprises the fourth step. This will generate an overall picture of the size, value and key characteristics of the commercial training market. Depending on the degree of analysis, this process will also provide an explicit segmentation of the market to facilitate decisions concerning the relative attractiveness of different parts of the market.

The next two steps are more dependent on local knowledge and might be facilitated through a brainstorm session conducted by an appropriate group of staff, joined perhaps by employer contacts or business governors. The steps consist of an analysis of the competitive position of the college and of its distinctive strengths (and weaknesses). In the case study, Porter's industry structure model and the author's competitor/product matrix together with broad brush information derived from **Training in Britain** were found to be helpful in identifying the type and intensity of competition and the strengths and weaknesses of the FE sector as compared with other sources of commercial training. Part of the process will include the identification of the college's market share and any extrapolations which can be made concerning the future evolution of the market and of competitor behaviour.

A sixth step is the consideration of the internal weaknesses and strengths which are touched on in general terms in this report in the chapter dealing with the capability of colleges. The process examined above is intended as a pragmatic (and speedy) aid to decision-making. The final stage will be, therefore, the selection of appropriate commercial markets, objectives and strategies and to carry these forward into activity. An additional possible step might be the commissioning and conduct of one or more surveys of key market segments selected on the basis of the analysis sketched out above.

Some methodological conclusions may also be stated. To analyse the commercial training market and develop an appropriate business strategy for a college, one does not have to have conducted an exhaustive, expensive, time-consuming and comprehensive survey. This is not to say that such surveys are not desirable, but rather to remark that in the absence of significant resources earmarked for such purposes, a considerable amount can still be achieved. Indeed, if surveys are to be undertaken, the sort of analysis exemplified in this case-study should refine the objectives and purposes of such surveys; provide for a more focused activity; save time and money; and provide a framework to interpret survey data. A further and similarly negative point is that even if a large number of commercially financed (and relatively costly) market studies were to be available (and they are not), they are not pre-requisites to the analysis of commercial training markets. An adequate picture can be developed from largely public (and low or no cost) sources.

Of the large number of detailed sources, which are available, those which have proved most useful in this case-study include:

- Labour Force Survey;
- census of employment;
- decennial census;
- labour market information (from TECs and LECs);
- colleges' own records of delivery;
- occasional surveys published in the **Employment gazette**;
- media coverage of, and promotional literature issued by, competitors.

Although it will not be valid for all time, the most important single source is probably the data collected in 1986 and 1987 for the **Training in Britain** survey which may be presumed to have an illustrative power for at least the next four to five years.

From a detailed analysis and re-interpretation of data available from these sources, a reasonably comprehensive analysis of the commercial market for training can be made, sufficient for the formulation of strategic options and decision-making in respect of target market segments, product development and investment, resource allocation, publicity and promotion.

This exercise would tend to reinforce the view, finally, that well-known, relatively simple and tested marketing principles and techniques can be brought to bear on this aspect of public sector provision.

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Appendix 1

Comparison of data categories

Standard Industrial Classification (SIC)	Training in Britain industry groupings	Training in Britain summary groupings	Training provision (TOC)
0 Agriculture	–	–	A Admin and clerical
1 Energy and water supply	Extraction, energy, water	Energy, water	B Creative, educational and recreational services
2 Extraction, manufacture of metals, chemicals	Manufacture of minerals and chemicals	Extraction	C Health, community and personal service
			D Selling and storage
3 Metal goods, engineering	Mechanical engineering, metal goods	Fabrication manufacture	E Scientific
4 Other manufacture	Textile/clothing other processing	Process manufacture	F Catering, food preparation and processing

Standard Industrial Classification (SIC)	Training in Britain industry groupings	Training in Britain summary groupings	Training provision (TOC)
5 Construction	Construction	Construction	G Agriculture
6 Distribution, repairs, hotel and catering	Wholesale retail catering/ recreation/ Personal services	Wholesale/transport retail catering/ recreation/ Personal services	J Transport K Construction P Motor vehicle
7 Transport and communication	Transport/ communication		T Security V general education
8 Banking, finance insurance	Finance/business services	Finance/business services	X Engineering
9 Other service industries	Health, central government local government, education	Central /local government, health education	

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