



# Evaluation of the Higher Education Transforming Workforce Development Programme

Report to HEFCE by CFE and KSA

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## 1 | Executive summary

1.1 This report presents findings from an evaluation of the Higher Education Transforming Workforce Development Programme – ‘the Programme’. The evaluation was conducted by CFE Research and Consulting Ltd (CFE) and The KSA Partnership (KSA) on behalf of the Higher Education Funding Council for England (HEFCE) between September 2010 and July 2011.

### Background to the Programme

1.2 The Programme was established following an invitation to the three Higher Level Skills Pathfinder regions in April 2006 to bid for project funding to extend Train to Gain to higher levels. This developed further with the publication of the Leitch Review of Skills in England,<sup>1</sup> followed by the 2007 annual HEFCE grant letter<sup>2</sup> which called for “a new model for funding higher education that is co-financed with employers, achieves sustained growth in employer-based student places, and introduces the principles of employer demand-led funding”. HEFCE’s response was to establish the Programme, which broadly had two foci: the introduction of a co-funding employer engagement model and the instigation of transformational change in employer engagement across the higher education (HE) sector. All of the available investment for the Programme was allocated for the period 2008 to 2011; this comprised a total of £103 million in capacity and infrastructure developments (transformational change) and £45 million to support delivery of co-funded entrants to HE.

1.3 This evaluation has assessed the extent to which the Programme has progressed against its first order and additional objectives. It has also considered the nature of this progress and factors that should be taken into account in developing the next phase of HEFCE policy on workforce development and higher level skills. The objectives of the Programme are presented in Table 1 below:

<b>First order objectives</b>
➤ Achieve the targets for additional entrants into HE co-funded by employers (of 5,000 in 2008-09, 10,000 in 2009-10, and 20,000 in 2010-11)
➤ Achieve the target of 100,000 enrolments onto Foundation degrees (FDs) by 2010
<b>Additional objectives</b>
➤ Test the potential scale of the market and the levels of demand from employers and employees
➤ Stimulate higher education institutional change
➤ Promote access to and progress through HE for a wider range of learners particularly those in the workforce without previous experience of HE
➤ Build a platform of capability and capacity within the HE sector to achieve future growth in the numbers of working people participating in HE-based workforce development
➤ Generate information to inform policy development

**Table 1: The Programme objectives**

<sup>1</sup> Leitch, S. (2006) Prosperity for All in the Global Economy – World-Class Skills. London: HM Treasury

<sup>2</sup> Johnson, A. (2007) HEFCE Grant Letter: Higher Education Funding 2007-08. London: HEFCE

## Methodology

1.4 In order to evaluate the Programme and its progress against these objectives, we conducted a primarily qualitative investigation. This was backed by an online survey as well as secondary analysis of: Programme data, development project monitoring reports, Higher Education Statistics Agency (HESA) student record data, Higher Education Students Early Statistics Survey (HESES) and Higher Education in Further Education Students Survey (HEIFES) data, and Co-Funded Employer Engagement (CFEE) monitoring returns. Primary research included:

- An online survey administered by email to representatives from workforce development projects (WFDPs) and stakeholders within and beyond the HE sector, with a total of 173 respondents; and
- In-depth interviews with: 128 senior and operational staff from 32 universities and colleges, including both higher education institutions (HEIs) that did and did not receive workforce development (WFD) funding; 28 employers and 13 employee learners that accessed higher level provision through the Programme (L); and 7 other stakeholders (SH) with an interest and involvement in the development in HE-based workforce development.

## Key findings

1.5 Our key findings draw on a synthesis of the qualitative and quantitative data gathered through the evaluation and are made in relation to the outcome statements that were identified in the evaluation logic chain (See Appendix 1). The following points summarise the key findings from this evaluation:

### Demand for higher level skills from employers and employees

1.6 The primary first order objective, to achieve targets set by Government for additional entrants into HE co-funded by employers, (5,000 in 2008-09 and 10,000 in 2009-10), has been met. The secondary first order objective, to achieve the target set by Government of 100,000 enrolments onto Foundation degrees by 2010, has been exceeded.

1.7 The Programme has enabled HEIs to leverage significant investment from employers to deliver Additional Student Numbers (ASNs). HEI data indicates that co-funding contributions from employers increased from £4.3 million in 2008/09 to £12.8 million in 2009/10, and the number of employers providing contributions increased from 631 to 2,706. The number of employers supporting employees through co-funding (including both cash and in-kind contributions) increased significantly between 2008-09 and 2009-10. In addition, the disparity in the proportion of in-kind contributions made by public and private sector employers levelled out during the Programme.<sup>3</sup>

1.8 Analysis of the profile of co-funded learners also shows that increased levels of access to HE by individuals with no prior experience of HE has been partly achieved; in 2008-09, just over half (51%) of co-funded learners did not hold a qualification at Level 4

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<sup>3</sup> In 2009-10, the percentage of public sector employers making an in-kind contribution was 65% compared to 53% for private sector employers. In 2008-09 the figures were 75% and 37% respectively.

or above. By comparison, over a third (35%) of the working age population in employment in the period January to December 2009 held a degree or higher level qualification.

1.9 Whilst demand for higher level skills from employers and employees has increased as a consequence of the Programme, HEIs and employers were uncertain what impact the Government's new funding arrangements would have on the extent and nature of future demand. Concerns were raised over the impact of increased fees and the demise of co-funding. Employers indicated that any significant increase in fees and/or the contribution towards HE is likely to affect their future purchasing decisions. Two areas identified as particularly vulnerable to the funding changes are the accreditation, validation and quality assurance of employers' in-house training and training delivered for employers by third party providers such as further education (FE) colleges and private training providers. This is because, whilst this activity has grown significantly in recent years, it has been primarily dependent on the ability of HEIs to draw down co-funding from HEFCE.

1.10 Of course, the new funding regime also brings with it new opportunities. For example, individuals undertaking their first undergraduate course on a part-time basis will be able to access loans to cover their tuition fees for the first time.<sup>4</sup> Many HEIs with WFD projects are assessing how they can re-orientate their employer-facing operations to support sustainable workforce development activities in a student-fee-driven environment. Increasingly, HEIs are beginning to capitalise on the links they have made with employers through workforce development activity to improve their employability offer to students, and some are exploring the potential to offer Higher Apprenticeships.

### **The effectiveness and sustainability of the employer demand-led environment**

1.11 As a direct consequence of the Programme, HEIs now use a much wider range of business development and marketing interventions to systematically generate leads and secure new contracts. Systems and processes to refer and respond to employer enquiries and leads have also been widely implemented. Furthermore, many are systematically maintaining contact with existing and previous clients, identifying and targeting warm employer leads, working with industry networks and following up recommendations from business support organisations, clients or partners.

1.12 Notable adaptations have also been made to accreditation and quality assurance processes which have been developed to align with the demands of the employer market; and to accelerate validation, Accreditation of Prior and Experiential Learning (APEL) and shell frameworks. There has also been more widespread use of customer relationship management (CRM) systems to both track interaction with employers and support a more joined-up approach across institutions. In many cases, student record systems have been adapted to accommodate non-traditional learners.

1.13 As the Programme has evolved there has been a shift to a 'solutions' rather than a 'product'-based approach, reflecting the increasing application of relationship management as opposed to one-off interventions. HEIs involved in the Programme have become more business-like and professional in their approach to employers. Modes of

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<sup>4</sup> If studying at/or above the threshold for part-time study

delivery are also changing to meet new markets with distance, work-based and blended learning increasingly being used to support non-traditional, employee learners.

1.14 HEIs are starting to be more targeted in their promotion, lead generation and engagement activities, and focusing marketing at high growth sectors. The predominant focus of this targeting has been on extending existing employer relationships or networks, rather than stimulating demand from new customers. This leaves considerable scope for expansion into new markets and for increased use of the full range of marketing interventions to build a 'sales pipeline'<sup>5</sup>, which is currently low.

1.15 Although 50 per cent of HEIs involved in the Programme are working with small and medium-sized enterprises (SMEs) to some degree, most are focused primarily on engaging with large employers. This reflects both the practical challenges of engaging with SMEs and the economies of scale of working with larger organisations. HEIs recognise both the commercial risks of relying exclusively on relationships with a small number of large organisations and the need to work with, and through, sector and employer bodies to aggregate demand from SMEs. HEIs also recognise that more can be done to access demand from the supply chains of their larger employer clients.

1.16 A small number of HEIs have fully implemented formalised and integrated approaches to account management and customer relationship management. However, it is less clear to what extent these mechanisms have been embedded operationally and culturally, or will be sustainable in the long term.

### **Employer engagement/responsiveness as a strategic priority**

1.17 Employer engagement/responsiveness has become a strategic priority for most HEIs in receipt of development funding. Evidence also suggests that development funding has stimulated transformational change in some instances, particularly where it has led some HEIs to orientate or reaffirm their mission as an employer (or business) facing institution in order to differentiate their offer in an increasingly competitive market. In some cases this commitment has been embedded in institutional strategies and operations as a strategic objective; whilst for others the 'standalone' nature of their WFD projects means that institutional missions and strategies are only beginning to be influenced.

1.18 Most HEIs involved in the Programme reported that they had observed a degree of cultural change as a result of development funding and/or co-funding, although in most cases it had not become transformational and there remained pockets within the institution that were still not as 'business facing' as they would like.

1.19 Most stakeholders agree that HEIs have developed mechanisms to stimulate and respond to employer demand; however, these are not yet fully embedded in their entire operations and further transition is required if the institutional culture is to be fully aligned with the workforce development agenda.

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<sup>5</sup> A 'sales pipeline' comprises a set of employer leads (i.e. prospective clients or opportunities) at the different stages of the sales process, the progress of which is measured through the pipeline from unqualified lead to satisfied repeat client.

1.20 Active leadership at the most senior level has been critical in influencing the extent to which employer engagement/responsiveness is seen as a strategic priority for the institution. A Vice-Chancellor, Deputy or Pro-Vice-Chancellor 'championing' the agenda was seen as a, if not the, key driver of change.

1.21 Most HEIs involved in the Programme intend to sustain and develop their workforce development activity to some degree, and are critically appraising their market position and the market opportunities available to them. This reflects the need to adapt to the changing economic and political climate, and to learn from the experience of participating in the Programme.

### **Sustainable capacity and capability**

1.22 Through the Programme, HEIs have developed the capacity and capability to respond more effectively to employers' higher level workforce development needs. This has involved changing attitudes of staff, improving the skills of staff who engage directly with employers and recruiting new staff with commercial experience to enhance their 'business-facing' capability. In particular, there has been increasing use of dedicated account managers to serve as the point of contact between the institution and the employer.

1.23 While significant progress has been made, many HEIs have found it difficult to encourage some academic staff to take up the challenge of designing and delivering employer provision. Many also found it difficult to attract and retain the 'right' staff with a mix of HE and commercial experience to take their workforce development activities forward. As such, some HEIs have had to introduce new types of roles to fulfil certain operational activities, or to optimise the capabilities of existing staff to undertake workforce development activities.

1.24 The Programme's legacy is demonstrated in various ways; through the knowledge acquired by HEIs, the employer relationships developed, the processes and systems implemented, and new or increased capacity. Moving beyond the Programme, HEIs are exploring ways to sustain their workforce development activities in a very different policy environment. As such, transition plans will inevitably involve some reorganisation and realignment of capacity, resources and activities, to bring them in line with wider institutional plans and potential levels of income generation.

### **Operationally scalable and financially sustainable operating models**

1.25 Diverse approaches have been adopted by those HEIs involved in the Programme to bridge the gap between 'traditional' academic processes geared to the (majority) undergraduate market, and the very different requirements of engaging employers to support higher level skills development. For this engagement to be successful, considerable innovation is required to develop and agree on the right operating model. These models need to incorporate sales, marketing and business development, with products and services that deliver on propositions made to employers, and adapt to their specific requirements. This is challenging territory for all HEIs; however, this evaluation offers two general pointers to making the most of an HEI's unique potential proposition:



- Offer integrated solutions not narrow products: integrate workforce development with the institution's wider business offer (applied research, consultancy, graduate recruitment, facilities) into a coherent solutions-led proposition. HEIs can make such a broad offer, backed by a valuable asset base, in a way few other business services providers can.
- Design solutions with demonstrable business benefit: solutions should be designed and delivered based on a robust analysis of employers' business needs rather than a 'product push' of existing provision. Solutions should always be geared to achieving demonstrable return on investment for employers.

1.26 Through the Programme, three relatively discrete operating models have been adopted by individual HEIs to deliver employer responsive provision; these are 'standalone', 'hub and spoke' and 'distributed'. The standalone model is characterised by the HEI establishing a wholly owned subsidiary as part of a group structure or a separate, largely self-contained division within the institution. The hub and spoke model involves a centrally co-ordinated business development function with varying levels of pro-activity, sophistication and integration with the HEI's academic divisions. The distributed model is characterised by business development, marketing and sales being decentralised and embedded in the academic divisions with little, if any, central co-ordination or support. In adopting a particular model, HEIs have their own nuances on a particular approach.

1.27 The HEIs which have created autonomous employer-facing operations suggest that they have found it easier to make progress. However, this model may not be appropriate for all, or even most, HEIs. Although it might be tactically easier, separating employer operations from the HEI's main body can make it difficult to develop a genuinely integrated offer that is the strongest, most clearly differentiated value proposition. There is an especially important final point; for most HEIs, successful employer engagement will come less through the elegance of their operating model than in their ability to implement it, as developing employer relationships requires a high level of flexibility.

## **Conclusions and recommendations**

1.28 The Programme has succeeded in supporting an expansion of workforce development activity within the HE sector, which has led to additional entrants to HE. The first order objectives, to achieve targets for Additional Student Numbers into HE co-funded by employers and 100,000 enrolments onto Foundation degrees by 2010, have been met and exceeded respectively. Most of the additional objectives for the Programme have also been achieved.

1.29 Without doubt, many individual HEIs have also benefited substantially from their involvement in the Programme. Co-funded provision has certainly helped HEIs test the scale of the market and employer demand by mitigating some of the risk involved in initiating new employer relationships or deepening existing ones at lower cost. While the Programme has helped HEIs stimulate increased demand for higher level skills from employers, sustaining this demand will necessitate their continued focus in the long term.

1.30 The Programme's funds and resources have galvanised parts of the sector to bring about institutional change by developing and enhancing workforce development

activities and improving systems, processes and capabilities. As a result, some HEIs have established much stronger footholds in their chosen markets, and have made significant internal changes – in many instances changing attitudes about the workforce development agenda.

1.31 The Programme has also helped to promote access to, and progress through, HE for a wide range of learners. While our analysis of co-funded learners suggest that the participation of individuals without previous experience of HE has been lower than anticipated, this reflects the demand-led nature of the Programme and the training preferences and business model that participating employers have chosen to adopt.

1.32 In summary, the Programme has been successful in providing a platform of capability and capacity for workforce development within the HE sector. The Programme’s legacy at an institutional level is likely to be the systems and resources, staff capability and employer relationships that HEIs have developed. It is more difficult to conclusively determine whether this platform will be used to achieve future growth in employer demand and the numbers of individuals already in work participating in HE-based workforce development.

1.33 While the HEIs that participated in the Programme have derived significant benefits from it, evidence from the evaluation suggests that the sector-wide impact of the Programme has been more modest. It was perhaps unrealistic to expect a Programme of this scale, which engaged a limited number of HEIs, to transform the workforce development capability of the entire sector, particularly as not all HEIs have made – or will make – the strategic decision to pursue the workforce development agenda.

### **Recommendations for higher education institutions**

1.34 Through the Programme, HEIs have proved it is possible to build an employer market for higher level skills from a relatively low base. However, if HEIs are looking to sustain a financially viable portfolio of workforce development activity in the new policy and funding environment, our evaluation findings suggest that consideration should be given to the recommendations outlined below.

<b>Recommendation</b>	<b>Summary</b>
<p><b>1: Gather evidence to make a robust business case for continued investment.</b></p>	<p>Buy-in and active support from academics, Vice-Chancellors and senior executives is crucial to sustaining workforce development activity; as such, HEIs should ensure appropriate evidence is gathered to demonstrate the value of the activity internally and to make a robust business case for continued investment. This could include key metrics on income generated; number and variety of employer relationships developed; and positive impact on other external facing activities such as knowledge transfer partnerships, continuing professional development (CPD), and internship placements to demonstrate an overall return on investment of this activity. Clarity on what ‘success looks like’ and how this</p>

	will be measured from the senior executives' perspective is critically important in this respect.
<b>2. Critically appraise the current 'state of readiness' to respond to employers' needs.</b>	To ensure employer engagement and workforce development become embedded as a core activity, HEIs should critically appraise the extent to which: there is active leadership across all functions and levels; the HEI's culture is truly supportive of this area of activity; plans are in place to ensure a 'smooth' transition to a new funding environment; the operational model is fit for purpose and adequately staffed and resourced; and processes, systems and delivery modes are flexible and responsive enough to meet employers' needs.
<b>3: Identify and develop opportunities to collaborate with other providers.</b>	Notwithstanding the increased levels of competition and 'marketisation' of the HE sector in line with current Government policy, opportunities still exist to collaborate. HEIs should identify and develop opportunities to collaborate with other providers (universities, FE colleges, private training providers) as a means to strengthen and extend their workforce development offer and exploit new and existing markets. Collaboration should be built on aligned intent, complementary expertise and (crucially) shared values and mutual trust.
<b>4: Adopt pro-active and sophisticated approaches to business development.</b>	Building a sustainable 'pipeline' of employer demand can be a challenge, particularly during an economic downturn, but is vital to success. HEIs should consider adopting pro-active and sophisticated approaches to business development which draw on a better understanding of employers' procurement strategies and purchasing decisions, and a fuller range of marketing and sales interventions, including working through intermediaries such as the Chambers of Commerce, Sector Skills Councils (SSCs), and other employer-facing bodies to access, for instance, the SME market.
<b>5. Ensure that existing relationships with employers are optimised.</b>	In conjunction with establishing new employer contacts, HEIs should ensure that existing employer relationships are optimised by building stronger (more strategic) partnerships which can lead to repeat business, 'cross-selling' other services and referrals to other employers – a formalised approach to customer relationship and key account management can help in this respect.
<b>6. Approach working with employers as a collaborative venture.</b>	Given the diversity of employers and their needs, HEIs should approach working with employers as a collaborative venture and engage in a dialogue to better

	<p>understand the nature of their business and the challenges they face. This will, as part of a more integrated and holistic approach to business/employer engagement, help to identify the 'right' solution to meet the identified needs. It will require a shift away from the 'product push' approach that HEIs have tested in the past by bringing together the HEI's wider employer offer (applied and near market research, consultancy, education and training, graduate recruitment, etc.) as many have begun to explore.</p>
<p><b>7. Continue to develop and enhance pedagogical approaches.</b></p>	<p>The needs and expectations of employee learners can be very different to traditional undergraduate students; as such, HEIs should continue to develop and enhance pedagogical approaches which are increasingly more facilitative than didactic, and supportive of learning in the workplace as a means to ensure an exceptional student experience; integrating skills, knowledge and experience gained in the workplace with higher level learning.</p>
<p><b>8. Strive to provide maximum flexibility around delivery mode and timings.</b></p>	<p>Flexibility has been highlighted as a factor limiting an HEI's ability to respond in a timely manner to employers' requirements. HEIs should therefore strive to continue to provide maximum flexibility around delivery mode and timings. Streamlining internal processes and reducing timescales required for course development by, for example, establishing 'open' content (or shell) frameworks will enable greater levels of responsiveness.</p>
<p><b>9. Ensure an adequate 'supply chain' to support delivery.</b></p>	<p>Delivery capacity has similarly been identified as a key factor inhibiting an HEI's ability to respond in a timely manner; as such, HEIs should build 'workforce development activity' into workload planning models and establish a network of individual associates and collaborative provider partnerships (with other universities, FE colleges and private training providers) to ensure an adequate 'supply chain' for delivery.</p>
<p><b>10. Evaluate the contribution and impact of the higher level skills interventions.</b></p>	<p>Often employers will engage with an HEI because they can demonstrate a track record of successfully working with other employers to meet the higher level skills needs of their workforce. HEIs should work with their existing and new employer clients to evaluate the contribution and impact of their higher level skills interventions. Employer testimonials and case studies as integral parts of the marketing approach have proved to be successful ways to better promote an HEI's experience and track record, and to demonstrate return on investment. Establishing clear success criteria and agreeing with the</p>

	employer at a specification stage how these will be measured will help to focus efforts in respect to evaluating impact.
<b>11. Incentivise, reward and recognise the contribution of staff.</b>	Motivating staff to engage in workforce development activity and recognising their contributions will produce better results and ensure greater parity with research, other teaching activities and employer-facing activity; as such, HEIs should establish new or enhance existing mechanisms to incentivise, reward and recognise the contribution of staff engaged in workforce development activity. This will further help to ensure that institutional culture is highly supportive of this area of work.
<b>12. Remodel the approach to costing and pricing.</b>	The new funding system will potentially affect the uptake of HE by employers and employees alike; to mitigate the impact, HEIs should remodel their approach to costing and pricing based on a better understanding of their cost base, taking into account a range of factors (mode of delivery, location of delivery, access to learning resources, the level of employer contributions, nature and level of learner support required, and the number of learners) and a pricing strategy which is market sensitive. Developing a better understanding of the cost base will help to ensure that an appropriate overhead level is used in costing a workforce development solution.

### **Recommendations for HEFCE**

1.35 HEFCE has provided funding to develop employer-responsive provision and piloted co-funding in response to the previous Government's policy priorities. As a consequence of the HE reforms, HEFCE funding will no longer be available to support the activity previously funded through the Programme. HEFCE will no longer pursue the co-funding model, although co-funding will still be available in 2011-12 to support the transition from an employer and Government-funded activity to an individual and/or employer-funded activity. There will also be loan support for part-time learners studying at an intensity of a quarter of a full-time equivalent (FTE) or above.

1.36 Notwithstanding these changes to the policy and funding environment, we have drawn on the findings of the evaluation to formulate a number of recommendations for HEFCE to inform the sustainability of workforce development activities and the development and management of future programmes of investment. These recommendations are set out overleaf:

<b>Securing the future of workforce development activity</b>	
<b>Recommendation</b>	<b>Summary</b>
<b>1: HEFCE should consider tapering the level of co-funding drawn down by HEIs over a two-year period.</b>	HEIs are highly concerned about approaching the ‘cliff-edge’ of funding support for workforce development and as such supporting a smooth transition to the new HE funding system will be critically important. When devising an exit strategy for the co-funding model, it will be critically important for HEFCE to take into account the employer as well as the learner – it is not merely as simple as ‘teaching out’ students on existing courses. HEFCE should therefore consider tapering the level of co-funding drawn down by HEIs over a two-year period (post 2012-13) in order to minimise the potentially detrimental impact on the relationships that an HEI has built with employers.
<b>2. HEFCE should give particular consideration to the implications of changes to student number controls for part-time students who are already in the workforce.</b>	Given the phasing out of the co-funding grant, HEFCE should take account of part-time students who are already in the workforce to ensure that the development and implementation of the student number controls does not create barriers to part-time study. This is particularly important because in this Programme, almost all the co-funded cohort studied part-time and the vast majority of these students studied institutional credits at low intensities.
<b>3: The Government, in partnership with the HE sector, could consider innovative payment plans to enable those individuals studying at an intensity of less than a quarter of the FTE to continue to access HE.</b>	Many of the HEIs in the Programme offered employee learners the opportunity to undertake less than 30 credits, which means that they have not been studying at an intensity of at least a quarter of the full-time equivalent. Under the future funding arrangements such students would not be eligible for co-funding or a fee loan and with neither available, their access to HE would not be free at the point of entry. As such, the Government should consider the effect of these changes, in line with its commitment to improving social mobility, increasing fair access and widening participation.
<b>4: HEFCE should observe workforce development activity in the new system and consider how it can best be supported, encouraged and enabled.</b>	The Programme has revealed willingness from employers to pay course fees for a cohort of employees and make in-kind contributions in the context of co-funding that HEIs could draw down from HEFCE. In all likelihood this activity will continue to some degree, but the demise of the co-funding grant poses a considerable risk to this activity. The extent of growth will depend on the impact of the increased fee regime and the willingness of individuals and/or employers to contribute more towards the full cost. In this regard there are a number of possible scenarios that warrant further exploration. One such example is where

	<p>there is eligibility for a tuition loan; in this context an employer may be willing to support individual employees studying at a higher level by repaying an individual employee's loan over an agreed period of time. This would negate the employer having to make a significant upfront investment (through the payment of fees) and could potentially mean that the employer could benefit more from the investment, by 'tying' the individual into the organisation until the loan is repaid. By observing workforce development activity in the new system, HEFCE should consider where it could provide further support and encouragement.</p>
<p><b>5: HEFCE should feed the lessons learnt from this Programme and its evaluation into Professor Tim Wilson's review.</b></p>	<p>Workforce development is an important component of an integrated approach to HEIs collaborating with industry. The HEIs involved in the Programme have considerable experience in building deeper links with employers in order to meet the higher level skills needs of the workforce. They have also gained a better understanding of what strategies and models are most effective in engaging with employers.</p> <p>HEFCE should ensure that this area of work is a key point of focus for the Professor Tim Wilson's review and that evidence from this evaluation and insights from the HEIs involved in the Programme are taken into account.</p>
<p><b>6. If HEFCE wishes to support workforce development in the future, an appropriate funding approach for WFD activity based on performance should be established.</b></p>	<p>Recognising and rewarding the importance of workforce development activity is critical to its sustainability. Should HEFCE decide to support workforce development again in future, an appropriate funding approach, based on performance in this area, and integrated with other business/employer-facing funding such as the Higher Education Innovation Fund (HEIF), would support and reinforce its relative prioritisation across the HE sector and in the strategies of HEIs.</p>
<p><b>Developing and managing future funded programmes</b></p>	
<p><b>Recommendation</b></p>	<p><b>Summary</b></p>
<p><b>1: HEFCE should provide as much clarity and focus as possible around the objectives and the desired outcomes and impacts of any future funded programmes.</b></p>	<p>To ensure the HE sector and participating HEIs fully understand a funded programme's intent and requirements, HEFCE should provide as much clarity and focus as possible around the objectives and the desired outcomes and impacts; and, where possible, should prioritise the importance of the objectives. The use of a logic chain at the programme specification stage may help in this respect.</p>

<p><b>2: HEFCE should take steps to ensure that the design of future funded programmes ensures that deadweight is minimised.</b></p>	<p>This Programme resulted in a degree of deadweight as a proportion of the Additional Student Numbers were employees who already held a Level 4 qualification and were enrolled onto courses at a lower level than the qualifications they already held. If HEFCE wishes to develop a co-funding model in the future, it should seek to minimise the potential for deadweight (such as where there is an ambition to target particular student cohorts). In developing future programmes, HEFCE should consider at the outset how deadweight can affect impact, which may necessitate revising strategies.</p>
<p><b>3: HEFCE should ensure that the funding regulations and monitoring arrangements reflect and align to, as far as possible, the nature of the activity being supported.</b></p>	<p>Funding mechanisms and regulations can be complex, and difficult to interpret, implement and explain to others (e.g. employers). They may also skew demand by only rewarding certain types of activity rather than being truly demand-led. To make the process easier, HEFCE should ensure that funding regulations and monitoring arrangements reflect and align to, as far as possible, the nature and timeframe of the activity being supported or delivered. The direct application of mainstream funding and reporting arrangements to, for instance, the piloting of the co-funding model initially created problems for HEIs. The introduction of the CFEE monitoring arrangements resolved these problems to an extent, but HEIs still felt constrained by some of the regulations which did not seem to take into account the 'lifecycle' of employer-facing activity.</p>



## 2 | Introduction

This section outlines the background to, and objectives of, the Programme and summarises the methodology used in the evaluation.

2.1 This report is submitted by CFE (Research and Consulting) Ltd (CFE) and The KSA Partnership (KSA) to the Higher Education Funding Council for England (HEFCE). It summarises the key findings from our evaluation of the Transforming Workforce Development Programme.

### Programme background

2.2 The Transforming Workforce Development Programme originated in April 2006 when the three Higher Level Skills Pathfinders regions were invited to bid to undertake projects to extend Train to Gain to higher levels. This developed further with the publication of the Leitch Review, followed by the 2007 annual HEFCE grant letter<sup>6</sup> in which the Secretary of State asked for the development of ‘radical approaches’, and a “new model for funding higher education that is co-financed with employers”. HEFCE’s response was to establish the Programme, which broadly had two foci: the introduction of a co-funding employer engagement model and the instigation of transformational change in employer engagement across the higher education (HE) sector.

2.3 All of the available investment for the Programme has been allocated for the period 2008 to 2011; this comprised a total of £103 million in capacity and infrastructure developments (transformational change) and £45 million to support delivery of co-funded entrants to HE. Further details of the Programme background can be found in Appendix 4.

### Policy context

2.4 Over the past decade, there has been a growing expectation that HE should play a greater role in increasing the skills of the workforce. This has been a recurring theme in Government policy; particularly the need to encourage higher education institutions (HEIs) to engage more with employers to meet the country’s skill needs, which have been re-calibrated over time to focus increasingly on higher level skills. Key policy initiatives have included: Enterprise and Employability (introduced in the 1990s to improve undergraduates’ broader skills); Foundation degrees (FDs); Lifelong Learning Networks (LLNs); and the extension of Train to Gain to Level 4 and above.

2.5 It was not until the Leitch Review in late 2006, with its vision of a high-skill, high-value economy, and the subsequent Government response<sup>7</sup> that the momentum began to build in UK skills policy towards increasing higher level skills. Although the Lambert Review in 2003 had called for closer working between HE and business, it had not addressed skills mismatches to any great extent. The argument put by Leitch that the UK’s future competitiveness was dependent on increasing the percentage of the

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<sup>6</sup> Johnson, A. (2007) HEFCE Grant Letter: Higher Education Funding 2007-08. London: HEFCE

<sup>7</sup> Department for Innovation, Universities and Skills (DIUS) (2007) World Class Skills: Implementing the Leitch Review of Skills in England. Sheffield: BIS; and, DIUS (2008) Higher Education at Work – High Skills: High Value. Sheffield: DIUS

workforce with higher level skills (with a target for more than 40 per cent of the workforce to hold a Level 4 or higher qualification by 2020) was widely accepted. But, to achieve this target, attention would have to be switched to upskilling the existing workforce rather than simply increasing the numbers of new entrants, particularly considering that, at the time, 75 per cent of the 2020 workforce was already in work.<sup>8</sup> To succeed here, HEIs' role in the workplace would need to be enhanced.

2.6 As a result, significant new funding was directed towards the HE sector to encourage HEIs to stimulate the demand for, and develop the supply of, workforce development. Through accessing increased funds from HEFCE (channelled mainly through the Programme) HEIs could make the necessary infrastructure developments and strategic changes, establish more contacts with business and set up new activities geared to employer and employee needs. For some HEIs, this built on many years of working with employers and improving responsiveness, often in a local environment, and through a range of earlier Government policy initiatives; for others, it was intended to initiate a step-change in their employer engagement activities.

2.7 In the last couple of years, however, the political and economic situation has changed radically. A new Coalition Government took power in May 2010, and is yet to set out clearly its plans for higher level workforce development. Meanwhile, the impact of the global recession has led to some uncertainty about employer investment in skills and employee demand for upskilling in the future. The ambition of the UK to be 'a world class economy built on world class skills' (as set out by the Government in 2007)<sup>9</sup> still holds, but the challenges are much greater.

2.8 Whilst the Coalition Government initially continued to support the previous administration's policy direction regarding 'world class skills' and HE, its November 2010 paper, *Skills for Sustainable Growth*, removed Labour's 2020 targets (for skill levels of the workforce) and made little specific reference to HE and higher skills. However, it did commit to improving vocational routes into and through HE as well as investing more in Higher Apprenticeships and skills at Level 4 and above.

2.9 In broader policy terms, the Comprehensive Spending Review of October 2010 resulted in significant reforms to further and higher education in England. Lord Browne's report on HE fees and funding, published in October 2010,<sup>10</sup> proposed that the majority of public funding for teaching should be placed in the hands of students, whose choices would establish a market in HE. As a result of this, HEFCE expects that the annual grant it receives from the Government to contribute to the costs of teaching HE in higher education institutions (HEIs) and further education colleges (FECs) will be greatly reduced in coming years. The recent announcement of plans to reform HE broadly support the 'marketisation' thrust of the Browne Review (particularly by shifting the burden of funding from the state to individuals and employers) but made no reference to workforce development activities of universities.

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<sup>8</sup> This increased to 80% in 2010

<sup>9</sup> DIUS (2007) *World Class Skills: Implementing the Leitch Review of Skills in England*. Sheffield: BIS

<sup>10</sup> Lord Browne of Madingley (2010) *Securing a Sustainable Future for Higher Education: An Independent Review of Higher Education and Student Finance in England*. London: BIS.

2.10 The latest White Paper, *Students at the Heart of the System*,<sup>11</sup> proposes a new role for HEFCE as an independent 'lead regulator', working in partnership with the other higher education regulatory bodies. Subject to consultation and legislation HEFCE will oversee a new regulatory framework and take on a major new role as a consumer champion and it is already clear that its primary purpose will be to safeguard the collective student interest.

2.11 HEFCE provided funding to develop employer-responsive provision and piloted co-funding in response to the previous Government's policy priorities. The Coalition is pursuing a policy agenda that places less emphasis on this agenda and *Students at the Heart of the System* and the recent strategy statement from HEFCE *Opportunity, choice and excellence in higher education*<sup>12</sup> made little reference to the HE sector's contribution to workforce development. Where reference is made to employer engagement, it is in the context of ensuring that (often younger) full-time students come out of universities equipped to excel in the workforce.

2.12 As a consequence of the HE reforms, HEFCE funding will no longer be available to support the activity previously funded through the Programme. HEFCE will no longer pursue the co-funding model although co-funding is being provided in 2011-12 including some Additional Student Numbers (ASNs) previously committed from earlier bidding exercises. This funding is intended to support transition from an employer and Government funded activity to an individual and/or employer funded activity. However, HEFCE will not invite new ASN proposals for 2011-12. As part of the changes there will be loan support for part-time learners studying at an intensity of 0.25 of a full-time equivalent (FTE) or above.

### **Change has built on earlier progress**

2.13 By the middle of the last decade, several reports had shown how the landscape of higher education was changing in relation to work-based learning and employer engagement.<sup>13</sup> The majority of HEIs had received HEFCE Higher Education Reach Out to Business and the Community funding (HEROBC) and its successor the Higher Education Innovation Fund (HEIF) since 2000, which supported employer engagement, but primarily in the areas of innovation and technology transfer. Few HEIs took up the opportunity to use this resource to support the development of the existing workforce. Whilst a great deal of employer engagement activity was already taking place across the sector by 2006, it was a somewhat fragmented picture, with some HEIs more heavily engaged than others; and workforce development activity seen as mainly niche. It comprised long established relationships with employers, some mediated through professional bodies, as well as recently established new work-based degrees (notably funded through Foundation Degree Forward (fdf), LLN and other policy developments). On the whole, where universities were catering for the needs of individuals in work, it was mostly through standardised programmes such as off-the-shelf continuing

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<sup>11</sup> Department for Business, Innovation and Skills (BIS) (2011) *Higher Education: Students at the Heart of the System*. London: BIS

<sup>12</sup> Higher Education Funding Council for England (HEFCE) (2011) *Opportunity, choice and excellence in higher education*. Bristol: HEFCE.

<sup>13</sup> See: Nixon, I. et al. (2006) *Work-based Learning: Illuminating the Higher Education Landscape*. York: Higher Education Academy; Brennan, J. et al. (2006) *Towards a Strategy for Workplace Learning: Report to HEFCE*. London: CHERI and KPMG; Reeve, F. and Gallagher, J. (2005) *Employer University Partnerships: A Key Problem for Work-based Learning Programmes*. *Journal of Education and Work*, Vol 18 (2). Routledge; Connor, H. (2005) *Work-Based Learning*. CIHE: London

professional development (CPD) courses, Masters of Business Administration (MBAs) and new Foundation degrees. In addition, the development of flexible part-time provision, progression routes from Apprenticeships and accreditation of prior and experiential learning (APEL) was also beginning to gather pace. Yet employer engagement remained more likely to be treated as part of 'third-stream'<sup>14</sup> activity and not an integrated strategy of most HEIs.<sup>15</sup>

2.14 Positively, trend data from the Higher Education-Business and Community Interaction survey (HE-BCI) shows that CPD has been the fastest-growing employer-facing activity in HEIs over the period just discussed. It saw 67% growth from 2003/04 to 2008/09 (from £335 million in income to £559 million). This compares to 43% growth in contract research over the same period (from £665 million to £937 million), 39% for consultancy income (from £239 million to £332 million), and 19% growth in collaborative research (from £614 million to £732 million).<sup>16</sup> The figures indicate the greater levels of income that HEIs receive from research work with employers, but it is clear that CPD is catching up (or at least being better captured in HE-BCI reporting and so is more visible in HEIs).

### Other key drivers

2.15 While much of the new workforce development provision by HEIs was being driven by the national skills agenda, in particular the Leitch targets, other 'drivers' have been identified, such as: the need for businesses to be supported by HE in improving their innovation, enterprise and creativity (HEROBC and HEIF); and the drive to increase participation in HE through vocational or work-based qualification routes.<sup>17</sup> Increasing social diversity at certain HEIs<sup>18</sup> was also seen as a way of achieving Government targets around social mobility improvement. In some cases, though, it was more local and regional, rather than national economic and skills agendas which encouraged HEIs to develop better employer responsiveness, especially for smaller companies operating locally or in niches.<sup>19</sup>

2.16 Another important 'driver' has been the changing workplace and the UK's continued progression towards a 'knowledge economy'. The previous administration's last major policy document on higher education was clear that, "in a knowledge economy, universities are the most important mechanism we have for generating and preserving, disseminating, and transforming knowledge into wider social and economic benefits."<sup>20</sup> This might manifest itself as 'high performance working' in organisations,

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<sup>14</sup> Third stream activities often refer to activities covering higher education institutions' roles in economic regeneration, regional engagement, relations with industry, intellectual property, knowledge production and transfer, and related matters.

<sup>15</sup> Bolden, R. et al. (2009) *Employer Engagement with Higher Education: Defining, Sustaining and Supporting Higher Skills Provision*. London: CIHE.

<sup>16</sup> HEFCE (2010) *Higher Education-Business and Community Interaction survey 2008-09*. London: HEFCE

<sup>17</sup> See: Nixon, I. et al. (2006) *Work-based Learning: Illuminating the Higher Education Landscape*. York: Higher Education Academy; and Bolden, R. and Petrov, G. (2008) *Employer Engagement with Higher Education: A Literature Review*. Exeter: University of Exeter (SW Higher Level Skills Project)

<sup>18</sup> Cabinet Office, *Fair Access to the Professions (2009) Unleashing Aspiration: The Final Report of the Panel of Fair Access to the Professions*. London: Cabinet Office

<sup>19</sup> See: Banim, M. and Evans, A. (2008) *Creating and Managing Partnerships with Employers: Workforce Development with Public Sector and Private Sector Employers*. York: HEA; and Nixon, I. and Haywood, M. (2010) *A Longitudinal Evaluation of the North West Higher Level Skills Partnership*. KSA Partnership

<sup>20</sup> BIS (2009) *Higher Ambitions: The Future of Universities in a Knowledge Economy*. London: BIS

which opens up new opportunities for HE,<sup>21</sup> and is characterised by more complex job design, greater use of team working and more devolved lines of responsibility. Moreover, it can lead to demands for better organisational leadership, wider employee skill sets, and less distinction between formal and informal learning at work.

## Rationale for the Programme

2.17 The rationale for developing the Programme was to engender transformational change in the HE sector and help stimulate and meet employer demand for higher level skills. The Leitch Review was the primary policy driver and as was indicated in the brief, the Programme was designed to “apply conclusions of the Leitch report”<sup>22</sup> in the following ways:

- **Exceed 40 per cent** of working people qualified to at least Level 4 by 2010 by building capacity in higher education, to create a platform for accelerated growth from 2010-11;
- **Encompass the whole working-age population** by extending opportunities for employer co-funded workforce development to the 11.4 million working people aged 19 and over who hold Level 2 or 3 qualifications but have no experience of higher education;
- **Share responsibility to increase investment and action** by encouraging employer co-funding;
- **Focus on economically valuable skills** by ensuring activity is targeted at employer market(s), that it reflects regional priorities and engages employers in curriculum development;
- **Ensure that the skills system meets the needs of individuals and employers and is demand-led rather than centrally planned** through the provision of learning as short, accredited ‘bite-sized’ units through to full qualification bearing courses;
- **Adaptive and responsive to market needs** by targeting the HEFCE contribution at the point of employer demand and enabling employers to respond rapidly to new demands from employers; and
- **Building on existing structures** by assessing bids for the involvement of local partners and intermediaries, such as Train to Gain, Business Link and Lifelong Learning Networks.

2.18 Implicit in HEFCE’s rationale for the Programme was therefore an aim to bring about change in behaviour within the sector (i.e. ways of working) among HE partners and embed these changes in a new (or realigned) supportive culture. The strategy that HEFCE sought to adopt through the Programme was designed to create the ‘right’ conditions by which to incentivise HEIs to expand and change approaches both within HEIs and throughout the sector to become more employer responsive. Therefore the true impact and added value of the Programme might not be felt until (well) after the initial funding timeframe.

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<sup>21</sup> Brennan, J. et al. (2006) Towards a Strategy for Workplace Learning: Report to HEFCE. London: CHERI and KPMG.

<sup>22</sup> HEFCE (2008) Employer Engagement Programme Brief. London: HEFCE

2.19 In order to consider the impact of the Programme across the HE sector, externally on employers and employees and internally on transforming HEIs, we have summarised the Programme's response to the Leitch Review into four key impact statements. These are as follows:

- Ensured the HE sector supplies relevant, flexible and responsive provision that meets the higher level skill needs of employers and their employees;
- Increased levels of access to HE by individuals already in the workforce, particularly older people and those without prior experience of HE;
- Increased productivity and employment as a result of an internationally competitive higher level skills base – exceed 40 per cent of working people qualified to at least Level 4 by 2020;
- Reduced skill deficiencies at a national or sectoral level, tackled through a responsive demand-led higher level skills system.

2.20 A logic chain can be found in Appendix 1. This can be interpreted as a temporal sequence running from left to right and therefore the impact statements are included on the right hand side of the logic chain for the Programme. As we recognise that it will not be possible to infer the nature or extent of causality between the Programme and changes in these key impact areas we have not therefore developed indicators or identified data collection sources for these impact statements. Instead we have focused solely upon developing indicators and data collection strategies for the identified outcomes and outputs which have been derived from the Programme objectives.

### **Assumptions that underpin the Programme**

2.21 The Programme's rationale focused on building the necessary infrastructural capacity in the HE sector to support a growth in provision; therefore assuming that there was latent employer demand. Yet, despite this initial rationale, some interviewees described how demand for HE among employers has historically been low and that it was important for HEIs to build this demand over time. Evidently, there were perceptions amongst stakeholders that accreditation is not useful to employers and that the HE sector has been slow to respond to employers' needs. So, whilst HEFCE and the Department for Business, Innovation and Skills (BIS) had sought to remedy supply-side issues by establishing the Programme, this intervention needed to be instigated in parallel to interventions on the demand-side, beyond those initiated by the HE sector, to increase the uptake of higher level skills provision by employers. The extension of Train to Gain to Levels 4 and above is one example of such an intervention.

2.22 One interviewee felt that HEIs have been quick to respond to other markets where demand exists, such as the international student market, and therefore, "it's hard not to feel that actually because the demand has been weak from employers that they [...the HEIs...] haven't seen the need to invest in their systems." Despite this view, it is apparent that the risks of responding to the international student market have in recent years been potentially less for an HEI than those associated with entering the employer market, although this may change in the new funding context. Entering the international market does not necessarily require fundamental changes to an institution's systems or

its offer in quite the same way as a move from a largely predictable, publicly funded undergraduate (and, to a degree, postgraduate) market to a more volatile employer market. Furthermore, demand side issues have been identified. It is acknowledged that where skills gaps are identified, employers do not always use training as a route to meet these. This led one interviewee to comment, “There is a demand side problem as well. You can change the supply all you like, but demand is always going to be a problem”.

2.23 Whether this could be described as a market failure was less clear. One interviewee acknowledged that education and training might not be the right decision for some businesses, or that there were alternative solutions open to employers to acquire the right skills (e.g. contracting in, taking over or merging with another company). So there was recognition that it should be seen as a complex set of issues or barriers to the market. However, another interviewee was of the view that there is a, “strong case for market failure in relation to skills”. This argument suggests that employers’ perception that training is more beneficial to the employee than the employer, may lead to under investment in training. In this context, there is a market failure around certain types of employers and their employees, particularly small and medium-sized enterprises (SMEs) to which the Programme has justifiably responded.

### **Definitions of higher level skills**

2.24 Learning and/or qualifications at Levels 4 to 8 of the Qualifications and Credit Framework (QCF) is generally taken to be a proxy for higher level skills. As such the provision encompassed in this definition forms part of the HE sector’s initial and continuing professional development offer, including HE delivered in further education (FE). This type of provision comprises ‘full programmes’ that lead to the achievement of an HE level award such as professional body accreditation, National Vocational Qualifications (NVQs), VRQs, Higher National Certificates (HNCs) and Higher National Diplomas (HNDs), Foundation degrees, part-time undergraduate and postgraduate taught programmes, postgraduate research programmes; and ‘short courses’ and standalone blocks of learning – accredited and non-accredited – which in themselves do not lead to an HE level award.

2.25 To better understand the distinguishing elements of higher level skills it is important to look beyond the QCF levels. The framework for higher education qualifications in England, Wales and Northern Ireland published by the Quality Assurance Agency (QAA)<sup>23</sup> provides descriptors which exemplify the nature and characteristics of the main qualifications at each level. The characteristics of each level demonstrate the importance of not separating the development of skills from the increasingly more complex situations in which they are applied. Consequently the development of higher level skills should not be isolated from the knowledge and understanding required by a learner (in this instance an employee) to operate effectively in a particular context (in this instance a specific job, sub-sector or sector) now and into the future.

2.26 Moreover, an individual’s confidence (self efficacy) to apply their knowledge and skills in these contexts will, in part, depend on the extent to which their cognitive skills (e.g. critical analysis, conceptualisation) have been enhanced through the process of

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<sup>23</sup> QAA (2008) The Framework for Higher Education Qualifications in England, Wales and Northern Ireland. QAA

learning. It is therefore critical that the development of the higher level skills is underpinned by an approach to learning which encourages individuals to move from considering how work is carried out to deliver best practice (competence) to understanding why and how it might be carried out in different ways in future to meet both the changing needs of business and the drive for continuous improvement (capability). Thus learning at a higher level tends to focus more on extending an individual's potential to do things in the future which might not yet be defined.

2.27 Interviews with employers as part of the evaluation provided interesting insights into their perceptions of skills development and higher level skills in particular. Whilst most employers are keen for their employees to develop themselves further, often necessitating higher level courses, certain sectors increasingly require employees to have more practical and vocational skills (for example the creative industries). These perceptions will be explored in greater detail further on in this evaluation; however, at this stage it is important to remember one thing in particular: the concept of skill levels and what is defined as higher level (e.g. QCF Level 4 to 8) is one which employers and employees are far less familiar with than academics.<sup>24</sup>

## **Definitions of workforce development**

2.28 Before we explore the effectiveness of HEIs in embracing employer engagement and workforce development activities, it is important that we understand what it is meant by these very concepts.

2.29 Starting with workforce development, Jacobs (2002)<sup>25</sup> used this term to describe a wide range of learning-for-work activities and programmes. For Grubb et al (1999)<sup>26</sup>, the term refers to occupational preparation for employment, including basic, technical and academic competencies. Martinson (1999)<sup>27</sup> suggests that workforce development encompasses a broad range of employment and training services that enable job seekers, students and employers to access a wide range of information about the labour market, education and training providers, skills standards and requirements, and funding. Harrison and Weiss (1998)<sup>28</sup> claim that training is just one element of workforce development which includes other activities such as work orientation, recruitment, mentoring, and crisis intervention. Potter et al. (2003)<sup>29</sup> point out that workforce development links improvements in individual workers' performance with improvements at organisational level.

2.30 The term employer engagement on the other hand, is described as "the process through which employers directly participate in activity facilitated by an external

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<sup>24</sup> For more on this point, see CFE (2010) *Generation Crunch: The Demand for Recent Graduates from SMEs*, Leicester: CFE p9

<sup>25</sup> Jacobs, R. L. (2002) *Understanding Workforce Development: Definition, Conceptual Boundaries, and Future Perspectives*. International Conference on Technical and Vocational Education and Training (Canadian Vocational Association and UNEVOC), Canada.

<sup>26</sup> Grubb, W. N. and Associates (1999) *Toward order from chaos*. Berkeley, CA, National Centre for Research in Vocational Education.

<sup>27</sup> Martinson, K. (1999) *Literature Review on Service Coordination and Integration in the Welfare and Workforce Development Systems*. Urban Institute

<sup>28</sup> Harrison, B. & Weiss, M., (1998) *Workforce development networks: Community-Based Organizations and Regional Alliances*. Thousand Oaks, CA, SAGE Publications.

<sup>29</sup> Potter, M. A. et al. (2001) *A Model for Public Health Workforce Development Using the National Public Health Performance Standards Program*. *Journal of Public Health Management & Practice*, 9(3).



organisation in pursuit of shared objectives”.<sup>30</sup> Even as recently as 2008, ‘engagement’ was still seen as a fairly new term though; one which “broadly incorporates employer engagement – interpreted as higher education for the workforce – and knowledge transfer as exemplified by Higher Education Innovation Fund (HEIF) activity.”<sup>31</sup> McDonald (2008) believes there is a tension between the use of commercial and academic language between agency and university stakeholders; universities tend towards selling qualifications and credit recognition which prove attractive to employees whilst agencies sell business solutions invariably linked to ‘just-in-time’ training needs and improved employee and organisational efficiency.<sup>32</sup>

2.31 Even within the Programme, the understanding and description of workforce development used by HEFCE evolved over the years, encompassing a diverse range of descriptors regarding the nature of the intervention and the target market. Representatives interviewed during the scoping phase described it as “really about widening access, but also about improving business productivity through an intervention”. The emphasis was intentionally focused on people who were “already in the workforce who did not have a substantial history of learning” but who might, if the right opportunities were created be willing to take on, “not just simply learning but higher level education” (HEFCE representative). All of the provision that was funded through the Programme had to be accredited training and, wherever possible, funded by the employer.

2.32 HEIs who participated in the Programme also found themselves debating the true meaning of the terms in order to reach an accurate definition to use both internally as well as externally with their customers. They reported back that work-based learning means different things to different people. Whilst employers might interpret this as on-the-job training, academics often perceive work-based learning (WBL) to mean ‘authentic assessment or learning’. One HEI found that certain terms were more effective than others at engaging academics in workforce development activities, with ‘commercial work’ or ‘extended income generation’ often deterring academics. In this case, the term ‘employer responsive provision’ was most effective.

2.33 Nixon et al summarised it when they said, “Everyone has a view on what work-based learning means...they use a wide range of terms interchangeably – e.g. – workplace learning, work-related learning, vocational learning.”<sup>33</sup> This chimes with the findings of previous research carried out by CFE on behalf of HEFCE that concluded, “The absence of an agreed definition is perhaps the fundamental reason why studies attempting to accurately assess the extent of higher level skills training produce such widely different results.”<sup>34</sup>

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<sup>30</sup> Sector Skills Development Agency (2007) SSDA Employer Engagement Guidance, Astrid Flowers Ltd & Simpson Consulting Ltd p3.

<sup>31</sup> Wedgwood, M. (2008) Higher Education for the Workforce: Barriers and Facilitators to Employer Engagement DIUS Research Report 08 04, p8.

<sup>32</sup> McDonald H (2008) A Report on the Relevance of Language Barriers to Work Based Learning/Employer Engagement, LSDA

<sup>33</sup> I Nixon, K Smith, R Stafford and S Camm (2006) Work-based learning: illuminating the landscape, Higher Education Academy

<sup>34</sup> CFE Using demand to shape supply: An assessment of the higher level skills needs of employers in England, (Report to HEFCE by CFE, 2009)

2.34 Whilst we have explored the different perceptions of what workforce development and employer engagement really mean, it is evident that no common definition exists. Given the diversity of terminology employed to describe this area, it is probable, therefore, that we will see equal diversity of models and activities across the HEIs participating in this Programme.

### Programme objectives and outcomes

2.35 All of the stakeholders consulted during the first stage of the evaluation felt that success for the Programme would be the achievement of its objectives as outlined in the original brief; interestingly none of the stakeholders defined success of the Programme in any other terms. The Programme's objectives as documented in the original brief are presented in Table 2 below:

<b>First order objectives</b>
<ul style="list-style-type: none"> <li>➤ Achieve the targets set for additional entrants into HE co-funded by employers (of 5,000 in 2008-09, 10,000 in 2009-10, and 20,000 in 2010-11)</li> <li>➤ Achieve the target of 100,000 enrolments onto Foundation degrees by 2010</li> </ul>
<b>Additional objectives</b>
<ul style="list-style-type: none"> <li>➤ Test the potential scale of the market and the levels of demand from employers and employees</li> <li>➤ Stimulate higher education institutional change</li> <li>➤ Promote access to and progress through HE for a wider range of learners particularly those in the workforce without previous experience of HE</li> <li>➤ Build a platform of capability and capacity within the HE sector to achieve future growth in the numbers of working people participating in HE-based workforce development</li> <li>➤ Generate information to inform policy development</li> </ul>

**Table 2: The Programme objectives**

2.36 By reviewing Programme documentation and conducting in-depth interviews with stakeholders we sought to determine the characteristics of 'success' for the Programme if these objectives were realised. By documenting what the achievement of these objectives might look like in practice we are able to provide additional information on the first and second order objectives against which to review progress and impact. This enables us to identify whether actual changes match predicted changes and therefore indicate the likelihood of predicted outcomes manifesting themselves in the longer term. This approach has particular benefits, through providing a critical framework which helps to give coherence to the diverse elements of the Programme and the evaluation.

### Programme strands and activities

2.37 Through the Programme, HEFCE has invested in a wide range of funded projects in order to deliver against the specified objectives and realise the outcomes identified by the CFE and KSA evaluation team. The projects fall under one of the Programme's four key strands of activity. The key Programme strands are:

- **Development (or employer engagement) projects** – a total of £103 million has been invested in 37 transformational projects to drive through change in HEIs to enable the sector to better respond to employer demand. This includes £4.2 million in two market sector focused projects involving Sector Skills Councils as strategic partners; these projects have also been allocated co-funded ASNs.
- **Co-funding for Additional Student Numbers (ASNs)** – a further 58 HEIs have been drawing down co-funded ASNs to support the delivery of programmes and leverage co-funding contributions from employers, without the need for development funding.
- **Regional pathfinders** – a total of £11.8 million<sup>35</sup> was invested in three Higher Level Skills Pathfinders projects (HLSPs) in the North East, North West and South West to develop sustainable capacity and mechanisms to enable employers to better access appropriate HE provision.
- **HE sector agency support** – initial pump-priming investment alongside the core budget for agencies which support the HE sector was made to facilitate networking and sharing of good practice, undertake action-based research, and disseminate lessons learnt more widely.

2.38 In addition to these four strands of funded activity, HEFCE intended to focus its energies on developing a longer term strategy and funding model. As separate evaluations of the regional pathfinders have already been conducted, this evaluation predominantly focuses upon the first two strands of the Programme, development projects and co-funded ASNs.

### Objectives of the evaluation

2.39 In September 2010, CFE and KSA were commissioned by HEFCE to conduct a formative evaluation of the Programme. The fundamental question to address was the extent to which the Programme has progressed against its original first order and additional objectives. Having now completed the four stages of the evaluation, this report provides the full findings.

2.40 HEFCE commissioned this formative evaluation of the Workforce Development Programme to deliver the following objectives:

- To inform HEFCE policy development and to inform its advice to Government;
- To inform further developments in employer and employee focused provision across higher education; and
- To provide accountability for the use of public funds and to help HEFCE deliver value for money for any future funding investment, should this become available.

2.41 Meeting HEFCE's aims and objectives for this evaluation required a synthesis of qualitative and quantitative data on: external impact (i.e. impact on employers/employees); institutional change (i.e. structural and transformational change) and sector implications (i.e. cultural change and the longer term expansion of workforce development activities). The key delivery challenges were to define a workable scope in

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<sup>35</sup> This figure includes an additional £500k to extend the HLSP in the North East to all colleges offering higher education courses.

terms of these evaluation areas and then to bring together sufficient evidence and insights to inform further developments in employer and employee focused provision across HE.

## **Approach and methodology**

2.42 The overall design and implementation of the Programme has had implications for the approach taken to conducting the evaluation. As the intervention has primarily been on the supply side, for instance seeking to improve the flexibility and responsiveness of HEIs and their internal cultures, the evaluation has inevitably included consultations with those employed by HEIs and others associated with the projects. Had the Programme been an intervention that focused upon increasing purchasing power in the hands of employers, then the evaluation would have primarily focused upon the employer perspective of processes, implementation and impact. That said, the project's leads have provided HE employer contacts to capture the external perspective of HEIs' workforce development activity.

## **Methodology**

2.43 The Programme is an intervention designed to support developments and implement change through a chain of cause and effect relationships. In response to this a 'theory of change' methodology was adopted for the evaluation as it enabled us to systematically investigate the tacit or underlying assumptions or rationale underpinning the Programme and the extent to which the aspirations for the Programme have been (or are likely to be) realised. By grounding the evaluation in a theory of change methodology, our approach has assumed the Programme was based upon HEFCE's implicit or tacit theory/ies about how and why investment in this way would work. Utilising this methodology enabled us to clarify with HEFCE and other key stakeholders the overall theory behind the investments made through the Programme. It also enabled us to specify the anticipated causal sequence between the desired long-term outcomes and impacts and the support and activities put in place to achieve them. The theory of change methodology is an outcomes-based approach and as part of the methodology we developed and adopted an outcomes framework (See Appendix 2).

2.44 Following the scoping interviews we set out this outcomes framework and indicators to capture 'what success looks like' for the Programme and its various stakeholders. The outcome measures and indicators were informed by our previous work conducted on behalf of HEFCE, the three HLSPs and directly with HEIs, and our experience of developing frameworks to measure and improve employer responsiveness for educational providers, such as the Training Quality Standard.

2.45 What we found through the scoping interviews was that implicit in HEFCE's aims is the need to achieve a change in behaviour (i.e. ways of working) in the HE partners and embed these changes in a new (or realigned) supportive culture. The strategy that HEFCE adopted was designed to create the 'right' conditions by which to incentivise HEIs to expand and change approaches both within HEIs and throughout the sector to become more employer responsive. This compounds the fact that the true impact and added value of the Programme might not be felt until (well) after the initial funding timeframe. Hence, this report does not provide a comprehensive impact assessment to demonstrate its full impact as many of the HEIs that received funding are still at a

relatively early stage in their developments. Instead we have sought to establish the nature and scale of the intermediate outcomes that have been achieved, to provide strong indications of the likely downstream outcomes.

2.46 Throughout the evaluation and within this report we have endeavoured to make the assumptions that underpin the Programme more explicit. We hope that we have achieved this by clarifying what both HEFCE policymakers and other stakeholders originally conceived as being the purpose and intent of the investment programme. From this we were able to determine ‘what success would really look like’ for the Programme at its inception as well as taking into account how these perceptions may have changed over time.

### Methods used

2.47 The evaluation methods used by CFE and KSA can be summarised as follows:

- **Development of an evaluation framework:** including a logic chain, indicator framework and evaluation plan;
- **Stakeholder (SH) scoping interviews:** twelve interviews, including seven with current HEFCE staff and representatives from the department for Business, Innovation and Skills, the Higher Education Academy, and Universities UK (for a full list of consultees please see Appendix 5);
- **A review of Programme documentation:** including the Employer Engagement Programme Brief and the business cases for each of the funded workforce development projects (WFDPs) (to ensure a sound understanding of the nature and extent of the Programme and its intended outcomes and outputs, and inform the development of the evaluation framework);
- **A review of existing literature, policy documents and project-specific evaluation evidence:** to provide an insight into the impact of the Programme to date; this has not been presented as a standalone chapter, but instead has been incorporated into the key findings sections throughout this report;
- **An online survey:** a survey of all project leads, representatives from employer engagement projects and stakeholders within and beyond the HE sector;
- **A review of management and secondary data including:** Higher Education Statistics Agency (HESA) student record data, Higher Education Students Early Statistics Survey (HESES) and Higher Education in Further Education: Students Survey (HEIFES) data and Co-Funded Employer Engagement (CFEE) monitoring returns, and a summary of key findings regarding the Programme’s performance and effectiveness as evidenced by these data sources;
- **Secondary data analysis:** notably matching of CFEE monitoring data with higher education-business and community interaction survey (HE-BCI) data, and qualitative analysis of project monitoring returns;
- **Extensive primary qualitative fieldwork:** Visits to 20 workforce development projects that included a total of 80 consultations – four at each project – with strategic, operational and delivery staff;
- **Consultations with co-funded HEIs:** interviews with five HEIs that have been delivering programmes to students co-funded by employers;

- **Consultations with non-funded HEIs:** interviews with representatives from three HEIs that were unsuccessful in their application for workforce development funding and interviews with four that did not apply for Programme funding.
- **Consultation with employers and employees:** interviews with 28 employers and 13 employee learners that accessed provision through the Programme (L);
- **Additional qualitative interviews:** consultations with six key stakeholders.

2.48 Findings from the various stages of this evaluation have been presented back to HEFCE in two previous interim reports and this report draws upon content from those earlier summaries of the findings that emerged as the study progressed. This report is also reliant upon the depth of qualitative material that was collected through the interviews and site visits to 20 of the workforce development projects which are referred to as short case studies throughout the remainder of this report. All of this information therefore informs each of the chapters in this report. Further information on the methodology can be found in Appendix 3.

## This report

2.49 The rest of the report is structured in six main sections:

- **Strategic intent and operational models:** In this section we explore HEIs' structural arrangements and operational models for workforce development and consider how these have changed as a result of the Programme.
- **Employer engagement approaches and delivery:** In this section we explore changes in HEIs' approaches to employer engagement and responsiveness and consider how their practices have evolved as a result of the Programme.
- **Transformational change:** In this section we explore the key transformations across HEIs as a consequence of the Programme and provide evidence of the extent to which progress has been made to establish and new relationship between higher education and employers.
- **Sector implications:** This section distils key messages from the evaluation to provide findings on the impact of the Programme on the HE sector as a whole.
- **External impact:** This section distils key messages from the evaluation to provide findings on the external impact of the Programme on employers and employees.
- **Key findings, conclusions and recommendations:** This section outlines the key findings and conclusions that can be drawn from the analysis and highlights some recommendations regarding transition to the new funding context that HEIs and HEFCE may wish to consider.

2.50 Universities and colleges participated in the Programme; however, for the ease of reading, we will refer to these participants henceforth as 'HEIs'. A full list of HEIs, stakeholders and employers who participated in the research can be found in Appendix 5. The examples and quotations provided by these groups which are included within this report are presented anonymously. The typology used is explained in Appendix 5. All other abbreviations are explained in Appendix 6.

### 3 | Strategic intent and operational models

In this section we explore HEIs' missions, structural arrangements and operational models for workforce development and consider how these changed as a result of the Programme.

#### Institutional mission and strategy

3.1 Respondents to the online survey indicated that the Programme's funding had had a significant impact on the mission of their HEIs (with an average rating of 7.3 on a ten point scale, where one equals 'not at all' and ten equals 'very much'). Moreover, further analysis<sup>36</sup> indicated that this perception was held by individuals across the institution (including project leads, senior institutional leaders, senior and mid level professional services managers, heads of academic units and directly engaged staff). Further exploration of this impact during our fieldwork consultations revealed this to be true for some HEIs; mainly those which had decided to become more business facing at the time the Programme was conceived.

3.2 Cuts in HE funding were one key reason for considering this new potential income stream. However, for other more 'vocationally led' HEIs, such as some of the post-92 HEIs, a long history of partnerships with business and industry meant the Programme was a reconfirmation or reaffirmation of their mission as an employer (or business) facing institution. Irrespective of whether an HEI has revisited or reconfirmed its mission as a result of the Programme, being a 'business facing' institution is seen as a clear way to differentiate in an increasingly competitive market. One individual likened 'employer engagement' to research, suggesting that "...there are five really great universities doing research ... another 20 that are really good [...and] then there are those that do bits" (WFDP 20).

3.3 Where HEIs have adopted a more strategic approach to business or employer engagement, this is evidenced by the extent to which it has been embedded in corporate strategy and key institutional strategies (learning and teaching, business and community engagement, and to a lesser extent research) as a cross-cutting theme. In some instances, HEIs have also developed dedicated workforce development strategies which underpin, and support the delivery of, key institutional strategies. Workforce development has in many ways been legitimised as an integral part of the higher education offer. The Research Excellence Framework with its emphasis on the wider social and economic impact of research was highlighted as one external factor which has contributed to the legitimisation.

3.4 Statistical modelling techniques<sup>37</sup> have allowed us to further explore whether institutional change in specific areas is linked to the revision of institutional missions more strongly when compared to others. Our findings show that HEIs which have significantly improved their ability to meet employers' skills needs through their operations are much more likely to report that the Programme has led the institution to reflect on its mission. Further modelling<sup>38</sup> also indicates that HEIs which maintain formal

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<sup>36</sup> ANOVA

<sup>37</sup> Regression analysis

<sup>38</sup> Regression analysis

systems for tracking engagements and activities with employers are more likely to report that the institutional mission has been revisited as a result of the Programme.

3.5 For those HEIs that feel it is still early days, the workforce development projects were generally seen as separate initiatives at the start; it is only now, two to three years in, that the projects are really beginning to impact on the institutional mission and strategy.

3.6 Adopting a strategic approach to workforce development and collaborating with employers more closely was seen as important; but something that many found difficult to achieve. Evidence from interviews with funded projects suggests that for many HEIs, interaction with employers was not co-ordinated across the organisation previously. Given the opportunity of involvement in the Programme, some therefore saw the opportunity to link these disparate employer-facing activities as part of a more strategic approach. For example:

- WFDP 13 linked in with their careers service to use existing contacts with employers;
- WFDPs 4 & 12 made linkages between employer engagement and knowledge transfer;
- WFDPs 17 & 19 optimised the opportunity to broaden and deepen their employer engagement activity, particularly where previously it had been in isolated pockets within the HEI; and
- WFDPs 16, 17 & 20 conducted analysis of their mission and institutional strengths and established employer engagement as strategically important in the long-term.

3.7 However, overall, the level of progress made by the projects has been variable and an overarching strategic plan for employer engagement, linking all employer-facing activities is still lacking for many.

3.8 A number of HEIs approached the Programme with the simple aim of growing workforce development and employer funded provision. Accessing a new stream of funding was also undoubtedly a motivation. For example, one of the co-funded only institutions (CFO), an FE college (CFO 3), saw this as one aspect of helping the college secure financial recovery.

3.9 In general, it was a priority for all to establish greater levels of interaction with employers. Several interviews discussed the importance of using HEFCE's investment in the Programme to develop pilot projects and models of employer engagement that could benefit the sector as a whole (WFDP 17); for example, to engage academics in workforce development and help them to "think outside the box that they were locked in" (WFDP 13). Furthermore, for HEIs, the Programme was clearly seen as an opportunity to catalyse and support transformational change as part of their medium/long-term strategic priorities. For them, the commitment to sustainability was understood from the start, and therefore the development was not seen as a short-term project.



“The business was always set up to be self-sustaining... I think the funding enabled it to give it that impetus. This was always meant to succeed and be much bigger than just a project. I think if you start with something that is set up to succeed rather than set up to finish, I think that’s a very different mindset right from the beginning.”

WFDP 16

## Leadership

3.10 Very little mention has been made of leadership and management issues in earlier research on the development of employer engagement and workforce development activities in HE. However, as strategies on workforce development evolved, it began to feature more in later literature, in discussion on cultural changes and infrastructural support. Attention has been drawn to the importance of gaining commitment from senior academics and the senior executive team.<sup>39</sup> Most of our case studies reflected this also: “Buy in from senior management has been really key... also the fact that the VC [Vice-Chancellor] listens to us... and we can go directly to him is great.”(WFDP 15).

3.11 The need to have good support and leadership at senior levels came through as critical in most of the case studies. A particular factor was the importance of ‘champions’; often Vice-Chancellors (VCs), but also Pro-Vice-Chancellors (PVCs) or Deputy-Vice-Chancellors (DVCs) who have taken a personal, and often passionate and active interest. In many places these individuals have been viewed by project staff as a, if not the, key driver of change across their institution (as well as changing the perceptions of employers and other outside bodies). For example: “Clearly, if we had not had VC support, and not just support, he led on it, and it was an institutional priority, then I don’t think we would have got where we got” (WFDP 16). In another HEI (WFDP 8) a PVC with responsibility for employer engagement created a mission statement for workforce development and initiated an ongoing process of identifying employer engagement champions across the university to drive forward the agenda.

### Benefits resulting from champions within an institution

The majority of case studies mentioned the importance of such ‘champions’, though some were stronger forces of change in this area than others. Various benefits, both of a contextual and operational nature, for the projects stemmed from this, such as:

- Changing missions/setting institutional priorities;
- Getting ‘buy-in’ from academics for employer engagement activities;
- Helping to cascade new ideas;
- Broadening the sphere of influence of the project across the institution;
- Changing attitudes of the senior management team;

<sup>39</sup> See Bolden, R et al. (2009) Strategies for Effective HE-Employer Engagement, HERDA SW and HEFCE Research Report

- Recognising the importance of employers to the institution as part of a diversified income stream; and
- Improving decision making through better channels of accountability and communication.

3.12 Where VCs or DVCs as ‘champions’ were not so dominant, several projects highlighted the strength of support they had gained from their senior management in achieving their project objectives, for example: “The management team here are very on-side with us... and it’s pushing these lessons down into the institutional side...we are way ahead of where we started” (WFD P1); or in sustaining institutional change, for example: “what is key actually is senior executive strategic lead and vision in relation to this area so that employer engagement is hardwired into the university’s mission and how it defines itself”. (WFDP6)

3.13 In one HEI, the project sponsor changed several times during the project; commencing with the Director of Finance, followed by the newly recruited PVC for External Affairs and ending up with the Dean of Faculty for Humanities and Social Sciences who was also PVC for Teaching and Learning. What is notable is that the changes in responsibility for this activity mirrored changes in the focus of the project activities over time. It started out focusing on internal changes to systems then dealt with marketing and is currently focused on embedding it across the four faculties of the university.

## Human resources

3.14 Several previous studies have reported criticism from employers regarding the absence of good initial contact points at universities and variable responses received from staff responding to enquiries.<sup>40</sup> Generally, employers appear to expect that HEIs will be slower to respond than private providers,<sup>41</sup> and that they lack an awareness of business needs, language and commercial pressures,<sup>42</sup> which is seen as a handicap in developing partnership working.<sup>43</sup>

3.15 In response to these concerns, improvements have been made to internal networking, staff relationships and development. A few HEIs, in part as a consequence of the Programme, have designated themselves as ‘business facing’ and made more radical organisational and staff resourcing changes. All of these different organisational models are seen in varying forms in the case studies (see later section on operational models and survey data on organisational structures).

3.16 Whatever organisational model was adopted by our case studies, all of them have taken on board these employer concerns. Consequently, they have focused more attention on improving their capacity and capability to respond to employer requests and work successfully with business. Some HEIs felt that this was an important way to use

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<sup>40</sup> CBI (2008) *Stepping Higher: Workforce development through employer-HE partnerships*

<sup>41</sup> CFE *Beyond Known Unknowns: a further exploration of the demand for higher level skills from businesses*, CFE (2009)

<sup>42</sup> See: CBI, *Stepping Higher*; and Connor, H., and Hirsh, W., *Influence through Collaboration: Employer Demand for Higher Learning and Engagement with Higher Education*, (CIHE, 2008)

<sup>43</sup> Connor & Hirsh (2008), *op. cit.*

their project funds which has involved changing both attitudes and skills of the staff that employers contact. In some cases though, where academics have lacked ‘business-facing’ capability, experience or capacity, additional staff with business experience have been recruited. This has helped to bring in house crucial skills such as sales and customer management, ability to talk the same language as business clients, or direct knowledge of local businesses. Other new posts that have been created include business coaches, business development managers and industry managers. However, various challenges in recruitment were experienced, for example:

“There is a whole skill set; I’ve come to the conclusion, in finding the right people to work with employers. It’s an unusual combination as well. A conventional academic doesn’t necessarily come with it at all, and a conventional marketing and sales orientated person doesn’t come with it either. You need quite a lot of the salesman about you really. You also need a really good insight, I think, into how training works, and how you can translate that into a series of academic outcomes without compromising some fundamentals of the training that you might be looking at. People who can drop straight into that are few and far between, I think, and I think it’s quite a job to bring people on to it as well. So I’d say that’s been a challenge”.

WFDP6

3.17 The monitoring reports also demonstrated evidence of challenges experienced in recruiting and retaining key staff. The required skill set of HE sector knowledge, combined with commercial experience appears to have been in short supply. One project opted to develop its own staff internally to fill this gap, given their inability to locate a suitable external candidate to recruit. However, certain specialist posts created as part of the project have now been made permanent, demonstrating the sustainability of employer engagement activity. For example, one has made two posts permanent, and is considering further fixed-term contracts for other posts.

3.18 A number of the case studies also mentioned some initial resistance to bringing business specialist staff into academic units. However, it has been a mixed picture across the HEIs with some comments about business specialists ‘going native’ and becoming too indoctrinated in the ways in which academic units operate and in other cases, academic staff being more open-minded about the need to change and work with (and take instructions from) business-facing staff.

#### **Staff development programmes**

Most projects had initiated some form of staff development programme for academic staff (in addition to recruiting business specialists) but these varied in scale and intensity. Some had fairly extensive programmes and examples include:

- Investing heavily in a leading industry sales coach;
- Establishing a sales methodology which included a two day sales training course, so that everyone was ‘talking the same language’ on forecasts, sales cycle and relationship management; this was then rolled out across the

university. It has helped staff understand that different roles need a different set of sales skills and together they can work effectively; and

- Interviewing all academic staff to map skills for business and identifying what individuals could and would like to do.

3.19 Accepting that not all academics like to interface with business in this way, WFDP 20 developed a strategy of creating small teams of academics who had ‘bought into’ the concept of employer engagement and were happy to work with business clients. They found they could manage the client experience better that way, and were also mindful of the importance of ensuring a good learner experience:

“It’s not just the client who pays the bill... ..but also the learner attached to that client who we have to be very, very mindful that they get the right experience of university...so there’s an enormous complexity about who goes out to deliver... I would say it’s been slowly, slowly, specifically targeted but ultimately with a cascade effect”.

WFDP20

3.20 In other HEIs, business development managers or central project staff had found it more successful to work with academics in departments to build up individual relationships, harness ideas for business development and promote the workforce development messages and institutional support available to staff. However, one HEI found that some academic staff viewed their other priorities (research or teaching) as more important and had limited capacity to be ‘business champions’, even if strong business development opportunities presented themselves.

3.21 Difficulties highlighted in earlier research<sup>44</sup> in encouraging staff to move into more demand-led higher skills provision were apparent in many of the case studies. Existing performance measures, such as the Research Assessment Exercise (RAE) and league tables, tend to take greater importance for many academics, especially in more research intensive universities.

#### **Approaches to staff recognition for workforce development**

Gaining recognition for working with employers is an important issue for staff, and one that few case studies had succeeded in tackling. However, a number of approaches being piloted included:

- Changing promotion criteria to include an enterprise strand (alongside teaching and research) to persuade academics of the value of dedicating time to this;
- Developing a new promotion stream where commercial and consultancy work is valued in an individual’s progression to Reader and Professor;
- Establishing a new structure to award greater recognition to workforce development in career paths; one HEI has appointed a Dean of Enterprise but has yet to fill in the career steps (e.g. Professor of Enterprise and

<sup>44</sup> Bolden, R., et al. (2009), op. cit

Entrepreneurial Fellows) in a new structure;

- Encouraging staff to demonstrate a connection between employer engagement and research to help increase the value of workforce development in career progression;
- Creating Associate Deans for Workforce Development (WFD) as a means of rewarding staff in a competitive process; in one HEI, several of the previously designated industry champions obtained these positions; and
- Developing key performance indicators around employer engagement so that proper credit is given to those who are working hard on this activity.

A few were also in the process of developing new schemes, including:

- The development of an academic incentive scheme for business and employer focused activity; and
- The creation of a University Excellence Award for Employer Engagement, to recognise exceptional staff contributions.

3.22 Little mention of changes to academic staff's reward systems has been made either in the monitoring reports or literature. This appears to be a new area for HEIs, especially since some staff have been recruited specifically for workforce development programmes and, as such, are on different types of contracts and salaries. Very few monitoring reports made reference to changes in their HR policies and practice either, including reward mechanisms, to support this work. Exceptions were:

- The University of West London where academic job descriptions include specific requirements and skills to deliver employer engagement with a supporting reward system, and;
- The University of Bradford's new Excellence in Knowledge Transfer Awards which are also available to work-based learning activity.

3.23 However, a few HEIs have made some changes in terms of flexibility and clarification of contracts, for example:

- One HEI, through its wholly owned subsidiary, developed terms and conditions, including flexible benefits and commission structures more akin to the commercial sector;
- Another HEI has promoted commercial activity as part of the academic contract, incentivising it financially and through promotion criteria; and
- One HEI has worked with its HR team to clarify contract terms for consultants appointed to develop course materials instead of classing them as 'sessional lecturers'.

## Structural arrangements

### Operational models

3.24 There are various operational models that HEIs have adopted to support their workforce development activity. A central difference in organisational approach is whether HEIs chose to engage employers through existing faculties and departments, or alternatively to create a distinct business development unit, or a combination of both. It is interesting to note that non-funded HEIs have also had similar debates around devolution to faculties and centralisation. Engaging through faculties was seen as important by some (e.g. WFDP 12 & WFDP 20), as a way of ensuring work with employers featured throughout the whole institution; some projects even set targets for business development for academic departments (e.g. WFDP 5 & WFDP 11). However, with this approach there is the danger that some faculties will respond better than others (WFDP 1), leading to a lack of consistency across an institution.

3.25 Other HEIs took the approach of creating business-facing units as the access point for businesses, and additionally in some, new brands and sub-brands for use with corporate clients (WFDP 16). This has the advantage of being able to implement new employer-responsive processes with a high degree of central co-ordination. As discussed later some projects (WFDP 3) went as far as establishing a subsidiary company and delivering through dedicated staff and associates, thereby keeping work with employers separate from the rest of the institution. In one example, as part of substantial organisational change and long-term cultural shift, an HEI has recently turned one of its companies into a Joint Academic Commercial Company. In effect it has become a private training provider operating in parallel to the publicly funded university whilst delivering profitable activity to the university group. This enables their employees to be employed on standard commercial fixed term contracts, reducing risk and costs to the university. Likewise, at least one other HEI has established a wholly owned subsidiary through which to deliver organisational development consultancy, executive coaching, and leadership development programmes. Whatever organisational model was adopted, all projects worked to improve their capacity and responsiveness for working with employers, which included developing new (or enhancing existing) systems and recruiting new members of staff to engage employers.

3.26 The monitoring reports for September 2009 to September 2010 show significant institutional change, with many HEIs taking a more strategic approach to integrating workforce development into their offer. Those HEIs which have adopted a more strategic model are invariably those which have embraced a more commercially minded approach to workforce development and readily talk in terms of 'sales', 'markets' and 'clients'.

3.27 The monitoring reports provide evidence of a transition from projects being initially delivered in one part of the HEI to prioritising and integrating the activity across the wider organisation. One HEI, for example, set up a Business Development Unit in August 2010 where the Director is a member of the Executive Team and reports directly to the Vice-Chancellor. This new unit brings together the workforce development project, sector teams, corporate sales team and the unit responsible for creating bespoke solutions. In addition, a transactional portal is being integrated into a new employer web area and templates for new market areas have been developed.

3.28 In addition, analysis shows that the Programme is linked to significant increases in the variety of mechanisms implemented to aid employer engagement (Figure 1). The most common mechanisms currently include dedicated staff within academic departments (74%) and separate organisational units that operate outside conventional academic departments (74%); both of which have increased substantially after funding (prior to funding only 41% and 39% respectively operated in this way). However, the proportion of respondents reporting that they currently have a dedicated unit (building or significant part of) to facilitate interactions with employers is less but still significant at 45%. Moreover, it has increased by 22% following the introduction of the Programme (from 23 % before funding).

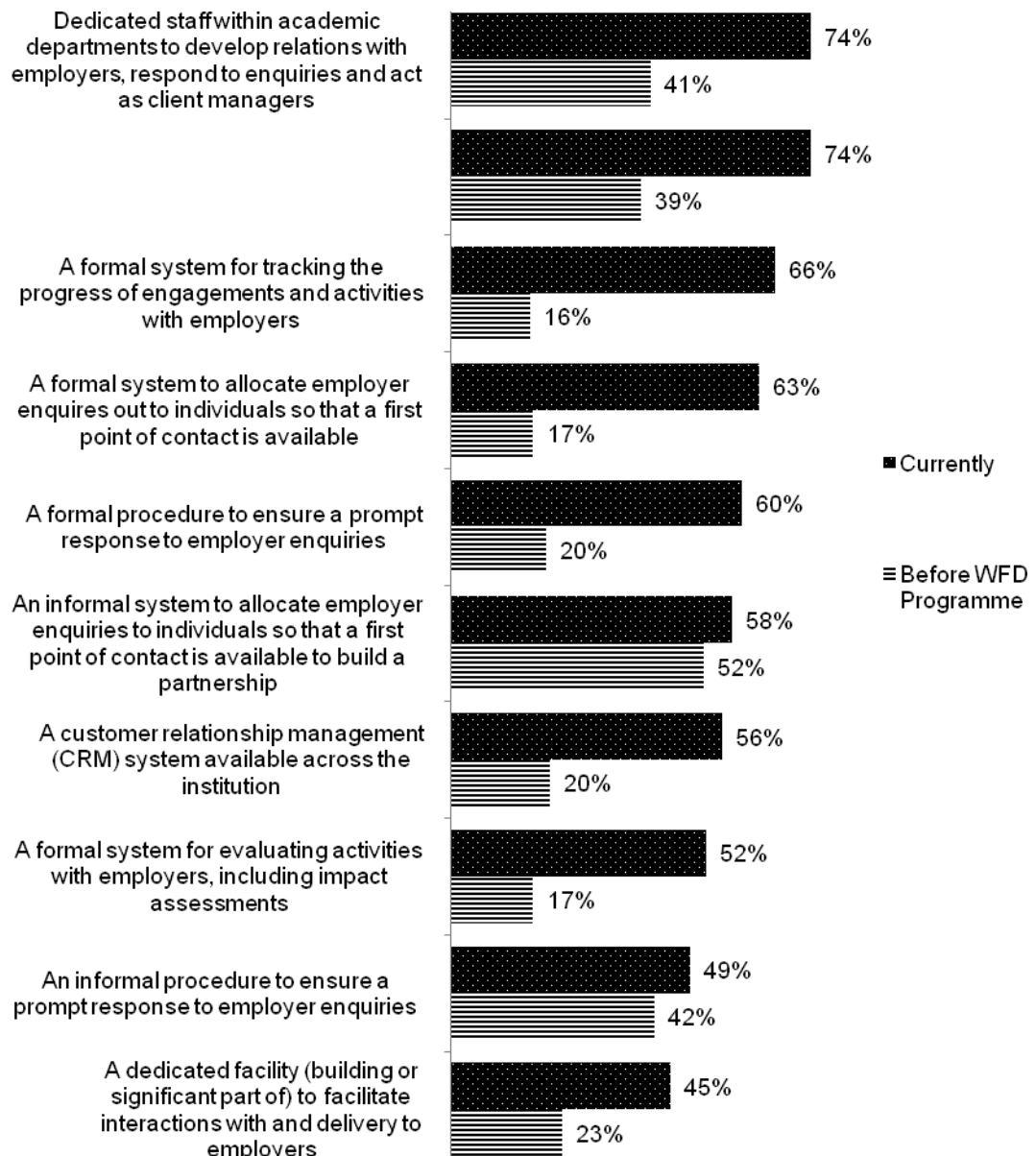


Figure 1: Mechanisms to aid employer engagement prior to the Programme and currently (base = 149)

3.29 Further feedback supports the conclusion that trends have emerged in the types of operational models adopted during the course of the Programme. Interviews with case study projects reveal that at the one extreme there are “very decentralised model[s]” in which “schools do their own thing” (WFDP 14). Equally there are centralised models, or new ways of working in which a centralised workforce development unit “takes the money from the client, it charges the price, it invoices the client, it owns the client. It’s responsible for the delivery” (WFDP 16). In WFDP 16, the unit with responsibility for workforce development commissions and pays the faculty for the delivery, so the operational model established is based upon a commercial transaction. At the extreme, the centralised unit might pay departments under service level agreements for supply of services; the assumption behind such an arrangement is that where there is internal trading there is a “sharpness to it” which means that the faculties cannot easily fail to deliver for the unit. Moreover, it is transparent what the generated income is contributing towards. This centralised approach involves a conscious step towards transaction visibility, and moves away from the “apportionment of overheads” as is common within HEIs.

3.30 Overall, three relatively discrete types of models typically adopted by individual HEIs have emerged; these are 'standalone', 'hub and spoke' and 'distributed'. The characteristics of each model are described below and summarised in Table 3. It should, however, be noted that in adopting a particular model, HEIs have nuanced their approach to ensure that it fits with their strategic intent and operating context.

	Standalone	Hub and Spoke	Distributed
Vehicle	<ul style="list-style-type: none"> <li>➤ A wholly owned subsidiary or a separate, largely self contained division within the institution</li> </ul>	<ul style="list-style-type: none"> <li>➤ A 'hub and spoke' arrangement with varying levels of integration between a centrally co-ordinated business development function and the institution's academic divisions</li> </ul>	<ul style="list-style-type: none"> <li>➤ A centralised model with academic divisions operating independently and collaboratively (i.e. on a cross-faculty basis), when appropriate</li> </ul>
Leadership and governance	<ul style="list-style-type: none"> <li>➤ Chief Executive Officer or Managing Director reporting to a Board comprising internal institutional and external (employer) representation</li> </ul>	<ul style="list-style-type: none"> <li>➤ Heads of business development and academic divisions reporting through institutional committee structures.</li> <li>➤ Dedicated steering or advisory group may be established with external representation</li> </ul>	<ul style="list-style-type: none"> <li>➤ Heads or assistant heads of academic divisions reporting through institutional committee structures.</li> </ul>
Human resources	<ul style="list-style-type: none"> <li>➤ Strong commercially experienced staff profile, employed through the wholly owned subsidiary on terms and conditions similar to the private sector</li> </ul>	<ul style="list-style-type: none"> <li>➤ Commercially and academically experienced staff profile across the institution's individual business units, with some use of performance related pay and/or revenue sharing</li> </ul>	<ul style="list-style-type: none"> <li>➤ Strong academically experienced staff profile, employed on terms and conditions which are fairly standard across the HE sector</li> </ul>
Business development	<ul style="list-style-type: none"> <li>➤ Dedicated business development, marketing and sales function which is highly pro-active and sophisticated in approach, supported by a CRM system</li> </ul>	<ul style="list-style-type: none"> <li>➤ Central and distributed sector and discipline oriented business development, marketing and sales function, with varying levels of pro-activity and sophistication, generally supported by an institution-wide CRM system</li> </ul>	<ul style="list-style-type: none"> <li>➤ Distributed, discipline oriented business development, marketing and sales function with limited resource to support pro-active approaches and possibly supported by an institution-wide or locally deployed CRM system</li> </ul>



Delivery	<ul style="list-style-type: none"> <li>➤ Dedicated, in-house delivery capability and capacity supplemented by individual associates and third party providers (e.g. private training providers)</li> </ul>	<ul style="list-style-type: none"> <li>➤ Delivery capability and capacity provided by academic divisions supplemented by individual associates and third party providers (e.g. FE colleges, private training providers)</li> </ul>	<ul style="list-style-type: none"> <li>➤ Delivery capability and capacity provided by academic divisions supplemented by individual associates and collaborative educational partners (e.g. other universities, FE colleges)</li> </ul>
Processes and systems	<ul style="list-style-type: none"> <li>➤ Dedicated, in-house processes and systems designed to enable flexibility and responsiveness.</li> <li>➤ Established institutional processes and systems only used for accounting (e.g. HEFCE returns) and assurance purposes</li> </ul>	<ul style="list-style-type: none"> <li>➤ Established institutional processes and systems used, with institution-wide adaptation to improve flexibility and responsiveness</li> </ul>	<ul style="list-style-type: none"> <li>➤ Established institutional processes and systems used, with localised and institution-wide adaptation to improve flexibility and responsiveness</li> </ul>
Branding	<ul style="list-style-type: none"> <li>➤ Distinct branding separate to institution with the option to use the institution's brand, as appropriate</li> </ul>	<ul style="list-style-type: none"> <li>➤ Strong institutional branding supported by a sub-brand oriented to employers</li> </ul>	<ul style="list-style-type: none"> <li>➤ Strong institutional and/or academic division branding</li> </ul>

**Table 3: Overview of the three operational models that have emerged through the Programme**

3.31 The standalone (or 'commercial') model is characterised by the HEI establishing a wholly owned subsidiary as part of a group structure or a separate, largely self contained division within the HEI. This is managed by a Chief Executive Officer or a Managing Director who reports to a dedicated Board and leads a strong, commercially experienced team. Specifically recruited, this team are employed on terms and conditions similar to the private sector (e.g. with performance related pay). Consequently there tends to be a highly pro-active and sophisticated approach to business development, marketing and sales, supported by a customer relationship management (CRM) system more akin to the commercial sector. Unlike other models, delivery capability and capacity is also provided by a dedicated, in-house team; capacity within the HEI is only utilised when their highly technical or specialist (academic) input is required. This model is also characterised by the creation of distinctive and separate branding and a rapid growth in the employer client base, typically achieved through contracts with larger organisations, and in student numbers.

3.32 However, where this model has been adopted, the impact on the HEI's operations and culture during the Programme has been less extensive. For instance, the HEI's processes and systems are only used when necessary, (e.g. for accounting and assurance purposes); instead, dedicated in-house processes and systems have been implemented to enable flexibility and responsiveness. That said, some examples of changes to institutional processes and systems do exist.

3.33 The hub and spoke model, by contrast, strives to better align academic and commercial approaches to growing and sustaining workforce development activity. Typically this model is characterised by a centrally co-ordinated business development unit with varying levels of pro-activity and sophistication, and generally supported by an institution-wide CRM system. The unit has varying levels of integration with the academic divisions facilitated by business development managers, located either part or full time within the faculty or school for which they are responsible. In some instances line management for these individuals is provided by the head (or deputy head) of the academic division with functional management provided by the head (or deputy head) of

the business development unit. Delivery capability and capacity is provided, in this instance, by the academic divisions predominantly, supplemented by individual associates and third party providers such as an established FE college network and private training providers. Growth in the employer client base and learner numbers relates to the degree to which commercial and academic imperatives drive the HEI's strategic intent.

3.34 This model can be sub-divided into 'commercial-academic' where stimulating and securing increased employer demand is the primary driver for the institution and 'academic-commercial' where the driver is exploiting the HEI's academic strengths to meet employers' needs. While these are not mutually exclusive, the degree of commercial imperative affects the level of pro-activity and sophistication to business development, marketing and sales and the extent to which reward systems or revenue sharing are implemented. In adopting this model, the impact on the HEI's operations and culture has tended to be greater than the standalone and distributed models, and is felt by many HEIs to provide a sustainable yet operationally scalable model. For instance, established institutional processes and systems are used and significant efforts have been made to adapt and enhance these to improve flexibility and responsiveness. Similarly, existing committee structures provide the formal lines of reporting for heads of business development and academic divisions alike; consequently workforce development is increasingly seen as an integral part of the core business.

3.35 The distributed (or 'academic') model is characterised by the business development, marketing and sales capacity being decentralised and embedded in the academic divisions with little, if any, central co-ordination or support. In this case the divisions operate largely independently of one another, which can affect the level of propensity to collaborate internally and determine the degree of workforce development growth. Generally, there are fewer resources to support highly pro-active and sustained approaches to stimulating increased employer demand, and the degree of sophistication to customer management is more limited. As with the hub and spoke model, the academic divisions predominantly provide the delivery capacity and supplement this through individual associates and collaborative educational partners. Similarly, the HEI's established systems and processes are utilised and localised adaptation and enhancement enable greater flexibility and responsiveness where institutional-wide changes are not justified. While this model has not necessarily realised significant growth in employer client base and learner numbers during the Programme, it has sought to engage the academic community in a deeper and more meaningful way as part of a 'bottom up' approach to transforming the HEI's culture. Over time this can lead to an operationally scalable and sustainable model as evidenced by two of the HEIs that did not apply for funding.

3.36 Despite polar opposite trends emerging with centralised and decentralised models, certain HEIs less eager to commit to one operational model, have instead been trialling elements of the different models to determine which are most effective; even if they require structural change. Some HEIs have faced barriers to developing their desired operational models, particularly when dealing with "finance, [or] our personnel" (WFDP 14). Furthermore, certain HEIs made it a deliberate policy to address their infrastructure and operational models before embarking on developing new business; to ensure their "infrastructure was fit for purpose" (WFDP 8) and avoid over committing to

businesses. Yet at least one HEI believed that this was perhaps mistaken as they came to realise that relationships with employers “take a long time to gestate” (WFDP 8).

3.37 Alongside these institutional models, certain HEIs worked collaboratively or in partnership. At least five HEIs attempted to work with associated or local FECs to access their employer contacts. Others sought to develop a clearer FE/HE provision model for employers to understand, by collaborating with FECs to offer different types of provision through one point of entry (e.g. WFDP 6 & 14). Certain HEIs have been successful in building these partnerships, even establishing joint delivery and staff development programmes (e.g. WFDP 14). However, other HEIs have had less success – either because FECs have not shown much enthusiasm, or have been distracted by their differing priorities and direction, making collaboration too difficult to facilitate. Moreover, one HEI warned against assuming that FE and HE are natural collaborators: “Increasingly they’re competitors, or they are seen as competitors, in all sorts of areas” (WFDP 18). This HEI asserted that HEFCE’s new systems and Government policies will lead to less type of this collaboration most notably because there is no real structure to support or encourage it for either side.

3.38 In some instances, HEIs collaborated across a region or sub-region, or on a national basis to respond to the needs of a particular sector or industries. Partnership or network approaches included those taken by the three HLSPs in the North East, North West and South West, and the Workforce Development Projects led by Skillset, Cogent and the Sussex Learning Network.

3.39 Collaboration between different HEIs entails a “distributed budget right from the off, both in terms of co-funded ASNs and capacity building [and] delivery...” (WFDP 14). In the most successful examples of partnership working, the arrangements were not, however, hierarchical. Where such partnerships work most effectively, one HEI might “increase the levels of support across the partnership to maintain it and keep it going rather than trying to take over everything that’s going on” (WFDP 14). Working in partnership also enables HEIs to minimise risk by spreading it across partners.

3.40 Overall the partnership approach led to an interesting dynamic between partners, with different delivery relationships emerging. A partnership approach can be beneficial, particularly as it spreads risk across partners and generates more opportunities with employers through economies of scale. However, it does not necessarily lead to wholesale 'transformational or cultural' change in any one HEI as the resource is spread too thinly. Partnership delivery (universities delivering through colleges) also brings challenges; such as the need to ensure financial viability across organisations, which is more complex than for one institution.

3.41 Some of those HEIs that applied for Programme funding but were unsuccessful did, however, manage to secure external funding from alternative sources. The funding they secured was drawn from a range of sources including the European Social Fund (ESF) and their RDA. Whilst one HEI consulted had only secured a relatively small amount of funding, its impact was clearly notable on their operational model and operations, as “strategically it gave us a real edge and enabled us to do some of our plans two years ahead of what we thought we would have been able to do” (AUS 2).

## Financial models

3.42 Prior to the Programme, not all HEIs had a centralised function that governed costing and/or pricing; however, all projects were required to establish a costing model enabling them to determine the price for their provision. Given that workforce development is a relatively new activity for many HEIs, no real guidelines exist around costing and pricing methodologies. As such, various approaches to costing provision were trialled by HEIs. One of the challenges they faced concerned the use of co-funding; how to make best use of these funds without jeopardising future sustainability of the product once co-funding concluded.

### Approaches to costing and pricing

3.43 Some HEIs adopted a model that entailed slightly increasing the total operational cost (including overheads) to create a price for the course. However, they often found that their overheads would be overestimated (or overinflated), losing them business as a result of the course being too expensive. As a consequence, the full economic costing models, adopted by the majority of HEIs, will most likely need to change.

3.44 By contrast, other HEIs have adopted a more 'commercial' approach to costing and pricing. This involves breaking down the direct costs into the constituent elements and utilising a more appropriate overhead rate to cover indirect costs (based on a better understanding of their cost base). In this model a range of factors (mode of delivery, location of delivery, access required to learning resources, the level of employer contributions, nature and level of learner support required, and the number of learners) are taken into account when determining the direct costs incurred by the HEI. The pricing strategy then takes into account an agreed profit margin with some degree of flexibility to enable the HEI to be sensitive to the market. HEFCE's co-funding in these instances was used as either a means by which to offset a proportion of the costs (thereby reducing the price quoted) or to discount the price through providing a subsidy to the employer, albeit indirectly.

3.45 Furthermore, some HEIs have worked with their partner FE colleges in order to offer employers more cost-effective solutions, particularly in respect to Foundation degrees. The cost base and overhead level for FE colleges is generally recognised as being a lot lower than that of their validating HEI.

3.46 Irrespective of the adopted approach, one HEI in particular tried to steer employers away from discussions around price, and more towards the value of the product. They found it frustrating that employers would complain that HEI prices were too expensive, but would admit to sending employees on two-day short courses for £1,000 plus VAT. As such, this HEI demonstrated that studying for a Diploma is in effect "many two-day short courses, so if you add that altogether this [...the HE course...] is a real bargain" (WFDP18).

3.47 Another HEI explored a different approach to securing employer contracts without having to offer discounts in order to generate interest in workforce development. Instead of proposing 20 per cent discounts on work-based learning, they offered their prospective employer clients three scholarships in return for the employer providing a

three-week summer placement for some of their students. This HEI found that this is a “trade-off, actually for corporate social responsibility and all that good stuff”. (WFDP 11)

### **Costing and pricing: Lessons learnt**

A number of key lessons were learnt around costing and pricing provision during the Programme. We provide a summary of some of the key lessons below:

- Develop an activity costing template which explains the costing methodology and principles that can be shared across all schools and faculties. One benefit of such an approach is that it ensures the principles and methodologies are transparent and are applied relatively consistently across all academic units. It also builds a shared understanding of how to account for co-funding from HEFCE and employers in pricing the solution and enables a degree of flexibility in the actual price that individual academic units charge for a particular course.
- Use a centralised unit (or professional support service) to engage academic units directly in the costing and pricing process and, in particular, to clarify what each academic unit’s minimum price and anticipated profit margin is. The price can then be further explored and developed in conjunction with employers through an assessment of the client’s needs and budget.
- Ensure the active involvement of the finance department (or finance team within the academic unit) when costing and pricing courses designed to meet employer’s higher level skills needs.
- Adjust the direct costs incurred by the HEI in designing and delivering a course to take into account the level and nature of employer input into the process. For example, for courses where employers’ in-house training is an accredited element, the HEI does not incur the full costs of design and delivery. As such, some HEIs have reflected this in the price charged to the employer.

3.48 Overall, many HEIs emphasised how important it is to demonstrate value to employers rather than overly debating the price:

“Our pitch was never, ever to talk about funding. Our pitch was, ‘We’re about meeting your need. This is the price for doing the job.’ Our experience has been that...business will pay for something that they value. We position this as an investment that you’re making, and if a business wants it and values it, then they’ll pay...”

WFDP 16

3.49 Moving forwards, some case study projects have identified a risk that their institutions may seek equivalent income to a full-time undergraduate course rather than develop prices for their workforce development activity which are based on the real cost of activity and are 'market sensitive':

“Now with the fact that the Government is actually going to be providing less funding and the students are expected to provide more funding I don’t see that we’re going to have a great argument for having a different pricing structure from the standard campus based students. So the amount that we will be expected to

generate from a given volume of training will be that much higher, and therefore I think that will be a barrier to employers paying in cash.”

WFDP 6

3.50 In some instances case study projects reported that their clients were “starting to get more savvy”, with some clients refusing to pay the price quoted given the amount of input they have had to provide themselves (WFDP 11). In other words some employers suggest that the price charged should better reflect the HEI’s input (and therefore the employer’s co-funded contribution) into the design, delivery, assessment and accreditation of a particular course. Approaches to co-funding and calculating in-kind contributions from employers are explored later in the report.

3.51 Those HEIs that have made employers aware about co-funding will obviously need to make them aware now of the forthcoming changes to funding arrangements. One HEI that has been open about the transition plans for their operational model said:

“...every client ...regardless of where we are in the relationship, we are talking to them about a transition period of the next eighteen months and we will have transparent and honest discussions with them as soon as we find out how funding affects us. The businesses do all of our activities Band D so if co-funding does disappear then obviously Band D is one of the bands that will go. We just all appreciate that there are still going to be massive opportunities out there but we just have to approach it in a different way and with a different model.”

WFDP 20

## 4 | Employer engagement approaches and delivery

In this section we explore changes in HEIs' approaches to employer engagement and responsiveness and consider how their practices have evolved as a result of the Programme.

### Customer proposition

4.1 The centrepiece of any HEI's approach to workforce development has to be their customer proposition. Having a clear proposition based on their areas of competitive advantage ought to differentiate HEIs from each other as well as from other education and training providers in the marketplace. Existing literature regarding HE workforce development specifically highlights accreditation when referring to an HEI's value proposition. Most notably, Professor Roger Waterhouse argued at the University Vocational Awards Council 2002 annual conference that many policymakers and those that work within HEIs are bound up in structure and have forgotten the value of universities. Instead he suggested that "the ultimate value proposition for universities is not that they can teach, nor even that they can sell research, but that they can assess: they accredit learning and are awarding bodies."<sup>45</sup> Furthermore, a differentiating factor for HEIs compared to other providers is that they have the potential to offer a much wider range of business-related services – including applied and near market research, consultancy, graduate recruitment and student placements, access to specialist facilities, and conference and event venues – as part of a coherent solutions-led proposition.

4.2 Several case study projects recognised that their ability to accredit provision was, however, the strongest proposition that they could offer to customers in relation to their workforce development offer. This was a particular trend where relationships had been forged between HEIs and employers that already had their own in-house training programmes which they were satisfied with but were looking for some level of external recognition. For other case study projects, the HEI recognised that the customer proposition could be enhanced by embracing the offer of their partner FE colleges. Teesside University's 'One Door' is an example of this. It provides a single point of access for employers to higher level training provided by the university and five FE colleges in the Tees Valley.

4.3 A number of case study projects chose to develop and deliver highly tailored propositions in conjunction with employers rather than proactively market a prepared product. In one case, this approach was chosen because challenges had been encountered in confirming details with colleagues around start/end dates, price, and the number of students required to make the course viable. This meant that whilst the WFD team were recruiting students to the course being marketed; internally colleagues were not ready to deliver. In these instances, there is the risk of what WFDP 11 described as "client burn", in which they "just burn bridges with people" as they were not able to deliver on their promise. As a result, most case study projects have instead adopted a solutions-

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<sup>45</sup> Waterhouse, R., in 'Widening Participation and the Distributed University' (University Vocational Awards Council annual conference proceedings 2002)

based approach to workforce development by developing tailored products to meet individual employer needs rather than push a half prepared product.

4.4 In order to develop a solutions-led approach it is necessary for an HEI to actively engage and listen to its employers. The majority of case studies spoke about the importance of focusing on the employer relationship when establishing their customer proposition:

“If you want to develop courses around workforce development, you have to engage with employers. That means you have to listen to them, you have to find ways of consulting with them and then you have to produce something that [...] meets their needs and wishes. It’s too easy to, kind of, dress up what you’ve got, pretend you’ve gone through a consultation exercise, and then be surprised when employers aren’t interested. You have to think about being in a supplier-customer relationship”.

WFDP 2

4.5 Nevertheless, a minority of the case study projects found identifying business needs to be one of the biggest challenges they faced. Our interviews with employers provided valuable feedback on the effectiveness of the HEIs with which they had engaged in understanding and responding to their business needs. Feedback suggests that developing a mutual understanding of business needs takes time and more often than not employers felt that they had to “do quite a bit of work to get people hooked into understanding where we were coming from and what this was about”. In most circumstances, understanding was developed over the course of a contract and in most cases they had “ironed out the creases over the two years” (Medium-sized Healthcare employer).

4.6 Each employer was also asked to rate the extent to which the HEI they had used had understood their needs and requirements; with 5 being complete satisfaction. The majority gave a rating of 4 out of 5. Where satisfaction amongst employers was greatest, particular reference was often made to the professionalism of the staff they had encountered. Where there was least satisfaction, employers felt that HEI staff had an insufficient or inconsistent grasp of their business needs. Whilst it was not widespread, certain employers described some degree of frustration with the HEIs with which they had worked and in rare instances communication with staff had proved to be “very complicated”. In one case in particular, an employer recalled reaching agreement with members of staff in the HEI on their business needs and appropriate solution only to find that “suddenly documents would appear that actually had been circulated where I’d never approved them. Things were written in documents that just did not reflect what I’d said”. (Medium-sized Healthcare employer)

4.7 Once the business needs had been assessed, specific members of academic staff with the relevant subject expertise were tasked with leading the solution design and specification. More often than not, though, it was the responsibility of the business development manager or equivalent to ‘package’ the solution into a proposal to take back to the customer. Those case study projects which have achieved the greatest employer satisfaction have mostly allocated responsibility of pricing and managing commercial negotiations to business development managers.



4.8 In a number of instances the provision that HEIs offered was tailored quite considerably to meet employers' needs; often inviting these employers to work very closely with them to develop the content and material for the modules. Indeed, some employers commented on the fact that they were attracted to working with an HEI specifically because of the flexibility that they could offer; such as the ability to undertake distance learning. Coventry University's business coaches, for example, work alongside their employer clients to develop case studies which reflect issues faced by the organisation. Another example is the University of Derby's business arm, University of Derby Corporate (UDC), which deploys its Workforce Development Fellows to liaise between academics and employers to ensure a tailored and flexible offer is developed to meet employer needs.

4.9 So, whilst all of the case study projects are striving to create strong customer value propositions, some have been more intent than others on offering cutting-edge, discipline-specific provision to meet industry needs. At the worst extreme, employers perceive HEIs as attempting to create a proposition that just isn't needed by industry, because of the interests of certain academics. However, employers recognised that such circumstances often resolve themselves as courses of this kind are often unsustainable without sufficient employer demand. One employer outlined that they seek an offer that has industry credibility without taking the HEI into direct competition with existing private training providers.

4.10 At least one employer that had worked with a case study project to develop a suite of short courses questioned the extent to which they can offer a proposition that is credible to industry:

"One of the worries with the whole short course programme is that the HEIs [think] they're absolutely brilliant and [as such] they create these courses in absolutely everything. There are two problems with that. One is that that's not credible to the industry. It really isn't credible. People will have a view of which HE institutions are well connected with current industry practice in particular areas. So it's not credible for some of them to claim that they are. It might be best... either doing the quick win, which is to do courses in stuff that everybody knows you're brilliant at, and you've really got industry connectivity. Or you do the hard work, which is actually building the industry connectivity into the areas".

Small Creative and Digital employer

4.11 Where highly tailored propositions or solutions-led products have been created for employers there have also been challenges with promoting this to the wider market. In some instances, where projects had developed strong propositions, some employers felt there was insufficient awareness of the courses amongst potential customers. When seeking to promote courses, most of the case studies had attempted to provide examples of successful delivery for other customers, particularly if these were high profile businesses. Marketing is a central role for some business-facing staff, who acknowledge themselves that there have been challenges in communicating the HEIs' collective offer to employers. However, they recognise that getting it right is important because once marketing materials that use appropriate language and resonate with

business are produced then there is a platform from which to promote the offer to a wider audience. Marketing strategies vary nonetheless and the approaches adopted by HEIs to business development, marketing and sales are explored in more detail below.

### **Foundation degrees**

4.12 A key component of many HEIs' customer propositions has been Foundation degrees, which have been growing in prominence in the HE sector since the early 2000s. HEFCE's target for the expansion of enrolments on Foundation degrees as part of the Programme was achieved by 2010. As such, the development of Foundation degrees as an established HE qualification appears to have been largely successful as these are now being delivered across the sector. The workforce development project funding and the co-funded ASNs encouraged providers to develop and deliver Foundation degrees, which have been an increasingly important component of the offer to employers.

4.13 This was supported in our interviews with HEIs, which reinforced that Foundation degrees have become embedded in the sector over the last decade, and particularly in the last five years. This growth in Foundation degrees has been associated with cultural change in HEIs and acceptance of the relatively new qualifications as a distinct and valuable qualification.

“Foundation degrees were a great step forward, and ...there's an awful lot of really good work-based learning accreditation going on which links into professional development. ...The innovation there is really impressive, and it covers all HE levels from employers from a range of different sectors, which is really good.”

SH 6

4.14 Various interviewees perceive that Foundation degrees play a useful role in the qualification options at a higher level, and that they complement other available qualifications. Some HEIs have managed to align their Foundation degrees and other qualifications with existing professional and/or occupational standards, in order to ensure relevance and embed them within a sector or profession. Examples include Teesside University's Foundation degree of Science (FdSc) in Paramedic Science developed in collaboration with the Yorkshire and North East Ambulance Service NHS Trusts, and the University of Central Lancashire's FD Building Services and Sustainable Engineering funded through the North West Higher Level Skills Pathfinder.

4.15 Foundation degrees are intended to combine academic study with work-based learning and to involve employers in their design. Indeed, the design and delivery of Foundation degrees has been a key part of many HEIs' employer engagement activities over the past decade. Work-based components within Foundation degrees are valuable for improving accessibility for employees and for keeping the qualification relevant to the employer and business concerned. Consulting and involving employers in the design of the qualifications can have a positive impact on the employer's business, because of the relevance of the qualification to their industry. For example, one HEI developed a Foundation degree for an events management employer which, because it is bespoke to their requirements, has been embedded in the employer's processes and is helping it to win more contracts.

4.16 One criticism of the way Foundation degrees developed, however, has been that many Foundation degrees were delivered on a full-time basis, limiting their appeal to employers. This has started to change though, partly as a result of the Programme. Several workforce development projects we consulted had pioneered particularly responsive delivery methods for Foundation degrees, including delivery entirely in the workplace and flexible options for modular delivery. One interesting aspect of delivering Foundation degrees has been the formation of delivery partnerships between universities and colleges; often with colleges delivering the qualification, which is then accredited by a university. This has the advantage of using the FE colleges' often better established relationships and experience with employers, as well as providing additional routes for engaging employers. HEIs have also partnered on staff development around Foundation degrees; for example involving colleges in university decision making around assessment regulations and in developing work-based assessments for qualifications.

4.17 As a consequence of the HE reforms, HEIs are now planning large increases in the price of Foundation degrees. One project in particular felt that the increased charges for Foundation degrees could seriously affect the qualification's future viability, so much so that it is consulting with its university partners on the possibilities for two-year full-fee Honours degrees as an alternative to Foundation degrees.

4.18 The impact of the fees and finance arrangements on Foundation degrees remains to be seen. However, it is clear that not only have these qualifications been successfully embedded in the HE sector as a distinct qualification route for work-based learners, they have also helped advance work-based learning overall within HEIs.

### **Business development, marketing and sales**

4.19 Taking an HEI's value proposition out to target markets in order to secure new employer contracts relies on the institution's approach to business development, marketing and sales. In turn, the approach that an HEI takes to business development closely aligns to the structural arrangements in place as well as the type of staff and their experience. For example, HEIs with highly decentralised models deploy academic staff, supported in some instances by a discipline-based business development manager, to engage with employers and secure new work: "for an institution like this it is the academic staff that have got the networks and the contacts" (WFDP 5).

4.20 This model often leads to highly focused sector (or discipline) oriented marketing and sales interventions, with the exception of any cross-sector, leadership and management development offering, and to varying levels of pro-activity dependent on the resources available. A faculty's portfolio of customers may also influence its likelihood to actively pursue new clients (or not).

4.21 By contrast, HEIs that have established a centrally co-ordinated business development function ('hub') which is integrated with the academic divisions ('spokes') have generally adopted a more commercial approach to lead generation and sales. This is also true of those with wholly owned subsidiaries as part of a group structure for workforce development 'delivery'.

4.22 One challenge faced by HEIs employing commercial sales staff was that “they knew how to sell, but they didn’t necessarily have an understanding of the way academia works” (WFDP 11). Immersing the business development team in the nuances of the HEI is therefore critically important to ensuring they generate leads which can be fulfilled. One way in which projects have overcome this challenge is by allocating responsibility for a particular academic discipline to different members of the team and placing the business development staff in that academic division.

4.23 Certain HEIs are making increasing use of market intelligence (formal records of employer meetings/interactions and enquiries, labour market information, research information from employer surveys, etc.) to better target employers through sales/promotional campaigns and to a lesser extent decide on optimal marketing strategies. Some have invested in market researchers to collate, assimilate and analyse the available information, which is then used to shape strategic and operational planning, as well as targeting particular employers and/or sectors. As WFDP 16 describes “we have our target list of who we would like to do business with by sector and by company”.

4.24 Another straightforward strategy for building relationships with employers is strengthening existing employer relationships. These contacts could be through employers involved in other activities with the HEI, such as research, placements, graduate recruitment or knowledge transfer, or could also include its own graduates and alumni.

“We are a university that has got a very strong relationship with its Alumni, so often, leads may come from that direction, and they are not necessarily going to be for the lower skills development work, more of the up-skilling to Masters level”.

WFDP 17

4.25 In terms of developing new contacts, large employers, which are increasingly a target market, are accessed directly. Accessing small and medium enterprises (SMEs), which remain a target market, is a perpetual challenge for HEIs. Where progress has been made, HEIs have accessed SMEs indirectly through supply chains; intermediaries such as Sector Skills Councils (SSCs) and other employer bodies; and third party providers, many of which have already established a critical mass of employer demand. Some HEIs, like Teesside University, have worked very successfully with third party training providers to accredit the provision they deliver to primarily local SMEs. For medium-sized employers, HEIs deploy a combination of both strategies. Employer networks, professional bodies, SSCs and National Skills Academies are utilised, amongst others.

4.26 When targeting markets directly, most HEIs have utilised a much wider range of business development and marketing interventions, both systematically and on an ad-hoc basis, to pro-actively generate leads and secure new contracts. Analysis, however, indicates that HEIs are more likely to draw upon existing contacts or networks to stimulate demand rather than proactively target new employers.

### Promotion and awareness-raising practices

Where HEIs do approach businesses, successful tactics deployed to promote and raise awareness of their offer and to generate new leads include:

- Maintaining contact with existing and previous clients;
- Following up on general employer enquiries to explore opportunities for providing WFD;
- Identifying and targeting warm employer leads;
- Following up recommendations or referrals from business support organisations, clients or partners;
- Undertaking general marketing (mail shots, websites, etc.);
- Carrying out targeted sales campaigns and cold calling;
- Networking through attendance at business breakfasts, industry award dinners and conferences (e.g. CIPD Annual Conference);
- Organising 'showcase' events with employer advocates and high profile speakers and delivering 'free' business seminars or master classes on topical issues;
- Publishing articles in the press and trade journals;
- Sponsoring industry awards (e.g. the Institute of Director's Awards), exhibitions, conferences and other events;
- Utilising personal contacts and alumni; and
- Using associated FE colleges as 'brokers' to tap into their business client base.

4.27 Analysis of the case study HEIs suggests that more successful marketing and sales strategies are pro-active, well targeted and embrace a range of tactics as part of an integrated and sustained approach to promoting the offer and generating leads. Some tactics that have been highlighted as being particularly successful included accessing partner FE college's customer bases (WFDPs 5, 8 and 14), events to 'showcase' the HEI's offer and demonstrate the expertise of their academic staff (WFDPs 16 and 18), and promoting existing work with high profile clients (WFDP 6).

4.28 However, only a relatively small percentage of HEIs undertake cold calling on a systematic basis as many HEIs question the value of this activity. Yet WFDP 3 and WFDP 11 are two HEIs which have embraced cold calling in their approaches to employer engagement. Cold calling as part of their targeted sales campaigns is seen as a vital element of their 'sales pipeline'<sup>46</sup> activity and critical to achieving their 'stretch' growth targets; as WFDP 3 indicates below.

"...we've got a telemarketing team... They research the industry first and do all our marketing analysis. [Then] they're on the phone and... they're

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<sup>46</sup> A 'sales pipeline' comprises a set of employer leads (i.e. prospective clients or opportunities) at the different stages of the sales process, the progress of which is measured through the pipeline from unqualified lead to satisfied repeat client.

booking now, on average, about 200 appointments a month. We monitor our conversations [with employers] from booked to attend, attended to second and then to a conversion... the business development managers... go out to the appointments... take it from there. They take it to a formal proposal stage, but they would bring it back [to] our Client Solutions Team.”

WFDP3

4.29 A number of HEIs have also invested time and energy into regularly scanning procurement websites to identify appropriate, high value tenders. In at least one instance a dedicated resource has been allocated to providing scanning and bid writing support to enable an effective response to such tenders. In other instances, HEIs have used and continue to use the Training Gateway,<sup>47</sup> a dedicated procurement portal for the HE sector, as a means to source tender opportunities.

4.30 Extensive re-development of external facing websites providing ‘services for business’ has also been undertaken in the last few years. Most, if not all HEIs have incorporated ‘training and development’ or ‘professional development’ as part of an integrated Business to business (B2B) offer to employers. Services provided (research, consultancy, training and development, access to facilities and equipment, recruiting graduate talent, etc.) are generally clearly articulated using language that an employer would understand. Whilst some HEIs provide a single contact point (telephone, email, web forms) for employers irrespective of the nature of their enquiry, others provide a different contact point for each separate service, and some do not provide a clear contact point at all. As such, many employers still feel they would not know where to start in accessing an HEI’s expertise. In relation to ‘training and development’ or ‘professional development’ very few HEIs explicitly identify areas of expertise (or specialism) or structure their offer around ‘market sectors’ and/or ‘skills’ on their business facing website. It would appear therefore that many HEIs purport to be ‘all things to all people’, and there is little attempt to differentiate their training and development offer for different customers.

4.31 Nevertheless, the HEIs that have been involved in the Programme are increasingly embracing a ‘solutions-led’ rather than ‘product-led’ approach, entailing a needs analysis to “understand the organisation [and] understand what their pain is” (WFDP 11). This consultative approach and the willingness to design bespoke solutions and flex delivery models have been highly valued by employers. As one large IT and telecoms company stated: “the key for us and part of the reason we went with the [university] compared with [another university] was they were very practical, very flexible with how things were delivered and the timescales and timeframes for doing things.” Credibility and track record were also highlighted as key criteria for employers when deciding which HEI to work with.

4.32 Having demonstrable case studies and testimonials, accessible through different media, which highlight the return on investment for employers certainly help in this respect. Almost all HEIs have developed these, albeit to varying degrees.

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<sup>47</sup> [www.thetraininggateway.com](http://www.thetraininggateway.com)

4.33 An HEI's brand and brand profile have also been seen as important factors in 'opening doors' to the employer market locally, regionally and nationally. HEIs have started to build a reputation for particular approaches to learning (e.g. work-based learning) or expertise in a particular sector, helping them to build their employer markets through repeat business and referrals (i.e. by 'word of mouth').

4.34 In some cases HEIs have designed sub-brands (or brands in their own right) to differentiate their employer offer; examples include Coventry University's 'Acua', 'University of Derby Corporate, Staffordshire University's 'For Business' and Teesside University's 'Spark'. While HEIs did not expect it to be an 'easy sell' to employers in this highly competitive environment, they have been struck by the length of time it can take to convert leads into contracts and the high attrition or churn rate (i.e. the number of leads it takes to secure one contract). As one individual commented:

“...now it really does feel like every pound that they're [employers] spending is a big decision. So everything that we get out of them takes four or five times longer...”

WFDP 18

4.35 With this in mind, a number of HEIs recognise the need to be increasingly targeted in their promotion, lead generation and engagement activities which, in part, will be reliant on using robust market intelligence and being highly professional in developing multi-touch and longer-term strategic relationships with employers. Achieving quality marks like Customer First and Matrix are seen by a few HEIs as part of this process.

### **Customer relationships and account management**

4.36 Prior to the Programme, many HEIs admitted to taking a very tactical and somewhat unco-ordinated approach to managing their customers. More often than not, several individuals from one HEI would contact the same employer, using different approaches but essentially on the same mission; to persuade the employer to work with them. Given that employer engagement was mainly faculty driven with little or no central oversight, it is not surprising therefore that academics were all working in apparent 'silos'. However, these efforts were not appreciated by employers, who became increasingly frustrated with their unco-ordinated and unprofessional methods:

“There was a turning point for me where we found a lot of anger, a lot of businesses that were angry that they had six or seven people calling them from the university saying, 'I am from the university' and they had no concept of who, they don't understand the business school... they just see the university. That was a major frustration that people were not coming back.”

WFDP 11

4.37 The Programme therefore intended to induce a change of direction in customer relationship management to help achieve its objective of “promoting access to and progress through HE for a wider range of learners particularly those in the workforce without previous experience of HE”. It was clear that HEIs would not achieve this

objective if they continued with such an unco-ordinated approach. In most cases, HEIs have recognised the need to improve and raise their game with this activity. This has required fundamental changes to processes, structures and institutional culture. Starting with the latter, many HEIs faced the challenge of persuading academics to collaborate, rather than pursue opportunities individually in order to benefit the HEI overall. Given that academics are often resource and time constrained, many relationships with existing customers were previously being neglected in terms of development opportunities. Rather than working closely with existing employers to identify further opportunities moving forwards, these relationships were seen as 'one-offs' or 'they are my client'. A number of HEIs have now recognised the benefits of handling existing customers with care to enable cross selling:

“Some of it is changing the sales culture. As part of the sales strategy, you do your best business with your existing customers, but if you're not managing those customers, if you're not managing those accounts, I think we came to the realisation that we weren't cross-selling any products to any of our existing customers.”

WFDP 17

4.38 Some HEIs are now focusing on managing their customers more effectively through the introduction of 'account managers' who serve as a single point of contact for each customer. This individual is responsible for all external contact with the customer and above all, developing a full understanding of the customer's business and their skills requirements. The size of the team and number of accounts handled by each account manager varies across HEIs; in many cases it depends on available resources and team structure. In at least one case, key accounts (generally identified by the strategic nature of the relationship and the level of income generated) are managed by dedicated business development staff and other (lower value, less strategic) accounts are managed by academic staff. One HEI has, however, noticed that if you overload an account manager with existing clients, they will be less effective in driving future business. Therefore the dual objectives of retaining and growing business need to be acknowledged:

“...you may have core business with particular employers, but that changes over time. You have to develop new initiatives with that. Some employers will drop out. So even just to maintain your numbers, you're actually having to generate new business because some will just disappear.”

WFDP 5

4.39 In an attempt to strategically manage or co-ordinate workforce development activity, the majority of HEIs have used their development funding to install or improve a customer relationship management (CRM) system, with which to record and monitor their interactions with employers. Finding an appropriate system, however, has been a particular challenge in itself; many HEIs had difficulties finding a CRM system that did not cost more than they would gain from it.



4.40 The main reasons for using a CRM system vary across HEIs. Some have rather a rudimentary purpose, to ensure simply that employer activity is recorded and enquiries are pursued in a timely fashion by one person, rather than multiple contacts. These HEIs are using CRM very tactically at this stage; to house their contact information in one central database, but with little formality around the processes.

4.41 In contrast, other HEIs are further ahead, already using CRM as a strategic tool to extract important management information, from which conclusions from trends and issues can be drawn. In these HEIs, the CRM system is at the crux of their activity; it influences their direction and enables them to adopt a proactive and professional approach to managing customers. In some instances, CRM is utilised to manage sales and business development activity through sales pipeline reports; in others, it draws together employer engagement across the wider institution, linking activity across external facing departments including the careers service, business development office and employer engagement unit.

4.42 However, some HEIs acknowledge that a CRM system is only as good as the individuals who use it, and that sophisticated IT is no substitute for human input. The longer term challenge for many HEIs will surround their ability to encourage and possibly oblige their staff to leverage this tool to its full potential in order for a true customer relationship culture to be achieved. As WFDP 12 commented:

“..it’s not ultimately about the technology... it is about changing the culture and academics are very precious about their data and sharing their data. You can’t make them do it, actually, you can only lead them to want to do it... It’s not perfect, and it won’t be perfect to any university either. Ultimately you might want to end up with a key account management situation. I know that’s the Holy Grail that many universities are seeking; I don’t know that many have achieved it.”

WFDP 12

4.43 The majority of employers interviewed were very complimentary about their relationship with the HEI they had been using. They reported them as ‘flexible’, ‘responsive’, ‘accessible’, ‘client focussed’ and ‘competent’. In many cases, though, this applied directly to their key account manager, rather than the HEI more generally. The opportunity to optimise existing relationships and explore possibilities for cross selling has clearly been acknowledged by some HEIs. They have made sure to follow up after delivery to discuss levels of satisfaction, areas for improvement and ultimately discuss other needs and services on offer. For those who had not previously experienced higher education, some HEIs succeeded in making it “easy... accessible and ... available to people that, in my camp, would never have even thought about it” (Large Retail employer).

4.44 Notwithstanding all the positive feedback on HEIs’ approaches to customer relationship management, there remains some room for improvement according to both employers and learners. In some instances, lack of communication between departments, the HEI and the employer and/or the HEI and the learner resulted in disappointment. Examples include the HEI failing to alert the employer to an absent student, learners failing to receive information, feedback or web access on time and

mixed messages on agreed next steps. Bureaucracy in working with the HEI was also named by more than one employer as being a barrier to establishing a successful working relationship. Fortunately, none of these experiences have resulted in employers terminating their relationship. In many cases, the employer accepts that these challenges are part and parcel of working within an academic environment, which faces its own challenges. One employer summed it up: “I think they’re pretty good. I think there is obviously a resource issue for all higher education establishments at the moment, so you can tell they are very, very busy...” (Medium-sized Housing & Communities employer).

## Delivery

4.45 Developing different learning models or adapting teaching styles has proven to be another challenge. HEIs have had to recognise the different expectations, backgrounds and personal circumstances of employee-sponsored students. In some programmes, students come with different prior qualification levels and experiences of formal learning; or teaching staff have to deliver learning off campus or outside conventional hours or academic terms. Flexible approaches to teaching delivery are seen as attractive to employers; however, inevitably, this can cause administrative problems for HEIs, placing additional demands on staff or adding to costs.<sup>48</sup> Balancing delivery to employees in a flexible way (location and mode) along with the full student experience of support systems has been a challenge for some HEIs.<sup>49</sup> The “disparate nature of the industry – from the micro one-man-bands, right the way through to multinational companies” (WFDP 5), clearly provided a significant challenge for the case study HEIs in terms of responsiveness and flexibility, and resources required for the design, development and actual delivery phase.

4.46 There are occasions, however, when HEIs, having responded to meet the client’s timetable, are then frustrated by client’s changing their schedule. One HEI reported that the client, because of a new business integration, “wanted to slow it down but we were ready to go” (WFDP 3).

4.47 The case studies highlighted some of the specialist resources and processes that their HEIs had established to improve their responsiveness and efficiency in the design and development phases. These included units that will “turn things round fast for a client, separate from the university systems” (WFDP 7) whilst talking to the client about their requirements, and then taking care of the solution, design, pricing, building, delivery and customer care. This approach has also included different options and “models so that they’re not starting from scratch each time they talk to an employer” (WFDP 7).

4.48 The extent to which HEIs engaged employers in the design process varied considerably. At one extreme it seems that “employers don’t want to spend a lot of time shaping the curriculum” (WFDP 12); but more frequently there were examples of companies and HEIs for whom this was important and as such able to respond.

4.49 Blended learning and work-based solutions featured strongly in many of the case studies. Inevitably these bring particular challenges to the HEI culture as well as to resources and infrastructure required for developing, delivering and supporting the

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<sup>48</sup> CBI, *Stepping Higher* op. cit.

<sup>49</sup> Drake, J., et al., *Employer engagement: the critical role of employee commitment*, Education + Training, Volume 51(1), (2009), pp.23-42

solutions. For some HEIs, developing the staff resources to support these solutions has been “quite a dramatic change” (WFDP 10). Moreover, HEIs have found that work-based learners need a particular level of support given they are not studying on campus.

#### **Providing the level of support work-based learners need**

A number of HEIs are piloting ways to address this:

- WFDP 16 has put in place an operations team, which has developed an online portal and other infrastructures to provide support to work-based learners;
- CF0 4 has established ways to maintain touch points with the students to ensure they continue to engage and do not neglect their studies;
- WFDP 17 created buddy groups and provided external coaches as support to the students; and
- Overall, most tutors provide their contact details to enable students to get in contact at any time with queries they may have whilst studying from home.

4.50 Some work-based solutions involve accrediting company training programmes and/or developing flexible qualification frameworks which have for some “certainly increased the range of product on offer” (WFDP 3) in order to be more flexible and responsive to the market.

4.51 A key challenge faced by HEIs in responding to employer needs is managing their delivery supply chain, i.e. acquiring the quantity and quality of staff according to the agreed timetable. One approach is to “cherry pick the people that we want to work on certain projects” (WFDP 20). However, some HEIs have cited issues with resource capacity due to workload planning. Given that work schedules are generally planned a year in advance, it can be difficult to find capacity to respond quickly to employer needs.

4.52 One solution being piloted involves allocating specific hours for workforce development and enterprise across the year to build in capacity for staff. Other delivery mechanisms involve using external tutors not wholly employed by the HEI, which has necessitated different styles of working (CFO 5), or developing a pool of associates experienced in delivering to corporate clients, due to their previous careers as senior managers, senior Directors etc. (WFDP 11). Another approach followed by one HEI involved working with private sector providers (WFDP6) although working in partnership, rather than in competition with them is in some cases quite a difficult balance to achieve.

4.53 The interdisciplinary nature of some employer-focused provision, however, involves co-ordinating delivery resources across the HEI. One HEI is:

“...looking to bring together four faculties to develop an undergraduate honours degree, and a postgraduate Master’s qualification. That involves computing, engineering, law, and business, and it involved art, media and design, in terms of international relations – so that will be a very high-profile example of collaborative working.”

WFDP 11

4.54 Delivery locations varied across and within the case studies; from the HEI to the workplace to the home (online/distance learning), and a variety of places in between including hired centres and hotels in convenient localities, especially where distributed learners were involved. One HEI, however, felt that the workplace will become the new campus, presenting pedagogic and resource challenges, and is investing heavily in online materials to support this activity. That said, when using HEI facilities there seemed to be a preference for specialist business premises, separate from the mainstream undergraduate provision, with appropriate levels of customer service:

“... for some of us that are in our mid to late 30s, turning up at university is not exactly the ideal situation. Even when they've got the ego and the status of senior management roles, they are turning up to school... Turning up to a very professional environment in terms of the Enterprise Centre has been superb.”

Large Financial Services employer

4.55 In many cases, employees undertaking study at HEIs are used to attending professional business conferences and experiencing the high standards of service that are provided. As such, simple things such as reserved parking, materials sent in advance, and proactive support on the day are often expected to be provided. That said, other HEIs reported that some employees prefer to experience 'student life' and be involved in campus activity rather than be hidden away in a separate conference centre.

## Evaluation

4.56 In terms of Programme and impact evaluation, many of the case study HEIs outlined “how difficult it is to measure impact” (WFDP 20) and indicated that this is an area they will need to develop further moving forward.

### Evaluating the success and impact of provision

Two HEIs in particular have endeavoured to make headway in evaluating the success and impact of provision:

- WFDP 3 work with their clients at the specification stage to identify and agree success measures and a set of key performance indicators (KPIs). The course is then designed, developed and delivered so as to ensure the agreed success measures are achieved. Regular reviews (using the KPIs) determine the extent to which progress towards achieving these success measures is being made. If any issues are identified as delivery progresses, the course may be adapted;
- WFDP 18 developed an exercise with their early employers whereby they can demonstrate the return on investment of workforce development to persuade employers that their services are not as expensive as they may seem. They now offer this exercise as a standalone service that employers can buy to understand the value of training and development, which has enabled the HEI to then cross sell other workforce development activities.

4.57 Overall, employers that engaged with the HEI case studies were very positive about their experiences and highlighted the flexibility, responsiveness, and quality of the services they have received.

“I’m quite happy to go on the record and say that my general experience with [this] university is that they’ve been fantastic. They’ve been incredibly pro-active and they’ve been very supportive to us because obviously we’re not an academic institution, we’re a broadcasting institution. They’ve been very good at guiding us through the various aspects of the academic process.”

Large Broadcaster

4.58 One HEI was rated four (out of five) overall for their delivery “because they are flexible, responsive and desire to understand the business” (large IT & Telecoms company). The same company complemented the HEI on the “robust Service Level Agreement established at the outset [and the] well-established communication channels”. However, although the relationship worked “very well in respect to delivering specific programmes”, a lack of HEI pro-activity from a strategic account management perspective was highlighted.

#### **Employer feedback on HEIs’ delivery<sup>50</sup>**

Other typical employer comments on HEI delivery included:

- 4-5 ratings for their “delivery, expertise, flexibility, progress updates, maintaining contact and meeting the objectives agreed at the outset” (medium Manufacturing employer);
- 3-4 ratings for “delivery, responsiveness, and flexibility” (small Recruitment and HR employer);
- 4-5 ratings for “their delivery as they were tailored to the workplace with minimum disruption” (large Automotive employer);
- Rating the HEI “very highly” for their delivery, level of expertise, level of contact and updates, and giving them “top marks for understanding their business needs and meeting their agreed objectives” (medium-sized IT employer);
- “I think they’ve been very good on the whole. I think as we go through anything like this, you’ve got some that are better than others but, as I say, on the whole I think they’ve been very good. Some have been excellent” (large Financial Services employer).

#### **Quality assurance and validation**

4.59 At the outset of the Programme, a potential barrier to employer engagement was the perceived bureaucracy, lack of flexibility and timeframes of HE quality assurance and validation processes. Consequently, HEIs have paid a great deal of attention to

<sup>50</sup> On a rating scale where 1= low and 5 =high

reviewing, amending and developing these mechanisms. Some processes have been 're-engineered' to ensure that validation of an increasingly diverse range of new HE courses from pre-entry to postgraduate/professional levels can be fast-tracked (in as little as six to eight weeks), that accreditation of prior and experiential learning (APEL) and work-based learning is conducted in an efficient way, and that employer training delivered in-house or by third party providers can be accredited. The types of provision being validated include alternative qualifications like FDs which are attracting new learners into higher education, such as the Foundation degree of Art (FdA) in Policing and the FdSc in Mortuary Science, and a range of short courses largely for professionals who undertake 'bite-sized' credits of learning to meet regulatory, professional or key business needs.

### **Developments in validation and approval processes**

Other developments include:

- Establishing shell (or 'open content') frameworks which, in part, can enable employers and employees to design their own award;
- Remodelling flexible credit frameworks to more easily allow accreditation of 'bite-sized' learning, and the accumulation and transfer of credits (sometimes between HEIs);
- Offering employers and employees freedom to enrol on units and courses throughout the academic year, and to select from a number of different modes of assessment;
- Delivering or supporting learning at the employers' premises or near the workplace to minimise disruption;
- Increasing the frequency of, and introducing, dedicated and virtual, Boards of Studies meetings; and
- Amending quality assurance handbooks to provide, for example, greater clarity on standards in work-based learning.

4.60 Another specific example is the Royal Agricultural College (working with Harper Adams University College) that has, for instance, developed new approval processes with an Employer Engagement Advisory Committee meeting held every six weeks to consider proposals of under 80 credits. Changes to the terms of reference for Assessment Boards have enabled departmental Subject Assessment Boards to consider a shorter cycle to confer awards of up to 80 credits. Provision has also been made for an Employer Engagement Assessment Board to cover cross-departmental work.

4.61 All these changes have been introduced in a way that ensures conformance to the QAA's Code of Practice on Employer Responsive Provision. However, a number of those interviewed did highlight that it was the way in which their HEIs had previously interpreted the Codes of Practice that had led to (overly) bureaucratic quality assurance processes. Many felt that HEIs had created 'self imposed' constraints which initially affected their ability to respond to employers' needs in a timely manner or create flexible learning frameworks. Of particular note are the projects which have had to resolve quality assurance issues across a number of partners.

4.62 One of the most significant developments undertaken by HEIs has been to establish robust processes to accredit employers' in-house training and that delivered by third party providers. These developments have opened up new sizeable markets for HEIs as one individual highlighted: "we always knew there was opportunity there, but actually that's been our biggest growth area, working with companies to accredit what they're doing, adding to it, building an accreditation framework. We've got more focus on that now" (WFDP 16).

4.63 Accrediting in-house training has not been without its challenges though, as employers do not always understand HEI protocols around ensuring rigour, robustness and integrity of qualifications. As a consequence, many HEIs have established new collaborative approval processes for employers and third party providers, in recognition that existing processes for colleges and international partners were not fit for the new purpose. These processes involve validating the quality of deliverers and mapping employer or third party provision delivered.

4.64 Most HEIs do not see the accreditation and validation of employer training as a 'rubber stamping' exercise. Moreover, many HEIs have invested in developing the capabilities of employer trainers and mentors so that they can better support learning in the workplace and have provided access to the latest thinking and expertise to enhance course content. In addition, HEIs have added value through reshaping the employer training course content, providing access to a Virtual Learning Environment and designing, marking and moderating work-based assignments. In some instances, double moderation has been introduced to ensure both the professional and academic perspectives are taken into account. In contrast, however, at least one HEI has not embarked on accrediting employer training stating: "The whole point is that it's accredited by us. By definition, we can't use your [the employer's] trainers because then it ceases to be a university accredited degree. Otherwise we've got to somehow quality assess your [the employer's] training. It just doesn't work" (WFDP 18). Similarly, not all employers (especially small enterprises) see accreditation as a value add and are not necessarily prepared to pay for it.

4.65 A number of other innovative approaches to workforce development which satisfy the needs of the employer as well as meeting quality standards have been identified through the monitoring reports:

- The universities of Brighton and Chester are developing awards which embrace credit at different levels;
- The University of Brighton has developed a graduate certificate which has core and flexible modules built into it, enabling individuals from different companies to study for it; and
- At Chester, they have found it possible to meet QAA guidelines while delivering an employer programme which has sections of communication at National Level 2 or 3, or science sections at Level 6 or 7.

4.66 The level of progress made in relation to quality assurance, validation and accreditation mechanisms is evidenced by a number of HEIs having received positive

feedback on their approaches to designing and delivering workforce development programmes in their recent Institutional Quality Audits. Yet some employers still feel there is room for improvement in timescales, despite HEIs' attempts to fast-track them through processes.

4.67 It is clear that the experience of developing and delivering courses to meet the higher level skills needs of the workforce (e.g. through work-based learning) is encouraging HEIs to reconsider their quality assurance systems on an incremental basis; especially if, at the outset, they had not considered that changes would be necessary. The extent of adaptation of these systems is indicative of the approach of the HEI to workforce development, and whether it is seen as an integral part of what an HEI does.

### **Student /learner registration and records**

4.68 With the introduction of new types of provision for new types of learners, many HEIs discovered that their existing systems were not sufficiently responsive to employers and employees. Flexibility within these systems was required to cater for: students entering and leaving courses throughout the year and passing over academic years; students unable to register on campus, (for example to have their photograph taken for student ID cards); paying for courses in a flexible way; and tracking unaccredited provision.

4.69 As a result of the Programme's funding, some HEIs have developed processes and made adaptations to their student record and registration systems to cope with these different types of students. This investment will now allow them to deal effectively with non-standard students and payment schedules. Where projects were delivered in partnership across several HEIs, additional modifications were necessary. For example, one HEI developed an overarching course code to be used across all partners, meaning they can track learners across the partnership, as well as developing new enrolment forms for short course learners.

4.70 At one HEI, their wholly owned subsidiary has also established dedicated, in-house, processes and systems designed to support an employer (and employee)-driven architecture. These developments allowed the subsidiary to retain the flexibility for employers (and employees) to change their chosen units part way through a programme. It also developed systems to manage bulk enrolments with minimum information, without the need for a formal enrolment form, making the process much more streamlined for employers. While this has enabled systems to be flexed to meet the demands of employers, it has led to some duplication of effort (e.g. double entry of learner data) to fulfil the HEI's requirements. These issues are now being resolved.

4.71 Various projects also developed new invoicing systems, adapted in particular to invoice employers, rather than students, and to process invoices more quickly and flexibly. For other projects, changes to IT systems were not seen as worthwhile, particularly if they anticipated that the student enrolments under the WFD Programme would remain small scale. If the scale is sufficiently small, non-typical students in the system can be managed through a staff member 'manually' keeping track of these enrolments.



4.72 Thus adaptations to student record and registration systems did vary across the projects. For many, the adaptations were crucial to accommodating new types of learners. The Programme's investment in new infrastructure to support workforce development is likely to be a lasting legacy that many HEIs will benefit from for the foreseeable future.

## 5 | Transformational change

In this section we explore the extent to which HEIs have achieved key transformations in their approach as a consequence of the Programme and whether cultural change has occurred to enable new relationships with employers to be established and sustained.

### Defining transformational change

5.1 Before we explore the extent to which transformational change has been achieved, it is important to consider what was intended by the use of the term in the context of this Programme.

5.2 Transformational change is a term that is commonly used to describe “a shift in the business culture of an organisation resulting from a change in the underlying strategy and processes that the organisation has used in the past”.<sup>51</sup> It is also designed to be “organisation-wide and is enacted over a period of time”.<sup>52</sup> The implementation of a transformational strategy therefore often requires a departure from tradition and involves risk. As a result, transformational goals can in themselves shape an organisation into something radically different, very often from having reflected one end of the continuum to reflecting the other.

5.3 This Programme was specifically designed to encourage transformational change amongst HEIs and to support new approaches to stimulating and meeting employer demand. It was proposed in the original Programme brief that there is an important synergy between the transformation of the role of HE in workforce development and widening participation by people who would never previously have undertaken HE study.

5.4 To meet both HEFCE's short and longer-term policy objectives, the aim was to have 10-15 large HE WFD projects that were specifically focused on achieving both institutional transformation and significant growth in employer co-funded provision operational in 2008-09; and for these to be complemented by a similar number of smaller, niche market focused or more experimental projects. It is therefore only in the context of the WFD projects, and not in relation to those HEIs solely in receipt of co-funding for ASNs, that the extent of transformational change will be considered.

5.5 Transformational change is different to other change related concepts, as it necessitates a revisiting of the vision and mission for the organisation and requires a considerable level of involvement and commitment from internal stakeholders to ensure the prominence of the transformation in its internal environment. Existing literature on transformational change suggests that there are five key dimensions that differentiate transformational change from other change phenomena or that have a significant impact on the success of efforts to achieve transformational change. These dimensions are:

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<sup>51</sup> Definition of transformational change sourced from the Business Dictionary Online, [www.businessdictionary.com/definition/transformational-change.html](http://www.businessdictionary.com/definition/transformational-change.html)

<sup>52</sup> Business Dictionary Online ibid

organisational complexity; the complexity of an organisation's reaction to change; corporate leadership; multiple stakeholders; corporate culture; and organisational learning. Transformational change can therefore be a complex process, as each organisation's collective reaction to transformational change efforts is unpredictable.

5.6 An HEI is a complex organisation comprising diverse groups that have different relationships to one another given their involvement in a broad range of activities within different departments and disciplines which are often characterised by diverse attitudes and research orientations. The success of transformational change efforts in this context is dependent upon active leadership (as explored earlier in Chapter 3) and visible champions who are able to influence the HEI's mission and its priorities. To enact transformational change there needs to be collaboration between many departments; faculties and functions within an institution and the commitment of employees would need to be gained to ensure that they function in a holistic manner to encourage sustainable change.

### **Enacting transformational change**

5.7 Commitments have been made to make workforce development a strategic priority within HEIs as a direct result of the Programme. However, the achievement of transformational change is a long-term commitment and it would have been optimistic of HEFCE to assume that this could be achieved during the course of the Programme itself.

5.8 Some HEIs did comment that their vision extended beyond what had been achieved through the Programme to date. In fact, nearly all of the case study projects described themselves as being on a journey that was by no means complete "It has been a much tougher journey than I would've expected in any normal economic environment" (WFDP 16). Yet having a shared intent across academic divisions and having champions within these divisions are clearly important factors in bringing about success.

5.9 Some HEIs felt fortunate that their plans to expand workforce development provision coincided with HEFCE's interest in establishing the Programme, with a particular impetus to drive co-funded places. Other HEIs concluded that the approach they had taken was the right one; but equally recognised that whilst this was "the right way of doing it" that perhaps they had "been a little too ambitious". Certainly, this was true for one case study project which described how working with one particular sector had led the project to realise that they had "actually... bitten off probably more than [they] could chew"; this realisation in turn led to a re-think of their approach and market focus. In this instance a decision was reached that they would scale back their ambitions and focus on more "granular bits". The other major learning that this project identified was the importance of resolving internal challenges at the outset before approaching businesses with a workforce development proposition. This is easier said than done, particularly when this entails persuasion across an institution that employs 4,000 members of staff, nearly all of whom "needed to think differently about business to business working" (WFDP 7).

5.10 Many of the project leads described how their institution's ability to grow its workforce development activity was often dependent upon a number of internal factors, including:

- The willingness of faculties immediately prior to and during the project to embrace the workforce development and business engagement ethos (WFDP 20);
- Clear communication with faculties and academics (all projects);
- Having dedicated or additional resources to develop ideas into reality and make things happen (WFDP 20);
- Having mechanisms to ensure strategic alignment such as specialist departments (WFDP 20);
- An ability to demonstrate the return on investment for the Board (WFDP 16);
- An ability to gather and report on baseline data – so that it is clear what the vision is and what individuals are trying to improve – then being able to demonstrate that a difference has been made (WFDP 16);
- A way of scheduling and/or accessing academic time which can quickly mount up with employer liaison meetings and scoping (WFDP 4); and
- The ability to create a costing model that works and takes into account the academic time that might be spent on support for a student, but which has no pedagogic advantages.

5.11 In order to gauge the level of transformational change induced by the Programme, respondents were asked in the online survey to describe the status of their HEI across several areas, both now and prior to the Programme. Presented with a series of statements, respondents were asked to rate the position of their HEI currently and where they believed it would have been without workforce development funding on a scale from one to ten, where one equals 'not at all' and ten equals 'very much'. Comparative analysis<sup>53</sup> indicates that respondents report significant changes across all areas following the introduction of the Programme. Our findings suggest that the Programme has had greatest impact on HEIs tailoring provision to meet employer needs (8.2) and on reviewing their offer to ensure it continues to meet employers' needs (8.1). Conversely, the Programme has been less effective at encouraging HEIs to recognise and reward staff for their employer engagement activity (5.5). Figure 2 below provides further information here.

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<sup>53</sup> t-Test

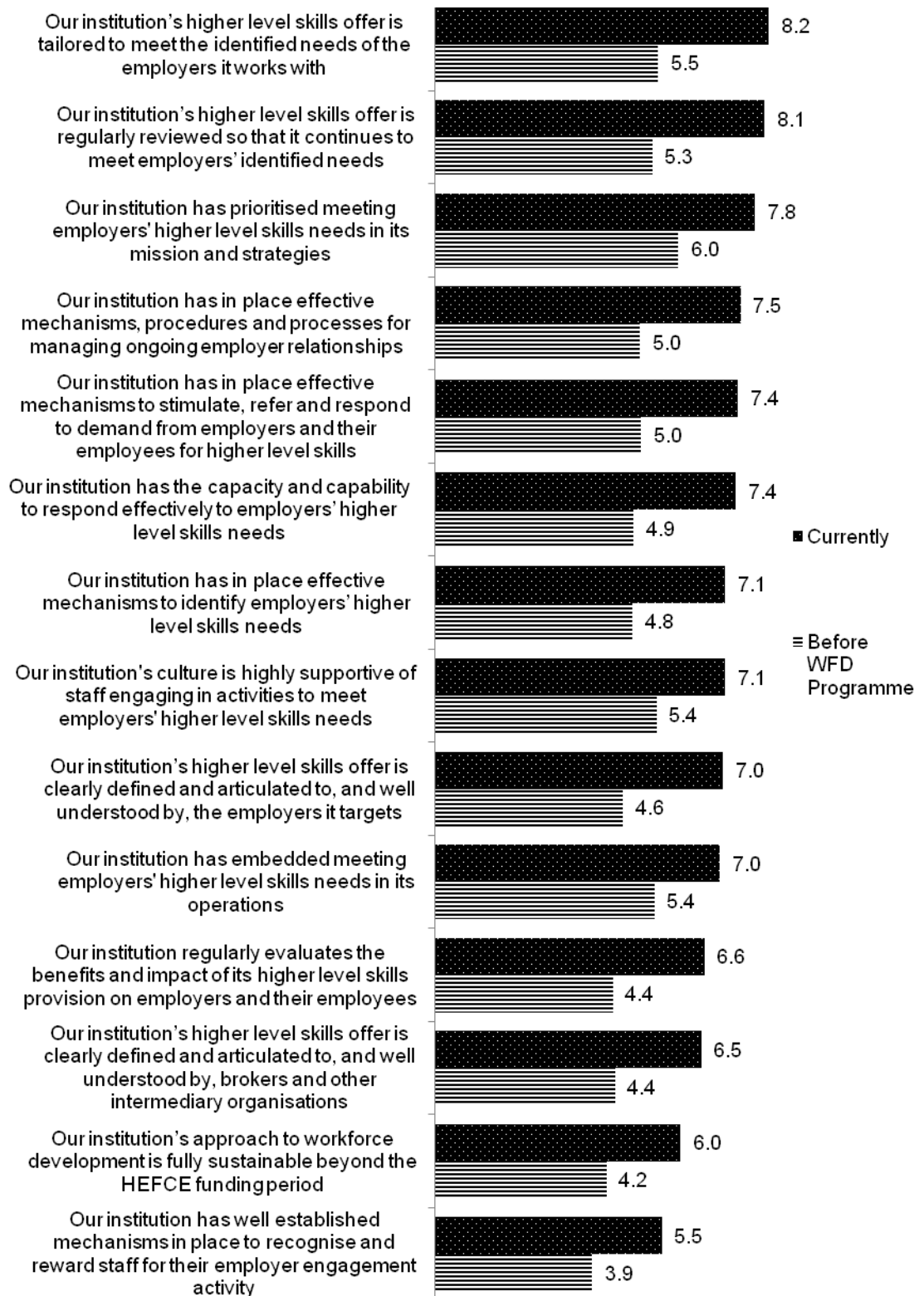


Figure 2: Extent to which statements describe the status of respondents' institutions prior to the Programme and currently (average ratings on a scale from 1: 'not at all' to 10: 'very much')

5.12 Further segmentation analysis<sup>54</sup> of the survey data indicates that respondents can be split into two groups based upon the extent of change within HEIs as a result of the Programme. Overall, one group tends to recognise significant changes across all areas, whereas the other perceives moderate to very modest changes. Table 4 summarises the characteristics of the two groups:

<b>Group A: Significant change</b>	<b>Group B: Moderate/modest change</b>
➤ Perceived change: stronger than Group B across all areas	➤ Perceived change: weaker than Group A across all areas
➤ Maximum change perceived: HEIs tailor their HE skills offer to meet employer needs	➤ Maximum change perceived: HEIs review their HE skills offer to continue to meet employer needs
➤ Minimum change perceived: HEIs have embedded meeting employers' HE skills needs in their operations and have well established mechanisms to recognise and reward staff for employer engagement activity	➤ Minimum change perceived: HEI's HE skills offer is clearly defined, articulated to and well understood by brokers and other intermediate organisations
➤ HEIs that operate customer relationship management systems	➤ HEIs unlikely to operate customer relationship management systems
➤ HEIs with formal systems that allocate employer enquiries out to individuals so that a first point of contact is available	➤ HEIs with no formal systems that allocate employer enquiries out to individuals so that a first point of contact is available
➤ HEIs with formal procedures to ensure a prompt response to employer enquiries	➤ HEIs with no formal procedures to ensure a prompt response to employer enquiries
➤ HEIs with a formal system for evaluating activities with employers, including impact assessments	➤ HEIs with no formal system for evaluating activities with employers, including impact assessments

**Table 4: Groups of survey respondents in relation to perceived institutional change as a result of the Programme**

5.13 To explore the relationship between HEIs' draw-down of co-funded ASNs and the numbers of employers engaged, we conducted analysis on survey data provided by project leads against data from the 2009-10 CFEE monitoring returns. The analysis provides mild indications that perceptions of a stronger institutional change are linked to higher volumes of ASNs (both in terms of full-time equivalents and headcounts). However, this is not related to the number of employers providing co-funding contributions, but could be indicative of HEIs developing deeper or broader relationships with the same employers. It must be noted that this finding should be interpreted with caution due to limitations in the size of the sample from which it is derived. Specific

<sup>54</sup> Two-step cluster analysis

examples of the cultural challenges that our case study projects faced in establishing workforce development activities are explored below.

## Changing and realigning institutional culture

5.14 A number of previous studies have highlighted friction between the HE and employer sectors,<sup>55</sup> caused by issues of cultural differences, with some pointing to this as one of the main reasons why employer-HE partnerships can be problematic.<sup>56</sup> In particular, the different language used in HE and business has been identified as a barrier to greater collaboration.<sup>57</sup> Time and effort is required for employers wishing to engage in partnerships with HE staff to learn the language of academia, and vice versa. At a basic level, there has been a perception that university courses are the domain of academics, of specialism and theory with little real life relevance to a business environment,<sup>58</sup> which needs to be changed. Furthermore, it has been raised that employers do not think in academic calendar terms, in 'years' that start in October, but rather in fiscal years from January or April. Nor can they commit to advance expenditure which HEIs would prefer (and are better set up for); but are more likely to have instant demands, especially in fast moving environments.

5.15 Yet the situation within many of the HEIs that have participated in the Programme appears to be quite different to this depiction in existing literature. Overall, a great deal of progress has been made by those HEIs that have received development funding and many have taken steps to ensure that they understand their clients' business needs. Most HEIs involved in the Programme reported that, whilst they had achieved a degree of cultural change, they had yet to fully achieve their own ambitions in this area. This is in part because the nature and extent of change is varied; in most cases, whilst change has been (and still is) occurring, it has yet to become transformational, as pockets within institutions are still not as 'business-facing' as WFD teams would like.

5.16 It is also recognised that the perception which many employers hold about HE does not necessarily reflect the current situation at some HEIs. As such, HEIs will need to challenge these perceptions<sup>59</sup> as this will take some time to change. An earlier study referred to the "huge cultural shift to engage and deliver higher education with employers in a true meaningful partnership and without deconstructing the university as its boundaries shift".<sup>60</sup> Some HEIs have already addressed this by developing a better understanding of their clients' businesses at preliminary stages to enable relationships to develop and mature. Bolden highlights the internal work underway in universities to ensure staff are aware of internal change processes aimed at making them more 'business-facing'.<sup>61</sup> Moving forwards HEIs will also need to be responsive to the needs of employees as HE students, as gaining commitment of employees is crucial to sustainable success of HE at work.<sup>62</sup> Long term, the policy agenda must be on engaging employees as well as on engaging employers.

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<sup>55</sup> CBI, *Stepping Higher* op. cit.

<sup>56</sup> Reeve & Gallacher (2005), op. cit.

<sup>57</sup> Roodhouse, S. & Mumford, J., *HE@Work: three year longitudinal employee learning attitudes survey of large private businesses 2008-2010*, *Industrial and Commercial Training*, 42(6), pp. 319-329

<sup>58</sup> Drake et al. op. cit.

<sup>59</sup> CFE *Beyond Known Unknowns* (2009) op. cit

<sup>60</sup> Bridges, *Back to the Future: the higher education curriculum in the 21<sup>st</sup> century*, *Cambridge Journal of Education*, Vol. 30, No.1, (2000)

<sup>61</sup> Bolden, R., et. al., *Strategies for Effective Employer Engagement*, (2010)

<sup>62</sup> Drake et al., op. cit.

5.17 Most of the case study projects reported that one of “the big challenges” they had sought to overcome related to the internal positioning of the workforce development offer. This is because practical cultural challenges can sometimes be associated with offering small modules or credit-based delivery rather than full undergraduate degrees. That said, one case study interviewee recognised the opportunities these changes could bring to their offer: “The pace is a lot quicker. The targets are a lot higher. The flexibility of what we offer is much greater...We’re obviously not dealing in a region; we’re dealing nationally and internationally” (WFDP 3).

5.18 It was widely acknowledged that cultural change has been necessary to improve pace and timescales to meet employers’ needs and expectations. One project leader specifically described the challenges that they experienced and had to overcome in this regard:

“There is an issue about speed with lecturers because they think we’ve got all the time in the world to pontificate. When you go and ask a lecturer, they’ll say, ‘For three months, now I’m really busy, but in July,’ and you go, ‘I’m sorry. You’ve misunderstood me. You need to see this person in the next two weeks.’ It’s a complete anathema to my colleagues, that idea of working fast.”

WFDP 14

5.19 Although such considerable change has been necessary, some interviewees found that their academic staff were “engrained in delivering an entire degree programme” and so “quite frankly, they don’t understand someone who may only want to do a 20-credit module and not bother with any assignments or assessments” (WFDP 14). Whilst many WFD projects had made notable progress in changing the culture of their institutions, a minority of interviewees from case study projects emphasised that until it is possible for their institutions to overcome these cultural obstacles to delivery, then engagement in workforce development will remain difficult.

5.20 In most cases where considerable progress had been made, it was recognised that cultural change could be initiated by helping staff throughout the HEI to better understand “the business benefit”. More often than not this entailed addressing fears about this type of activity. Where some element of cultural change has been achieved successfully, staff have come to appreciate that it is “not a threat, and [that] if things go wrong they won’t get blamed” (WFDP 11). In many cases this has involved gaining trust which leads to a willingness to use new or enhanced systems and processes or to adapt their ways of working.

5.21 For those HEIs that implemented a CRM system, they found that encouraging the right culture and appropriate behaviour was vital to achieving success. One of the reasons why staff resisted adopting a CRM system related to confidentiality and their willingness to share contacts which they felt they owned. As such, in order to encourage individuals to adopt the CRM system, HEIs have focussed on embedding a climate of trust (WFDP 14).



5.22 Feedback from interviewees suggests that overall there has been a degree of cultural change amongst the HEIs that received development funding and co-funding for ASNs. However, most of the case study projects recognised the need to progress their ambitions for change further if they are to achieve a transformation.

“I think the lesson learnt is that... cultural change takes time to kind of embed. Until we have the cultural change in the institution here, we couldn't possibly expect that we were going to go out and really get employers on board with it. I think there has to be a kind of ownership and belonging...”

WFDP 17

5.23 In this sense, the next step for HEIs with WFD projects is to extend the cultural change even further to embed it in those pockets of the institution which are still not as 'business-facing' as they would ideally like them to be. Most interviewees were able to reflect back on where their institution was before the Programme, with all reporting it to be in “a different place” as a result of its involvement.

5.24 Where cultural change was sought, language has also played an important part in the transformation. In a very practical sense there has been an immediate need to develop a shared understanding of terminology such as 'sales pipeline', 'target' and 'projections'. Yet transformational change also requires established and effective links between staff that are directly involved in workforce development activity and the rest of the institution which can be hindered or aided by the ability to employ effective forms of communication. As many WFD managers recall, prior to the outset of the Programme, staff within their institutions often made minimal use of terminology such as 'workforce development', 'employer engagement' and 'work-based learning' all of which are now established terms in most institutions with WFD projects.

5.25 Most HEIs also found that their ability to induce cultural change was dependent on existing models or processes. One case study interviewee described in particular how the challenge for them was that “the culture was driven by the structures that we had that therefore reinforced certain behaviours...” (WFDP 11). So, whilst substantive progress has been made by WFD projects in building a platform to support future growth in workforce development activity, the achievement of truly transformational change will require continuous and concerted efforts to manage the complex relation between language, administrative structures and organisational activity.

## 6 | External impact

This section of the report considers the nature of engagement between the HE sector and businesses as a result of the Programme and summarises emerging evidence of the impact on employers and employees.

### Customers

6.1 Some HEIs have realised that the employer market for higher level skills represents another potential revenue stream; which also drives their pursuance of this activity. However, there is conflicting evidence around the nature and size of the employer market for higher level skills.<sup>63</sup> What does exist suggests that:

- HEIs' share of England's overall workforce development market is relatively small. The National Employer Skills Survey shows that only 11 per cent of employers that contracted an external provider for training used a university (compared to 61 per cent using consultants or private training providers).<sup>64</sup> This relates to all levels of training.
- Further evidence of the size of the overall market comes from the Confederation of British Industry (CBI) education and skills survey 2010: it showed that nine in ten firms use external providers for at least some of their training, and that 43 per cent of all employer training is carried out by external providers. Four in five of these firms use private training providers, often for short unaccredited courses, while only one in four use universities.<sup>65</sup>
- However, there is evidence that HEIs' share of the market for higher level skills training is relatively large, in what is a highly segmented market: CFE research with over 1,000 employers showed that HEIs can boast a 46 per cent market share for employer training at higher levels, with particular strength in academic qualifications, although lagging behind private providers in professional qualifications and FE colleges in vocational qualifications.<sup>66</sup>
- A growing percentage of jobs now require higher level skills, up from 20 per cent in 1986 to 30 per cent in 2006.

6.2 A number of key issues have been identified as likely to affect future growth of this market and provide challenges and opportunities for the HEIs in it, including:

- The complexity and diversity of the employer market (in comparison to many HEIs' traditional student market, i.e. that of young people), coupled with the associated risks for HEIs in developing a new market. Those HEIs which have been involved in a major way with workforce development have tended to focus on diverse parts of the employer market to meet different needs; this includes

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<sup>63</sup> See: Bolden & Petrov (2008), op. cit.; King, M., Workforce Development: how much engagement do employers have with higher education? (CIHE, 2007)

<sup>64</sup> UKCES, National Employer Skills Survey for England 2009: Key findings report, (2010), p.49

<sup>65</sup> CBI/EDI, Ready to grow: business priorities for education and skills. Education and skills survey 2010, (May 2010), p.48

<sup>66</sup> CFE Using demand to shape supply: op. cit. (HEFCE, 2009), p.21

new Foundation degrees, management development, accreditation of in-company training, and informal non-accredited learning, which all provide different things.<sup>67</sup>

- The need for HEIs to understand their market areas in depth and identify market segments which are sustainable.<sup>68</sup> As well as knowing their market, HEIs must acknowledge their position within the market, understand the competition, challenge perceptions, meet market norms, and play to their strengths.<sup>69</sup>
- Diverse models of engagement are required in different locations to meet various market requirements; some directly between HEIs and individual employers or employer groups; some in HE/HE or HE/FE partnerships with employers; and others involving other bodies as intermediaries or brokers, whether regional, or sector based (e.g. Sector Skills Councils). Each of these models requires different management arrangements to succeed and some can involve fairly complex forms of partnership working.<sup>70</sup> Foundation Degree Forward has brought together resources and staff development services to help HEIs work with employers in complex collaborative partnerships.<sup>71</sup>
- A lack of awareness among employers of what HE can potentially offer them (not just graduate recruits) has been identified as a barrier to market growth. The CBI's Stepping Higher report indicated that those employers which did not use universities simply did not have information about them or who to contact.<sup>72</sup>
- Using a professional yet personal approach to engage employers has been highlighted as key, particularly given that many employers are overloaded with 'unsolicited' approaches by a wide range of training providers.<sup>73</sup>
- Employers' interest in the value training can bring to individual employees as well as their business strategy is seen as key to generating new workforce development activity. This often means tailored provision to meet specific needs<sup>74</sup> and HEIs understanding the business strategy so that subject matter is relevant and valued.
- The ability of HEIs to operate with the same kind of flexibility and responsiveness that employers experience from private providers is also a key enabler. Adult employees have a variety of needs which means that 'one-size-fits-all' models are not appropriate.<sup>75</sup> Innovations such as bite-sized learning and credit accumulation and transfer are more likely to help change employers' purchasing habits.

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<sup>67</sup> Bolden, R., et. al., (2009), op. cit.

<sup>68</sup> Ambrose, P., & Luanaigh, A., Quality, Risk and Regulation: Collaborative Provision and Employer Engagement in Higher Education, (SQW, 2009)

<sup>69</sup> CFE Known Unknowns: The demand for higher level skills from businesses, (2008) CFE;

<sup>70</sup> Bolden, R., et. al., (2009), op. cit.

<sup>71</sup> FDF, The Impact of Foundation degrees on the Workplace and Employers, (2008)

<sup>72</sup> CBI, Stepping Higher op. cit.

<sup>73</sup> Benyon, J., & McKee, B., Successful Foundation degrees: A study of the role of employers and other key factors, (University of Leicester, 2009)

<sup>74</sup> See: CBI, Stepping Higher, op cit.; CFE, Known Unknowns op. cit.

<sup>75</sup> See: Bolden & Petrov (2008), op. cit.; CFE Beyond Known Unknowns op. cit.; and Grant Thornton, Highly Skilled London: The demand for higher level skills by London employers, (London Higher, 2008)

## Market focus

6.3 To explore the relationship between the characteristics of HEIs offering co-funded provision and the number of ASNs achieved, data from the 2008-09 CFEE returns was linked to information collected for the same year's Higher Education-Business and Community Interaction (HE-BCI) survey<sup>76</sup>. Analysis of the relationship between the sectors with which HEIs engage and the number of co-funded learners generated indicates that co-funded provision is not related to sector-specific demand but is instead spread across a wide range of industries. However, emerging evidence suggests that HEIs with larger numbers of dedicated staff in business and community engagement functions, as well as academic staff directly providing services to various types of partners (including commercial, public sector and social, community and cultural partners), generate higher numbers of co-funded ASNs.<sup>77</sup> A direct relationship between staff counts and the magnitude of co-funded provision cannot be supported by statistical analysis. Nevertheless, this finding represents a mild indication of how HEI organisational structures and the intent behind establishing them in the first place, (often indicative of an HEI's mission), can influence the effectiveness of their workforce development activity.

6.4 HEIs were asked to identify three areas where they believe they make the greatest contribution to economic development. Analysis indicates that a large proportion (50%) believe that supporting small and medium-sized enterprises is one of their top contributions, irrespective of the group in which they fall (those offering fewer than 55 FTE allocations and those offering more). Meeting regional skills needs is also a top priority for the HE sector (50%) in contrast to meeting national skills needs (25%). This suggests that WFD projects are committed to developing economically valuable skills at a regional level, with less recognition of their capacity to respond to national priorities.

6.5 A key variable in segmenting the employer market is organisational size. Small and medium-sized enterprises are abundant but can only offer small numbers of learners, and often have constrained training budgets. Meanwhile, larger organisations tend to have larger budgets and learner numbers to offer, but are less numerous. Most workforce development projects worked with both larger companies and SMEs, but it was common to target larger organisations more actively because of the greater rewards this could bring.

“I was asked to bring in bigger business and we set out criteria for that. ... fewer partnerships, but more volume. Those organisations put lots of people through their programmes, as opposed to lots of accreditations which might only have 30 people. For us it's about deeper, bigger relationships.”

WFDP 16

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<sup>76</sup> The databases were linked based on the HESA code variable included in both datasets.

<sup>77</sup> Institutions with fewer FTE allocations than the median count on average 41 employees dedicated in engaging with commercial partners; 13 employees dedicated in engaging with public sector partners; 10 academics working directly with social, community and cultural partners; 17 academics working directly with commercial partners; and 19 academics working directly with public sector partners. For institutions with more FTE allocations than the median, the numbers are respectively: 45; 22; 14; 18; 23.

6.6 Interestingly, the same approach is taken by HEIs that did not apply for WFD Programme funding (DNA).

“It’s relatively easy to engage with employers like Tesco. OK, they are on a scale where, first of all, they can provide cohorts of a sensible size, that are an economic size for us, and they are of a scale where they can employ people who can talk to us and we can talk to them about how this will be run, managed and what it will deliver. If you look at another industry, say the creative industries, what happens is that’s spread amongst a lot of SMEs. That’s much more difficult to engage with”.

DNA 3

6.7 One way of working with SMEs is to establish cohorts of students from several companies. However, it is often more difficult to tailor provision to ‘fit’ each company. One interviewee felt that fit is more important for private sector employers than public sector, which “...will accept 90 per cent fit between course and need. Private sector organisations are much more specific, they want an exact match” (WFDP 14). Certain HEIs recognised that their natural market would never involve one big contract, but would instead involve SMEs in niche market sectors (e.g. agriculture, creative industries). Whilst this approach has limitations, it means that risk is diversified across a number of clients rather than reliant on one large employer. However, the dangers of an over-reliance on a small number of key contracts were also recognised by other HEIs.

6.8 It was very difficult to discern patterns in target sectors chosen by projects. Priority sectors varied and secondary analysis does not reveal any clear relationship between particularly successful delivery of co-funded provision and sectors. Some projects focused predominantly on the public sector, such as Staffordshire and Teesside universities. Others focused on regional priority sectors (North West HLSP); Science, Technology, Engineering and Mathematics (STEM) sectors (Newcastle College); or sectors with strong professional and vocational training cultures (Open University and University of Essex). But, in many cases, it appears that sector is not of overriding importance in identifying client target markets; moreover the need to be responsive and open to opportunities is recognised.

6.9 Another market feature considered by projects was the type of learners they envisioned targeting and whether these had prior experience of higher education. Certain projects designed some of their products to appeal to work-based learners with no prior HE experience. However, as one HEI found, this can mean that some potential students are not academically prepared to undertake higher level study; as such, some assessment of their current abilities needs to be undertaken, whether through formal APEL or informally.

“If they’ve got ten years professional experience, but no undergraduate degree, we will have a... long conversation about, ‘Do you understand the demands of Masters level study? Have you ever written an essay? Do you understand what referencing is?’ Sometimes I’ll ask them to write 500 words on a topic relating to the unit they’re applying for, and I’ll say, ‘Can you use literature to support the point?’”

WFDP 17

## Level of demand and return on investment

### Level of employer demand

6.10 Clearly, an important area for investment by HEIs as a result of the Programme funding has concerned putting in place “effective mechanisms to stimulate, refer and respond to demand from employers and employees for higher level skills”. Earlier sections of this report, including those on business development, customer relationship and account management, have described the changes within HEIs resulting from this investment.

6.11 In almost two-thirds of the business cases, development projects indicated that they were responding to expressed demand from employers and 13 stated they were intending to stimulate new demand. The evidence presented to support the expressed demand was primarily secondary data – for example data from SSC and other labour market information reports, extracts from national and regional strategies, and information from professional and trade associations – rather than primary evidence from employers. As a consequence there tended to be more of a focus on ‘need’ rather than ‘demand’. In respect to stimulating demand, only 13 projects specified targets of the number of employers to be engaged, and of those projects, the number of employers to be engaged range from 8 to 8,000. It is clear that there is still a considerable amount of market stimulation required, and that efforts need to be maintained to deliver success.

“There aren’t lots of companies out there waiting to write a cheque to us. Otherwise, if they were, we wouldn’t be asking for some development funding. It is about market making and building awareness. That continues to be a challenge. That’s, I think, quite a long-term process.”

WFDP 16

6.12 In the earlier stages of the Programme, the economic downturn was perceived as affecting private sector investment in higher level workforce development. Projects reported that businesses were taking longer to commit to contracts and prioritising maintaining business, rather than the more secondary concern of (higher level) skills development. Some projects focused on larger organisations where more employees have the same training needs in order to build economies of scale, as well as concentrating on public sector employers, which at that point had been less affected by the economic conditions. However, as the Programme developed and public sector budget cuts were anticipated and then implemented, demand in the public sector also reduced. That said, one HEI actually found that as public sector demand dropped, private sector demand had increased, particularly within the pharmaceutical, food and drink, engineering and manufacturing, professional services, finance and health care sectors.

6.13 The economic situation is clearly affecting different sectors in different ways, with one HEI reporting that “We have seen a drop of engagement with some, but an increased activity with others” (DNA 4). Indeed, co-funding contributions from employers increased from £4.3 million in 2008/09 to £12.8 million in 2009/10, and the number of employers providing contributions increased from 631 to 2706, as projects began to reach operational maturity in their work with employers.

6.14 Adopting a need-based approach rather than a product-led approach in the market seems to be producing results, with one HEI reporting that “more companies are coming back to us as a consequence of saying, ‘What can we do with you?’ [and] we’re beginning to see this really ratchet up” (WFDP 5); this is supported by another HEI which said “They are coming here now. We are not having to go and knock on their doors, they actually want to engage, but it is being led by the fact that we are putting offerings in to the market that they recognise” (WFDP 8).

6.15 Discussions with employers regarding their demand for training explored the level of outsourcing they undertake and the importance of qualifications. Their responses indicated that approaches to training and outsourcing vary. Some employers have had to reduce the amount of training conducted externally due to costs and strategy; therefore much of their training is done in-house on a case-by-case basis. However, a number of other employers confirmed that they outsource at least 50 per cent of their training to external providers or associate trainers; with the choice of provider dependent on their requirements.

6.16 The key characteristics of an effective HE provider cited by the employers interviewed include: flexibility; cost; responsiveness; ability to tailor delivery and content; experience and reputation within the industry; and geographical location. Interestingly, only a couple of employers cited ‘access to funding’ as the reason they chose to work with their HEI. Given that funding is being reduced across the board, this should come as good news to HEIs – as the overarching factors that employers seek are those which HEIs can control.

6.17 The majority of employers made it clear that qualifications are important to them, their employees and their customers, and at times they are regarded as critical. For some employers, having qualified staff demonstrates their credibility as a professional organisation; other employers are keen to ensure that employees can benefit from training that helps their career progression; some see staff development as a good way of attracting public funding to enable the company to access high quality solutions in a cost effective way; and others see training as a way to ‘reward’ staff in the absence of bonuses.

6.18 Other responses presented a mixed, neutral or negative view. One employer highlighted that it is sometimes “more important to them [employees] than it is to us, but it is a motivator to them in terms of achieving a qualification which, frankly, aids their employability in the market place” (medium Logistics employer). Another felt that “employees don’t necessarily need qualifications – they want to see more effectiveness on the ground” (small Recruitment & HR company). Sometimes the employer will take a mixed approach i.e. it “depends on who is being considered” (medium-sized Manufacturing employer). In this particular case, the needs of shop floor staff are focused on updating skills, whilst managers gained qualifications around leadership and line managers had the option. Nevertheless one employer who felt that qualifications were “not important at all”, was actually using accredited training “(e.g. NVQ, Skills for Life, Apprenticeships) as a means by which to draw down public funding” (large Automotive employer).

## Impact on employers

6.19 For those employers who look towards HEIs to deliver higher level skills provision, their objectives are clear. They seek opportunities to develop their employees in ways beyond that which they could deliver themselves; this includes providing networking experiences for their staff to learn from others, but also to 'bring qualifications to life' and meet the underpinning needs of the business. Given the time and resource constraints faced by businesses in the current economic climate, finding time for learning and development is challenging and, as such, many employers now require an integrated and flexible approach to delivering provision. Certainly, a number of the employers interviewed reported that the HEI had recognised this need and adapted their approach accordingly.

6.20 Most employers also reported that they had been involved with designing and/or tailoring the course at some level, indicating that HEIs are demonstrating increasing ability and inclination to work in partnership and respond to employer needs. The impact of HE provision has been felt on a number of levels by employers. Firstly, the skills and productivity of their employees have improved. Employers reported that learners are more confident, their understanding of their role has increased and is now better applied, their knowledge is broader and overall they are more rounded individuals who are challenging the norm and taking hold of their own learning. Beyond acquiring additional skills key to their role, employers also feel that the learning experience has improved staff morale, engagement and retention. Many employers recognise that in this difficult financial environment where bonuses and pay rises are few and far between, that investment in people skills is an excellent way of not only recognising good performance but also ensuring that key talent does not disappear at the first best offer that comes their way. They also acknowledge that development not only benefits the business, but from a cost point of view, retention of really good people is advantageous:

"I know it's had an impact....certainly, the motivation, the pride factor, working towards a university certificate as well, massively, increases the credibility of the Programme even further. Therefore from a staff retention point of view, I think the value that people get will retain our great managers, because they walk away with added value personally..."

Large Retail employer

6.21 Moreover, when the economy picks up, employers will be fighting for the best talent and clear investment in careers will help to both retain existing talent and attract new talent.

6.22 Some employers expressed concern, however, that improving the skills of their employees may encourage or enable them to find better work elsewhere, taking away talent as well as the funds which paid for their development. As such, a key question on the minds of most employers is one surrounding value and the return on investment they will reap from their commitment to staff development. Given that many of the courses delivered have only recently been completed, or are still ongoing, it is perhaps too early to make concrete conclusions around value for money and impact on the bottom line for businesses. However, early indicators are that employers are starting to enjoy various benefits.



## Benefits for employers

Early indicators of benefits for employers:

- Providing better service and responding more effectively to customer needs leading to the achievement of higher sales; winning major contracts on a global level enabling the company to grow and expand in a recession;
- Saving costs on recruiting and hiring external candidates by filling the vacancy with internal candidates; and
- Being awarded new business because of their 'reputation' for investing in professional development.

As one employer stated:

"The reality is if you have a module like this that actually delivers a project from each of the individuals on it that delivers a cost-benefit saving, you can get your return on investment eightfold".

Large Financial Services employer

6.23 A number of the employers we interviewed praised the HEIs for their ability to adapt academic learning to meet the requirements of their business. In some cases employers have found the focus to be more vocational than academic, which is exactly what they needed. In other cases they have found that academics have been able to bridge the gap between academic and business language to achieve common goals and aspirations. Other employers reported that the academics proved very good at working in partnership and driving improvements in provision through their expert knowledge of the area.

6.24 Demonstrating a better understanding of business needs is one way in which HEIs appear to have changed over the past few years. Other changes noted by employers include a shift in direction from being 'supply driven' towards being 'demand driven':

"...when I went through my own tertiary development it was at that time, 'Here's what's available and here's the price. Are you interested?' Whereas, I think now, and certainly the evidence from (HEI) is [that they consider], 'What are the needs out there and how do we best fulfil them?' I think that's significantly changed and (HEI) are probably not alone in that. I think there have been real attempts to think through where they are and perhaps, dare I say it, take a more businesslike approach to what they're doing..."

Medium-sized Logistics employer

6.25 This was echoed by a large IT & Telecoms employer who commented that "HE is adapting and understanding and recognising employer need", and there is certainly "a market there for those who want to exploit that". Most employers agreed that their experience of using an HEI had persuaded them that HEIs are a credible provider of higher level skills.

6.26 Although some employers feel that certain HEIs lag behind in the change process, (e.g. being fixed to certain processes like the academic calendar year and treating workforce development in the same way they would undergraduate delivery), overall the impact on employers appears mostly positive. Indeed, there are some impressive anecdotes and examples of benefits to both business profitability and employer skills development. Many of the employers interviewed reported that they were satisfied with the service provided and would both use the HEI again and refer them to other employers. Although for some employers there is no comparable provision available elsewhere, others who do have a wider choice of providers to consider are happy to continue using the HEI as their preferred provider:

“They’ve been professional from the start. They’ve been consistent in its delivery. It’s been consistent, it’s helpful. I would not go to a private provider again”.

Large Retail employer

6.27 To date, much has been achieved by many HEIs in their quest to enhance employer engagement and focus more on workforce development. However, as always there are a number of areas which HEIs will need to tackle and address head on if they are to extend their offer wider and truly impact employers with their professional development offer. Feedback from employers suggested that HEIs should consider raising their profile further by improving their marketing skills and ensuring that employers are more informed about the services they have to offer. Part of this will require HEIs to alter their business language – both internally and externally. Once employers show interest in a partnership, HEIs should ensure they respond in a timely fashion and limit bureaucracy to the absolute minimum to avoid discouraging employers before they have even started. Finally, ongoing communication needs to remain a priority to ensure employers are supported and the business agenda is not preceded by an academic one.

### **Impact on employees**

6.28 In a few cases the learner helped to choose the HEI provider; however, in most cases they applied for or were ‘selected’ to study on the course which had been tailored by the HEI for the employer. Most of the learners were only involved in tailoring their course to fit their own needs by choosing a couple of modules; the remaining modules were core modules they had to study.

#### **Factors that influence an employee’s selection of an HEI**

Interviews conducted with employees who received provision through the Programme revealed that a number of factors are important when choosing a provider.

- Value for money;
- Flexibility of delivery times/format/location – including the ability to learn from home in their own time;
- Range of choice;
- Time commitment;

- Reputation; and
- Credibility or excellence of tutors.

6.29 Distance learning was new to some learners, many of whom had only studied within a classroom-based environment surrounded by other learners previously. Some learners who had prior experience of HE commented that if they were studying at this level for the first time, they may have preferred to have more of that “person-time, one-to-one time to sit down and look through things and go through drafts a little bit more.” (Learner 3). Although some of them found distance learning a little daunting at first, many soon realised that there was online support when they needed it. Mostly they liked the delivery format though because it meant they could study in their own personal time and work around their day job and other commitments (like child care).

6.30 For employees whose studies included work based learning, they found this experience excellent – in so much that they could almost immediately incorporate their learning and apply their knowledge to their day job. Where the HEI accredited the course, the learners commented on the value of being taught by those who had current expertise within the field. Workshops, tutorials and residential events were highly rated by most learners who found them excellent opportunities to build up their networks and share good practices with individuals within and across the sector.

6.31 Overwhelmingly, the feedback on tutor expertise and support was extremely positive. In most cases learners were provided with their tutor’s email address and phone number and encouraged to contact them with any questions or requests for assistance. Some HEIs also recommended or even established ‘buddy groups’ for the learners, to enable them network and learn from each other via online chat rooms and other network forums.

“We also, as a result, set up a Facebook element to our year as well. If nothing else, to share those dark winter nights when you’re sitting there doing trigonometry so that was pretty good. I think networking is, if you like, a tangible benefit that came out of it as well. Meeting like-minded people from the industry was refreshing.”

Learner 8

6.32 Given that many of the courses were brand new programmes, designed to meet specific needs of the employer, the first learners to undertake the course were essentially piloting it on behalf of their peers. A few learners did in fact comment that they felt like ‘guinea pigs’ and that delivery was not as efficient as they had hoped in the first one to two years. Various teething issues experienced en route included missing modules online and lack of communication or guidance around deadlines. Generally these issues were resolved as the course progressed, however, with some learners proactive in providing feedback to the tutors, mentors or their own managers during the course of delivery. In many cases the delivery approach improved considerably by the third year.

6.33 A couple of the learners interviewed were slightly disappointed by the format of their course delivery, however. It involved much less e-learning and interactive material

than they had been led to believe and, more than anything, it required far more time than they had expected:

“One thing that we weren’t prepared for is the length of time that we had to dedicate towards it. We thought it would just be, you know, a bit of learning online, write a few assignments. It was effectively a full-time university degree on top of a day job. So, we spent many weekends chained to a laptop doing this course. So, I think obviously that’s one thing that needed, probably, to be flagged to us from the start, how much time dedication it needed. I think they said sort of 600 plus hours a year, which is equivalent to two hours a day. I have to travel to London, so I don’t get home until 7:00 in the evening. There’s no way you want to go and do learning after that.”

Learner 11

6.34 The same learner was also disappointed that their HEI course content was less informative and up to date than training material they used within their own company. Two other learners (at separate HEIs) found there to be little integration between the content of some of the modules they were studying, with one commenting that the different fonts and presentation styles made it obvious the course had been ‘copied and pasted’ from multiple authors. Other issues experienced included: delays in registration onto the course or getting online access to the programme; frustration that assignment feedback was late – impacting on time available to complete subsequent assignments; and disappointment that many of the assignments they completed did not count towards their end qualification at all.

6.35 In a few cases, the learners felt that the HEIs were not fully prepared to meet the needs of mature learners, being so used to teaching young undergraduate students. These learners commented that the HEI did not appear to fully appreciate that remote learning whilst employed full-time is an entirely different experience to being a student at the university.

6.36 Few learners discussed their own personal objectives with their tutor upfront. Some of the learners found that the tutors had a good understanding of the business or industry in which they worked which was helpful; although a couple of learners questioned whether they truly understood how their learning would then be applied in the workplace. It is certainly reasonable to expect that HEIs ensure that they understand how learners will apply their learning, not least because private training providers certainly give this due consideration.

6.37 A minority of the learners that were consulted were studying brand new courses, and for them there was some uncertainty about how well recognised their qualifications would be externally. They felt that after all their hard work it was unclear whether other employers would understand the value or importance of what they had achieved.

6.38 Notwithstanding some of the frustrations experienced by learners on these ‘pilot’ programmes, the majority of learners rated the HEIs’ flexibility and responsiveness very highly. More importantly, they were able to identify significant ways in which the

Programme had impacted on their day-to-day role, future career path, confidence and engagement with their employer.

### **Benefits for learners**

- Greater clarity about their role and updated awareness of the sector in which they work;
- Positive impact on morale and engagement in some cases – with loyalty repaid through access to HE;
- Learning how to critically reflect – including lateral and critical thinking which is useful in the context of decision making and improvements to day-to-day business operations;
- Challenging underlying assumptions held about the industry in which they work and improving business acumen;
- Greater awareness of issues that may not have been recognised previously and ability to proactively identify solutions;
- Knowledge drawn from a greater understanding of the wealth of information that is available on any given subject matter; and
- Tangible benefits related to future career prospects and promotions.

6.39 In terms of the impact which the Programme had on the employees' perspectives of learning, opinions were mixed on the importance of undertaking learning that ultimately results in a qualification. Whilst learning is clearly important to all those interviewed, for some it is not always necessary to acquire a qualification; moreover it is more important that the study is relevant, provides tangible benefit to their day-to-day role and advances future career prospects. Other employees, however, see it as an added incentive and recognition of the hard work that has gone into studying.

6.40 Some learners found it difficult to compare this learning experience with previous learning due to the unique aspects of this provision, either because of the distance or work-based element of study. Overall though, learners found it had been a more positive experience than previous studies for reasons including: opportunity to contact tutors at any time; more tailored/personalised training; and content relevant and applicable to their job. For those who had prior experience of HE study, they felt that HE provision has generally progressed and improved since their previous experience. They described how the different needs of the learners had been considered to ensure the discussion and information shared was as relevant as possible.

“I think they've certainly got a kind of rounded needs of all the different people in the room a bit more in mind, I think, than when I did my undergraduate... I definitely feel that there's been a responsiveness, whatever level or whatever kind of experience people bring in, at a particular level, then they've been able to work around that... both tutors

have been very good at going, 'Who's in the room? How do we best...?' they clearly have slightly adjusted the pitch and the notes they've got, to make sure it fits in as relevant and make sure there's lots of discussion."

Learner 3

6.41 Nevertheless, feedback from learners did suggest that some improvements could still be made to further enhance their offer.

#### **Learners' suggested areas for improvement**

- Providing clear information about the course content and time requirements upfront; communicating effectively with the employer and any other providers involved;
- Better marketing and promotion of the qualification to ensure its value is more widely recognised by employers; and
- Freshening up some of the content and delivery formats to fit both modern industry practices and learning methods.

HEIs were also advised to consider their approach to teaching and supporting workforce development students. Given that many of these learners are mature students who are learning remotely, some of whom may not have had any prior experience of studying at a higher level, recognition of this different experience and the support required is imperative.

6.42 Since completing the course, some of the learners have already received direct contact from the HEI to seek their feedback on the course and/or discuss further study opportunities. In contrast, other learners had received no follow-up communication; in some cases this had been frustrating as they did not know when they would receive their results or whether they would be graduating. Overall, though, most of the employees would consider using the HEI again for further studies if they chose to progress further, with at least two considering further study fairly immediately.

#### **The role and responsiveness of Sector Skills Councils (SSCs)**

6.43 One Sector Skills Council involved with a case study project explained that its role was defined by Government and that, although it is now changing, "at the time that we were working on the higher education strategy, working with higher education was not seen as one of our core roles and remits, and not funded as such" (WFDP 10). Overall though, feedback on SSC involvement was limited from HEIs involved in the case studies. One HEI which had attempted to engage an SSC had had a mixed experience, though one which improved over time:

"When we started it was a big part of our strategy. You know, let's not try and get through the doors of employers, because that's really hard. Let's work through organisations like Sector Skills Councils. It didn't work. They were disorganised. They were focussed on the learning and skills agenda, not the higher education agenda. They were as unlikely as us to

get a foot in the door. So we stopped. Then I think they had a bit of a shove ... they had a bit of a refocus. In the last year we've worked a lot with the science and engineering focussed Sector Skills Councils, so we've done things like bring them in to help us design a curriculum. We haven't done it yet, but in future we're going to use them as a gateway to employers. So it was a way of going back and trying again with the Sector Skills Councils".

WFDP18

6.44 This highlights two key roles for SSCs in working with HEIs:

- As a route through to employers in order to promote awareness of the HEI and its products and services, and to access and aggregate demand; and
- As a means to understanding the collective needs of employers in the sector in order to design relevant products.

6.45 The gateway role may increase in importance in the future as regional infrastructures supported by the Regional Development Agencies (RDAs) and regional Business Links disappears – i.e. “that means your natural in-roads into aggregating students disappears” ( WFDP 4). The evaluation of the North West Higher Level Skills Partnership,<sup>78</sup> one of three HLSPs funded by HEFCE, also acknowledges the critical role that SSCs can play in the strategic commissioning of new demand-led provision informed by more accessible (and better) intelligence on the higher level skills needs in the region's key sectors. A university and SSC-led case study project is taking such an approach at a national level.

6.46 One HEI highlighted the importance of repeatedly engaging SSCs and related employers to ensure the products stay relevant:

“..It (the Programme) made us work more closely with employers and Sector Skills Councils as well to ensure that what we were teaching in our modules was actually what employers were looking for. We obviously went through this process at the very beginning to make sure that our Foundation degrees reflected what employers were looking for in the workplace, but when we had the additional student numbers, we revitalised that process, and we started to work more closely with employers.”

CFO 5

6.47 Other comments highlight the need for patience when working with SSCs and advise that they should be treated as strategic partners to ensure it is a “long-term relationship building piece of work” (WFDP 7). Another HEI reported that they had developed a “very, very strong relationship” (WFDP 13) with one SSC that had helped with flexible curriculum development. However, one HEI interviewee felt very frustrated in his attempts to work with an SSC. In particular he felt that after “investing a lot of money

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<sup>78</sup> KSA, A Longitudinal Impact Study of the North West Higher Level Skills Partnership: Phase One Evaluation Report, (2010)

in developing provision to support the industries” the SSC then did “nothing at all to actually encourage the employers to participate” (CFO 3).

## **Employer contributions**

6.48 A key objective for all the projects was to gain employer contributions to training; in addition to, or replacing, contributions from the state. HEFCE’s co-funding methodology was designed to encourage employer contributions in addition to individual fees, covering up to 50 per cent of the funding from the state. One of the key barriers to gaining contributions related to employer expectations that higher education should be heavily subsidised and therefore of little cost to them.

6.49 The impact of the economic downturn and public sector cuts was also cited by projects as a cause of difficulties in gaining contributions. Various employers interviewed explained how their training and development budgets had been cut, leading them to seek savings through e-learning methods, greater employee contributions or reduced levels of training. Co-funding levels achieved varied across the projects and much of these contributions came in-kind rather than as cash payments, as discussed in the following sections.

## **Co-funding from employers**

6.50 Data from HEIs indicates that net funding has generated co-funding from employers of £4,265,814 (29.7%) in 2008-09 and £12,821,089 (38.9%) in 2009-10. This represents an increase of 9.2 percentage points across the two years. In 2009-10, 60% of the employer contribution was in-kind; the remaining 40% was in cash. Public sector employers’ in-kind contributions stood higher than private sector employers’ (65% compared to 53%). For 2008-09 these proportions were 75% and 37% respectively, indicating that large disparities between public and private sector employers have levelled with contributions from public sector employers having diminished throughout the Programme.<sup>79</sup> The number of employers supporting employees through co-funding through both cash and in-kind contributions increased by 329% between 2008-09 and 2009-10 (from 631 in 2008-09 to 2,706 in 2009-10). The increase among employers that were new to working with HEIs was less but still significant at 211% (from just 398 to 1,237). This indicates not only growth in the number of employers supporting employees through co-funding, but also the generation of new business from employers that do not have an existing relationship with the institution.

6.51 Given that this Programme focused on engaging employers that seek to upskill and train their staff, it is little surprise that almost all of the employers we interviewed reported that no contributions were made by their employees. This increasing emphasis on business-to-business (B2B) activity, characterised by a bi-lateral relationship between an employer and an HEI, rather than business-to-consumer (B2C) activity,<sup>80</sup> has predominantly been supported through employers paying course fees for a cohort of employees, in-kind employer contributions and co-funding drawn down from HEFCE.

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<sup>79</sup> In 2009-10, 60% of the employer contribution was in kind; the remaining 40% was in cash. Public sector employers’ in-kind contributions stood higher than private sector employers’ (65% compared to 53%). For 2008-09 these proportions were 75% and 37% respectively.

<sup>80</sup> HEIs have a long tradition in B2C activity with many delivering courses at an undergraduate and particularly a postgraduate level to meet the continuing professional development needs of individuals who are already in work.



Evidence from the Programme evaluation indicates that employers see it as their responsibility to invest in the development of their workforce, supported where appropriate by public subsidy. Only one company reported that their learners (who are in fact self-employed member suppliers) contributed about 20 per cent of the cost of the programme (£80 per person approximately) whilst another company reported that employees would only pay costs if they took the learning further than the negotiated programme. Interestingly, however, one company maintains the right to “claw back money they’ve put in for the individual” if they “decide to leave during the Programme or within six months of completion of the programme” (large Financial Services employer).

6.52 Moving forwards, in the new funding environment, it will be interesting to see whether employers will continue to pay (and in all likelihood pay more) for employee training or whether fee loans will be used to help cover costs, at least initially, with the employee and/or the employer repaying the loan over time. We can only surmise at this stage what the likely implications might be for an HEI’s B2B workforce development activity and how such activity might be funded by employers and employees, particularly where they are eligible to access fee loans. Time will tell whether employers will work with their individual employees to access fee loans when they are supporting a cohort of their employees on a course that leads to undergraduate award, and where some employees may (or may not) be eligible for part-time support. From an employer’s perspective it potentially makes the contractual and funding relationship just too complex when dealing with cohorts of employees.

6.53 Notwithstanding the relative balance of contributions towards the cost of higher level study between an employee and an employer in the future, HEIs will at least need to take into account how fees loans may be utilised to support workforce development activity.

### **In-kind contributions**

6.54 As shown by the CFEE returns, a large proportion of employer co-funding contributions were made ‘in-kind’. These contributions have included provision of facilities or venues, specialist equipment or learning materials, various services, ambassadorial and promotional roles, teaching time, and attendance at events and meetings. One HEI allowed in-kind contributions to include employees’ time for attending HE learning. Interestingly, however, certain projects avoided in-kind contributions altogether. For example, one HEI felt that the approach was not conducive to a sustainable operational model:

“In the main we have steered away from using in-kind contributions from employers because, in many cases, the in-kind contribution would not necessarily mean a real cost saving in delivering the course. We have been very mindful of sustainability throughout the project and also had concerns that an approach that relied too much on this funding approach may not be sustainable in the future.”

WFDP18

### **Approaches to calculating in-kind contributions**

Where in-kind contributions were accepted, approaches to calculating the employer contributions varied across projects. Some HEIs only accepted in-kind contributions where the employer was providing significant support to the students, which in effect reduces the need for a university tutors' time. In this case the contribution is counted on the same basis as the amount of the tutors' time saved, in this instance £30 per hour. This approach is based on the saving to the university, rather than on the cost to the employer of the contribution, and similar approaches were also taken by a number of other projects.

Taking the alternative model, one HEI (WFDP 3) calculated in-kind contributions by applying a value in terms of real time cost for the employer; but this was not generally directly taken into account in the costing and pricing of courses. WFDP 6 developed a standard costing model for in-kind contributions, which it shared with WFDP 11. These allocated set costs for particular contributions, as follows (in this case for a Foundation degree):

- Provision of employees/students @ £350 a day (costed on time away from work);
- Provision of mentors @ £350 per half day;
- Specialist training in the workplace to support learning and application @ £1,000 a day; and
- Provision of physical resources such as PCs and learning resources @ £200 per person.

One HEI also developed a costing toolkit, which was shared across the network to complement and inform individual institutional approaches. Others were less structured, for example taking the approach that employer contributions were costed as part of a general negotiation on price.

### **The potential for greater contributions**

6.55 Many of the employers consulted during the evaluation described how they had come on "quite a long journey" to establish and build relationships with HEIs that they now work with. Given that some of these relationships have only just begun to gather momentum, many had cohorts of employees who were only just starting to benefit from the first tranche of provision that they had committed to. Given the circumstances, whilst discussions about future opportunities had been entered into, the majority had not made decisions about whether or not they would invest or make a greater contribution to more workforce development provision in the future.

6.56 HE staff also held mixed opinions about the potential for greater investment from employers. Whilst the majority believe there is scope for employers to pay more for provision, they are unable to quantify the extent of this. Given the risks associated with a reduced public funding environment and the desire for increased contributions from employers, a few HEIs have taken steps to forecast what employers are likely to pay. At

least one HEI was in the process of “doing some market research around what costs employers will bear” but all that the initial feedback suggested was that “yes, they would be prepared to pay” (WFDP 18).

6.57 Nearly all HEIs recognise that increased employer fees are only likely to occur in “very specific areas, and where we really have expertise that they need” (WFDP 19) and “where they can really see the benefits” (CFO 3). So where HEIs are offering niche provision, which is competitively priced against that offered by private providers, it seems that employers are likely to continue to contribute. Some HEIs therefore acknowledged that offering such provision must be a strategic priority for them; as it is only by doing this that they can secure future employer contributions.

6.58 Setting aside concerns associated with the withdrawal of co-funding, overall feedback suggests that employers would be more willing to contribute to higher education for their workforces in future if they can truly see a return on investment. Moreover, as long as there is a clear longer term business case or rationale for doing so, employers will strive to support HE skills development. Ultimately, the more HEIs demonstrate that their provision is both relevant to employers’ strategic needs and likely to improve the bottom line, the more likely it is that employers will contribute to the cost of provision.

## 7 | Sector implications

In this section of the report we explore changes across the higher education sector brought about by the Programme

### Impact of the Programme overall

7.1 Overall, our qualitative findings suggest that the shape and extent of the Programme's impact varies according to the perspectives and observations of different groups of individuals and the degree to which they have had direct involvement in the Programme.

7.2 The majority of workforce development projects believed that their projects would not have taken place without the support received through the Programme. In those instances where the projects would have been pursued, progress would certainly have been significantly hindered and the scope narrowed. Whilst responses to the online survey identified widespread agreement that a public subsidy is crucial for HEIs to continue engaging employers in the design and delivery of higher level skills provision,<sup>81</sup> they also reported that they would strive to continue without public funding. Therefore it seems that HEFCE's investment has been a vital catalyst to accelerating workforce development activity that might not otherwise have occurred. Notwithstanding, where there is a strategic commitment to this agenda, the ongoing development of capability and capacity will need to be continued.

### Reach of the Programme and awareness in the sector

7.3 Academic staff involved in projects operating across two or more HEIs were asked in the online survey to report their perceptions on the extent of change resulting from the Programme. Analysis<sup>82</sup> of our survey data shows that respondents perceive significant improvements in their partner HEIs across all areas. Average ratings suggest a strong recognition that these partners now regularly review their higher level skills offer to keep up to date with employers' needs (7.9)<sup>83</sup> – a finding consistent with employer engagement projects designed to bring about change at an institutional level – and that they tailor their provision according to employer demand (7.4). However, mechanisms to reward staff for their employer engagement activity are once again perceived as relatively weak (5.1).

7.4 One outcome from the Programme appears to be the formation of new relationships between HEIs, based on their shared interest in workforce development. Sharing practices across the sector seems to have been reasonably strong, with projects publicising their activities through visits, conference workshops and articles. One HEI suggested that communication between projects and across the sector was good, but that the value of this could be limited if they were at similar stages of development as there would be less to learn. Instead they preferred to interact with HEIs that were

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<sup>81</sup> To explore respondents' views on the status and future sustainability of employer co-funding, they were asked to rate their agreement with the statement that 'public subsidy is crucial for institutions to continue to engage employers in the design and delivery of higher level skills provision', with the response being an average rating of 7.9 on a scale from 1 'do not agree at all' to 10 'fully agree'.

<sup>82</sup> Wilcoxon test

<sup>83</sup> See reference 81 above

perceived as successful and more advanced, to enhance their own learning. Indeed, certain projects gained a high reputation in the sector for embodying good practice in employer engagement and willingly sharing their insights and lessons learnt.

7.5 Non-funded HEIs appeared to have varying awareness of the Programme. Those interviewed indicated that knowledge of its objectives and activities was limited to only those directly involved with employers (AUS 1). While some were relatively unaware, others felt that beyond providing funding for the projects, the impact of the Programme was to signal HEFCE's desire for workforce development to be gradually seen as a priority by universities. Despite not receiving funding, these HEIs acknowledged HEFCE and Government's intention to encourage HEIs through the Programme to ensure they have the appropriate systems and processes in place for employer engagement.

7.6 Opinions from stakeholders provided some insight into the reach of the Programme and awareness across the HE sector. Certain stakeholders, including Unionlearn, fdf and the Joint Information Systems Committee (JISC) had a high awareness of the Programme and had either supported projects directly, or contributed to project boards. Representatives from other stakeholders who were interviewed, including Universities UK (UUK) and Universities Vocational Awards Council (UVAC), have had little or no direct engagement with HEIs involved in the Programme and therefore had less understanding. In some cases, greater alignment with stakeholders' existing or previous work in this area could have been made potentially if stakeholders had been more aware of the Programme's objectives.

7.7 Overall, stakeholders had varying views on the impact of the Programme and changing nature of HE; some recognised that change has occurred while others have not observed this. At least one stakeholder perceived that the Programme had not had a particularly high profile within the sector because none of the HEIs and employers they interact with had ever mentioned the Programme. Another stakeholder, however, recognised that most employers and society more generally still have out-of-date notions about higher education and its offer to employers. As such, they felt that definitions need clarifying around HEI services and provision. A third stakeholder, however, summarised that although the sector still has some distance to travel in employer engagement, they believed that the WFD Programme had indeed helped a group of HEIs to develop their work in this area considerably.

## **Impact of the Programme on the HE sector**

7.8 Positive progress has been made from an individual project perspective; yet for HEFCE and its stakeholders, there is the wider question of improvement in employer engagement and workforce development across the whole HE sector. Whilst there was not a specific Programme objective which identified the extent of sector-wide change that the Programme sought to achieve, the Programme was intended to be transformational. Furthermore, the HEFCE Annual Report and Accounts for 2010-11 state that one of HEFCE's strategic objectives for its employer engagement activity, of which this Programme is a substantive part, was "to stimulate transformational change to make the meeting of employer demand for a highly skilled workforce a core institutional strategic objective, impacting on at least half of English HEIs by 2011".<sup>84</sup>

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<sup>84</sup> HEFCE Annual report and accounts 2010-11, [www.hefce.ac.uk/aboutus/accounts/2011/accounts2010-11.pdf](http://www.hefce.ac.uk/aboutus/accounts/2011/accounts2010-11.pdf)

7.9 On balance, evidence from the evaluation suggests that such sector-wide impact has been more modest. Yet perhaps it was not realistic to expect a Programme of this scale, which engaged a limited number of HEIs, to stimulate transformational change in workforce development capability in the whole HE sector. Moreover, it is important to note that the workforce development agenda may not be one which is appropriate for all HEIs to pursue.

7.10 As part of the evaluation, key stakeholders from within and beyond the HE sector were asked for their views on the extent to which the Programme has achieved transformational change across the sector. Respondents were asked to rate their agreement with a series of statements on a scale of one to ten, where one equals 'not at all' and ten equals 'very much'.

7.11 The findings from the online survey suggest that key stakeholders recognise the Programme as having had only a moderate impact on the sector, although sector-wide impact was not necessarily an aim of the Programme. As demonstrated by the table below, the areas of highest perceived impact relate to HEIs' flexibility to tailor their higher level skills offers to meet employer needs (6.1) and the effectiveness of their mechanisms, procedures and processes for managing employer relationships (6.1). Alongside these, stakeholders also highlighted the Programme's impact on the capability and capacity of HEIs (6.0) and the mechanisms that they have developed to stimulate, refer and respond to employers' higher level skills needs (5.9). This is in contrast to HEIs which, regardless of their project's aims, stated that the Programme had had most impact on their ability to tailor their offer to meet employer needs, and their inclination to prioritise meeting employers' higher levels skills needs in their mission and strategies. However, HEIs did also report an impact in the areas identified by stakeholders.

7.12 There was only moderate agreement amongst stakeholders with the statement relating to the sustainability of HEIs' approaches to employer engagement beyond the HEFCE funding period (4.2). Furthermore, stakeholders also felt that further work is required to recognise and reward staff for employer engagement activity (4.6) and for developing employers' understanding of HEIs' higher levels skills offer (5.1). Interestingly, HEIs rated employers' understanding more highly, although overall it was rated lower than other statements relating to systems and mechanisms.

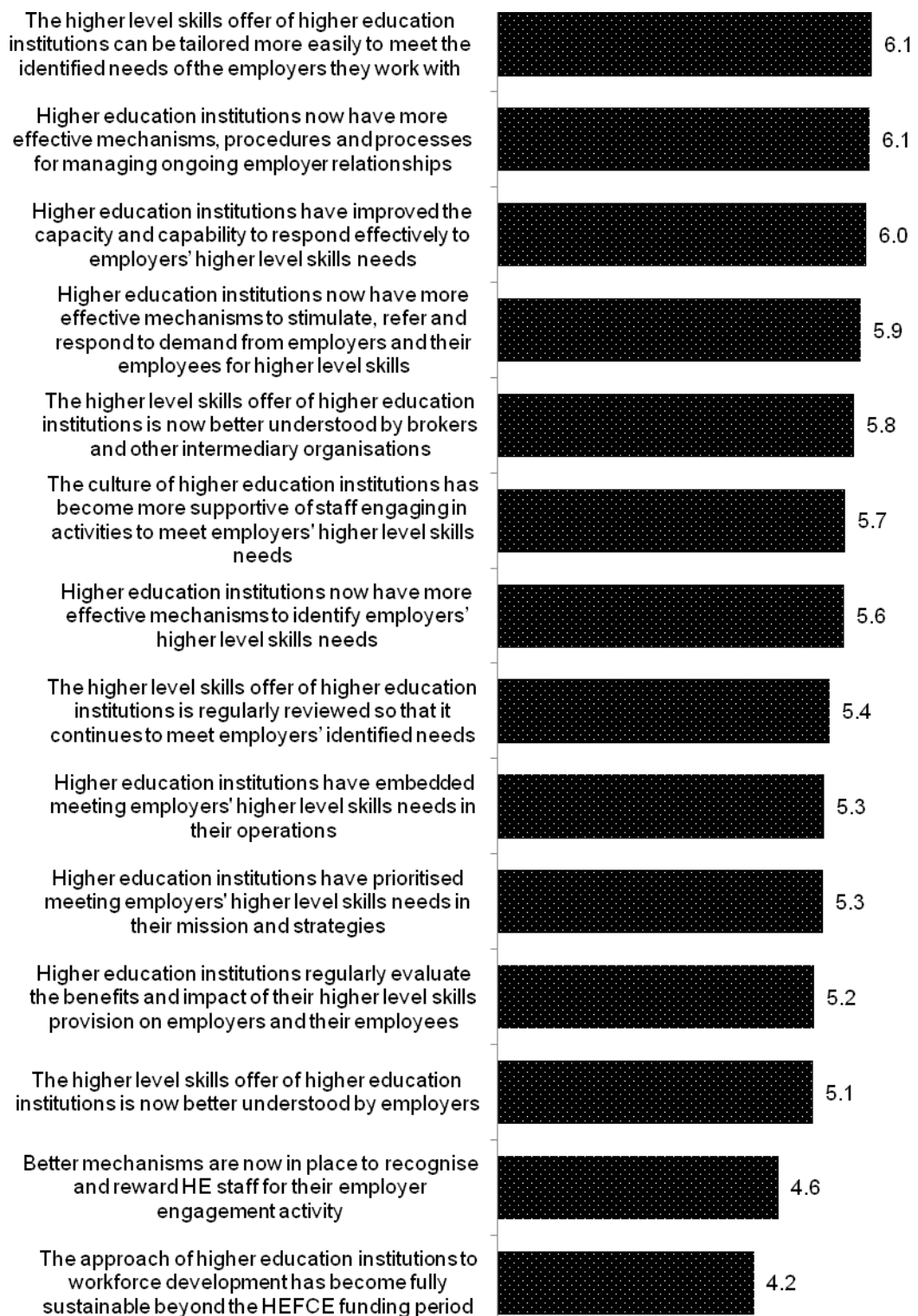


Figure 3: Extent to which stakeholders identify transformational change across several areas (average ratings on a scale from 1: 'not at all' to 10: 'very much')

7.13 Overall then, evidence gathered during the evaluation does not suggest that there has been any significant impact at the sector level. HEFCE's investments have not achieved sufficient depth to transform individual HEIs to the extent that they would impact upon the whole sector; and did not reach a sufficient breadth in type (i.e. the limited range, as all were predominantly post 92 institutions) or number (not reaching at least half of English HEIs) to change thinking or action more generally. The limited range of HEIs participating in the Programme overall reflects a failure to engage with important and influential parts of the HE sector. It is particularly notable that many research-intensive universities chose not to engage with the Programme, limiting not only the range of potential success stories created by Development Funding investments, but also the audience of other HEIs which would be receptive to them.

7.14 Stakeholder perceptions support this analysis; they agree that while there are a number of very committed individuals and some developments in flexibility, there are only isolated examples of good practice, rather than an overarching change in culture across the HE sector as a whole.

7.15 An alternative strategy for sector impact may have been to encourage a sub-sector of HEIs specialising in workforce development, pursuing a different strategy from others. However, the relatively short-term, non-core business nature of investments – seen as a 'project' and not mainstreamed within the institution – meant that many HEIs did not achieve anything like the depth of change necessary for such an effect to occur.

7.16 The operating environment within HE during the Programme allowed HEIs to treat the investment as a side project, without the funding pressures which today might make HEIs much more receptive to opportunities to explore new missions and operational models. Certainly, within HEFCE, the view is that such opportunities are likely to be of much greater interest in the new environment:

“One of the interesting things for the future is how much, actually, those [development] objectives become much more significant than the [targets for learner numbers]. That breadth of interest in how higher education can engage with employers and establishing the capability for that and new models of doing it, that is what will serve us into the future rather than actually the delivery of the numbers' targets.”

HEFCE representative

### **Additionality and linkages across the Programme strands**

7.17 The original business cases submitted by the workforce development projects made very little reference to additionality and limited explicit reference was made in HEFCE's criteria for the Programme. Yet there were several examples of additionality created by the Programme funding where there was impact beyond the core focus or key objectives. This additionality ranged from strengthening networks with other providers and sector bodies, to developing new undergraduate programmes for full-time students, building on learning from employer engagement work. WFDP 5 in particular outlined how their experience of developing workforce development programmes will play out in their undergraduate and postgraduate curriculum.



7.18 The Programme has also presented opportunities for HEIs to cross sell different HE products and relationships to employers, particularly where a single account management approach has been taken. This was highlighted by at least three HEIs (WFDPs 3, 11 and 20) with WFDP 11 outlining how their business development consultants were bringing in leads across faculties through their roles as 'key account holders'. Several HEIs commented that other employer-focused activities had benefited as a result of the project activities, including knowledge transfer partnerships as employers are now more aware of the HEI's external facing activity and, as such, are interested in being involved. Another way in which the Programme has had an impact beyond its core objectives is by influencing research work in universities. By involving more academic staff across multiple faculties in work with employers, the funding allowed greater exchanges of staff and ideas across university activities within most HEIs.

7.19 The Programme has also offered additional benefits to the sector through the support mechanisms and materials developed by the QAA and the HE Academy. The QAA has undertaken a number of projects and studies to explore the extent to which quality processes can be a barrier to employer-responsive provision amongst HEIs in England, Wales and Northern Ireland. The findings from such studies demonstrated the approaches that institutions have taken to quality assure such provision, and the additional support, information and guidance they have required to ensure that appropriate internal and external quality assurance arrangements are in place. The findings from these studies have been published by the QAA to support institutions in the management of quality and academic standards for work-based learning. The Higher Education Academy's Employee Learning team have also produced three publications in the area of work-based learning and established an employer engagement network for managers working in this area to meet and share their experiences. Members of the network meet regularly to share insights, which most recently have centred on sustainability and the opportunities afforded by the new funding regime. It is likely that this group will be sustained beyond the course of the Programme, as an online community has been established, using LinkedIn, to maintain communication.

7.20 Given that certain projects were sector wide and specifically funded to test ways of HEIs working collaboratively to build workforce development capacity, in these instances some additionality was to be expected. However, whilst linkages have been made, some stakeholders in particular were expecting greater additionality from these particular projects than that which has been realised. In particular, some stakeholders suggested that opportunities to link in with their existing employer engagement activities had been missed, whilst others felt the widening participation agenda had been forgotten somewhat in the drive to establish relationships with employers.

### **Value for money in the Programme and its administration**

7.21 A full assessment of value for money is beyond the scope of this evaluation. Therefore what we provide here is an overview of the effectiveness of the Programme design and two key Programme strands; from this we highlight several points for consideration for HEFCE with regards to ensuring value for money in future workforce development activity investments.

## **Programme design and management**

7.22 The Programme was deliberately conceived very broadly; this was reflected in the openness of the invitation to bid for funding which certainly helps explain the diverse nature of the projects. The first years were explicitly identified as pilot years; with the aim of testing models for building capability through HEIs. Given that part of the Government's response to Leitch targets was to invest in HE supply strategies, this was a supply led initiative. A comprehensive Programme brief was developed which was submitted to both HEFCE senior management and the Board; however, HEIs were self-selecting and the nature of the projects self-determined as is typical of HEFCE funded initiatives of this kind. Nevertheless there were some consultees who "felt [that] the overall strategy of letting a thousand flowers bloom is one that was actually unnecessary" (SH4).

7.23 The administration of the fund placed great emphasis on the fact that the Programme was not intended to provide a straight subsidy for HEIs and/or employers. Moreover, the Programme was conceived as an operation that would help to equip HEIs to generate additional income from employers. HEFCE worked with HEIs to help them identify and adopt operational models which would enable them to make delivery of workforce development financially viable, so that in due course it would generate resources for the institution.

7.24 HEFCE was well aware that although HEIs sought the development funding, they were not as interested in the co-funding for ASNs. To an extent this related to the technical aspects of the funding mechanism and the monitoring arrangements; but predominantly HEIs were more interested in funding to help develop their work in this area without being tied to achieving hard targets. In effect, the Programme had to be proactively marketed to HEIs in a bid to bring forward projects which would then apply for Programme funding. As a result, overall, the administration of the Programme resulted in relatively small amounts of co-funded ASNs being highly dispersed across a large number of HEIs and a reasonably large number of HEIs then being involved in the delivery of individual projects.

## **Programme effectiveness in attracting co-funding for Additional Student Numbers**

7.25 The Programme has supported an expansion of workforce development activity within the HE sector which led to Additional Student Numbers and satisfaction from the majority of employers. The first order objectives, to achieve targets set by Government for additional entrants into HE co-funded by employers have been met; so, in this respect, HEIs proved successful in meeting targets and have fully utilised the available funding for Additional Student Numbers.

7.26 Analysis of the profile of co-funded learners as captured in the HESA and Individual Learner Record (ILR) student records indicates that, for the year 2008-09, just under half (49%) of co-funded learners already held a qualification at Level 4 or above. Moreover, comparative data indicates that this percentage is increasing; 31 per cent of co-funded learners in 2007-08 held a Level 4 qualification or above representing an increase of 18 percentage points between 2007-08 and 2008-09. Of the 13 learners interviewed for this study, only 4 had no previous experience of HE, having studied up to GCSE or A Levels, whilst 3 others had studied a Diploma, professional certificate and

NVQ. The remaining learners had all achieved undergraduate degrees previously, with one even having achieved a Masters.

7.27 HESA and ILR student records also reveal that large proportions of co-funded learners enrolled onto courses at a lower level than qualifications they already held. Institutional credits, in particular, attracted 32 per cent of co-funded provision in 2008-09 amongst Level 4 and above qualification holders. The implications of this finding need further exploration to understand the reasons for this.

7.28 Whilst the representation of learners aged 50 and above in co-funded provision (12%) stands significantly higher than in the wider HE sector (6%), it is significantly lower than in the wider UK population aged 16 or over (42%). This indicates that employers were less likely to involve people from older age groups in the HE provision they procured. Evidence also suggests that in 2008-09 the majority of co-funded provision was concentrated in the West Midlands (44%), the North East (23%) and the North West (17%). Whilst two of these three regions are pathfinders it appears to be the effect of a number of single HEIs in each of these regions that have received a large distribution of co-funding rather than true regional trends. What is more, the diversity of co-funded learners in terms of their ethnic origin or disability status appears limited and, therefore, could be signalling inadequacies in employer efforts to widen participation in co-funded provision among these learners.

7.29 Given these findings, we conclude that although co-funding for ASNs has enabled HEIs to attract employer contributions, the profile of co-funded learners reveals that co-funding has not provided as much access to and progress through HE for a wider range of learners as the Programme's objectives had hoped. Some of the stakeholders consulted also acknowledged this, as they did not think that much effort had been made to attract individuals who have not had previous experience of HE. However, it is important to note that given that employers select the learners, HEIs are not always in control of the profile of their employee students.

### **Effectiveness of the development funding**

7.30 Aside from the ASN co-funding, the Programme funding was predominantly provided to the sector through a range of capability and infrastructure projects; these were designed to test and explore different ways of transforming HEIs' capacity to respond to employers' higher level skills needs.

7.31 Evidence from the evaluation suggests that the case study projects, (20 of the total 37 projects that HEFCE funded), have made notable contributions to achieving their Additional Student Number targets. However, as internal capacity development and testing the market for employer co-funded provision were also key objectives of the Programme, not all of the projects have delivered high volumes of ASNs. Given the diversity of activities funded therefore, some consultees from the evaluation have suggested that the extent to which each Programme strand has offered value for money varies, depending on which strands were pursued more actively. In this sense, the achievement of co-funded ASNs was perceived by some stakeholders as less important than the innovative approaches taken to achieve the overall goals of the Programme.

7.32 It is hard, however, to determine the extent of institutional and/or transformational change resulting from the Programme; particularly as there are fewer quantitative measures to gauge the success of the projects in contributing to the achievement of these second order Programme objectives. Evidence collated during this evaluation, through methods such as the online survey, does provide an indication of this; revealing that HEIs have developed a more flexible offer and are responding to employer demand through newly established mechanisms afforded by the Programme.

7.33 The majority of project leads also claimed during their consultations – usually with supporting evidence – that their projects had generated tangible institutional benefits. In general, the evidence reveals that the Programme has enabled many HEIs to establish and implement systems and processes to stimulate and respond to employer demand for higher level skills. Moreover, whilst many HEIs were already beginning to develop these processes and systems before the Programme, it is clear that the Programme has accelerated this progress. In some areas, such as the likelihood that HEIs will systematically follow up recommendations or referrals from their clients or partners, this acceleration has been particularly noteworthy as efforts have more than doubled from that prior to the Programme's launch. As such, the Programme has contributed to creating a platform of workforce development capability and capacity as was intended; however, given the fundamental change in the funding context it will necessitate the various HEIs involved to grow and expand this platform in the future.

### **Ensuring value for money in future investments in workforce development**

7.34 Lessons learnt from this evaluation suggest that certain steps could be taken by HEFCE to ensure value for money with future investments in workforce development activity.

7.35 Most notably there is a pressing need to ensure the sustainability of workforce development activity. Whilst the projects' achievements are positive, the sustainability and durability of funded activities are also key influential factors in determining value for money offered by the Programme. Despite the fact that the regional pathfinders have struggled to sustain themselves beyond the Programme funding, the HEIs that received workforce development funding have the potential to continue optimising benefits after HEFCE's support concludes. Therefore, if the workforce development activities established through the Programme do prove to be sustainable, then it is likely that HEFCE's investment will have provided value for money overall. As such HEFCE should track the likely sustainability of activities by consulting with VCs and other senior leaders.

7.36 Overall, given the limited initial interest in the workforce development agenda throughout the HE sector, there was a limited number of HEIs that were willing to apply for Additional Student Numbers in the first year of the Programme. As discussed earlier, the approach that HEFCE had to take to administer the available Programme funding resulted in relatively small amounts of co-funding for ASNs being highly dispersed across a large number of HEIs. A number of consultees suggested that this strategy was not necessarily ideal and that a stronger concentration of ASN co-funding at fewer HEIs would have been more advantageous. The evaluation also provided mild indications that perceptions of stronger institutional change are linked to the delivery of higher volumes of ASNs.

7.37 Any such co-funding model for ASNs has the potential to result in a high degree of deadweight, as employers often put forward their own selection of employees who are often those with prior experience of HE. Therefore if widening participation is a key priority, efforts would need to be intensified to ensure ASNs are those without prior experience of HE, such as those from older age groups and those that traditionally are less likely to enrol into HE provision. If HEFCE could make any future funding investment in co-funded ASNs it would warrant a review of the way in which co-funding is administered to HEIs and employers to ensure that priority students /employees are entitled to greater subsidy, thus minimising deadweight.

### **Lessons for the future**

7.38 Consultations with HEIs, employers and learners revealed that successful workforce development delivery requires specific systems and processes that are distinct from standard undergraduate or postgraduate delivery; as such, staff and systems have had to evolve to best cater for employer needs. It is important to offer flexibility around course content and delivery that meets distinct needs of students and employers; in the words of one HEI, “a generalist approach is not a successful approach” (WFDP 7). To achieve the necessary responsive processes, some form of strategic approach across the HEI, whether highly centralised or through a devolved model, is vital. Feedback from HEIs confirms that considerable learning has taken place as projects have evolved, with the HE Academy playing a valuable role in facilitating this sharing of learning. It was also acknowledged by HEIs that the impact of funding differs depending on their circumstances, mission and capabilities. Some have travelled further than others as a result of the funding and it is clear that the sustainability of workforce development activities also varies.

7.39 Several projects were concerned that the ending of HEFCE co-funding and unconfirmed transition arrangements would have a negative effect on employer engagement and sustainability. It was emphasised that achieving significant changes over just a three-year period is difficult and longer term interventions may be preferable (WFDP 13). Moreover, long lead-in times and low conversion rates mean that relationships with employers require longer than an academic year to develop, before clear results can be seen. Building lasting multi-touch relationships with employers on a number of fronts such as workforce development, graduate recruitment, Knowledge Transfer Partnerships (KTPs), and research is often crucial.

7.40 Some reservations were had regarding the details of the funding model, including the requirement to only consider completions in-year rather than enrolments. However, most HEIs were clear that co-funding and capacity funding has been crucial in two key ways. Firstly, it enabled them to make necessary institutional developments in engaging employers. Secondly, it helped them to build relationships with employers and change their perceptions and understanding of higher education. Where changes to HEI systems and staff attitudes have been initiated, these may be more sustainable as part of long term change. Despite this progress, however, employers, learners and stakeholders believe that HE workforce development provision still has room for improvement.

## Sustainability

7.41 For several case study HEIs the Programme was clearly seen as an opportunity to catalyse and support transformational change as part of their medium/long-term strategic priorities. For these HEIs the commitment to sustainability was understood from the start. Their workforce development activities were not set up as projects, but as longer term businesses which aimed to be self-sustaining. Whilst the Programme funding provided the impetus for this activity at the start, these HEIs fully intended to maintain the business longer-term. Interviewed towards the end of the funding period, one case study HEI reported that the project “...is now in our DNA, the Board will expect to see this work continuing, so it has had lasting changes on what we’re doing” (WFDP1).

7.42 In contrast, however, some case study HEIs approached workforce development as simply a three-year project which would conclude at the end of the funding period.

“...the university... itself may decide that there is a longer term future for something like this, but we have to work, and have worked from the beginning, on the principle that as a core team, we cease to exist at the end of this project.”

WFDP 14

7.43 However, for these HEIs and others where sustainability is yet unclear, there are likely to be important legacies of the Programme, in terms of capacities, processes and capabilities, which will provide some sustainable benefits. One HEI outlined how the Programme had helped them develop the ability to establish courses quickly in response to employer need. Within an increasingly competitive market for HE, they felt that was an advantage worth having. For other HEIs in this group it was the “legacy of the provision” (WFDP 14) and the recognition that “whatever we do, whatever course, and whatever employer, it will be blended learning – that will be the mode of delivery” (WFDP 15).

7.44 Even for those HEIs pursuing a sustainable pathway, the end of both development funding and co-funded ASNs is clearly perceived as presenting a challenge. Some re-organisation and re-focusing seems likely, together with a scaling back of resources and activities in line with the income streams generated. This will be particularly necessary for those HEIs who had expected some level of co-funding to be available during the transition towards a non-funded context. One HEI outlined that it will be tough for a couple of years, but maintained that their model is sustainable, and will “just have to be a little bit smarter about how we do it” (WFDP16). Another HEI reported that it “would carry on with all of these activities, but [we] would probably reduce the staff. We would scale back” (WFDP 17), whereas one HEI felt that “without subsidy it is unlikely to be sustainable” (WFDP 14).

7.45 One area identified as particularly vulnerable relates to accreditation, validation and quality assurance of employers’ in-house delivered training and that delivered by third party providers. This is because many HEIs have been drawing down HEFCE co-funding to support accreditation and other added value services. One HEI surmised that only a minority of HEIs would be able to sustain their accreditation activity to the same or similar degree, and as such the balance of activity would move away from accredited

provision after 2012. Despite this, it was felt that the infrastructure developed for rapid accreditation may remain useful and influence mainstream activity. Indeed, lessons learnt around rapid and responsive course development may prove important in the new fee environment for undergraduates, leading to possible blurring of boundaries between conventional and work-based provision

7.46 For many case study HEIs, aligning and integrating employer engagement/workforce development with other strands of activity is a key and continuing issue; important in itself, but also as part of the sustainability considerations. This includes merging employer engagement with work-based learning, KTPs, consultancy as well as their mainstream student activity.

### **HEIs' plans to sustain their workforce development activity**

7.47 One of the HEIs which has a long-term commitment to workforce development identified that their future plans would focus on “the need for new revenue and new sources of revenue” (WFDP 7). This HEI is seeking to extend its approach to other market sectors, whilst others in this group are likely to make refinements to their approach and positioning. Another HEI described how their experience had taught them that offering provision for small numbers of staff can be very time consuming; as such they are planning to provide larger bites of learning, either directly for larger organisations or via trade organisations and professional bodies.

7.48 Some HEIs plan on integrating workforce development as part of a holistic approach to business engagement that includes a “whole raft of activities” (WFDP 20) or the “knowledge exchange agenda” (WFDP 19) more specifically. For another HEI, workforce development will be “a clear part of our Widening Participation Strategy” (WFDP 13) which includes those currently in employment. For those HEIs that plan to continue their activity within workforce development, a number of lessons were identified which could be worth consideration.

#### **Lessons learnt during the Programme**

At least one HEI acknowledged that lessons learnt during the Programme would need to be considered in planning future workforce development. These include:

- Revising costing and pricing mechanisms;
- Building in time to develop new courses;
- Ensuring a resourced and capable team are in place, with the right skills and attitude to workforce development;
- Establishing relationships with employers over time to enable a strong understanding of their business and skills requirements;
- Getting more from existing relationships – “it’s always easier to get more work from someone you’re already working with” (WFDP 19);
- Looking at international markets – “It may have developed in some cases for local delivery, in other cases it’s beginning to be international” (WFDP 5); and
- Having a “very good set of products...[and] flexible systems” (WFDP 18).

7.49 For many other case study HEIs, it seems that, at this stage anyway, they will continue to sustain and develop their workforce development activity as much as possible. Certain HEIs commented particularly on the consequences of funding cuts on employer engagement and higher education. One representative from a 1994 Group university suggested that recent cuts in funding meant that universities were less likely to collaborate with FE college partners and that they would be pushed to re-focus on their core activities of teaching and research, rather than workforce development.

7.50 However, in the context of no funding being available for workforce development specifically and given the current economic climate, this activity is likely to be on a reduced scale (perhaps to around 50% in some instances), either across the board or with internal investment focused in areas of particular strength and/or potential growth. Disappointingly, however, for a few case study HEIs, the future for workforce development activity will be limited or may cease altogether. One HEI indicated that the future would be based on making “decisions on a client by client basis” because “the level of resource will follow what the customers are paying presumably, and then on that issue, some courses will be viable, others won’t be” (WFDP 5). Another HEI suggested that:

“to put it crudely, we don’t need it, because if you can make your living at a university teaching well qualified 18-year-olds, that’s what you’re going to do, because all these others programmes are a lot of work, and developing a business model, a business plan, to make money at them is difficult.”

WFDP2

7.51 Interestingly, two HEIs with active workforce development agendas, but which had not received Programme funding, reported firm plans to continue their workforce development activity. Whilst one HEI anticipated continuity in their own “current direction of travel” (DNA3), the other HEI predicted that “it will change in intensity ... we will just get better at it as we work through it in terms of agility and our responsiveness, to try to cut through the bureaucratic layers of the institution” (AUS 2).

7.52 Several of the HEIs who seek sustainability are reportedly undertaking reviews in order to develop their plans for the future and manage the transition. Other potential funding sources will clearly come into consideration, including HEIF. However, one issue that became apparent in our interviews is that whilst HEIF guidance is available, HEIs are interpreting it in different ways leading to some confusion around this funding source.

### **Effectiveness of the co-funding approach**

7.53 Most of the HEIs that received co-funding confirmed that it had been absolutely fundamental to successfully establishing their workforce development activities. Some suggest that had co-funding not been available their institution would not have been able to develop much workforce development provision, if any.

7.54 Specific feedback indicates that co-funding was particularly useful in the early stages to accelerate growth, and in some cases workforce development projects



described it as “absolutely essential” (WFDP 16). Furthermore, some project leads imply that their institutions would not have “dreamt of going in that direction without that particular help” (WFDP 5) and it has also presented opportunities for projects to “think about ways in which we could encourage industries to be partners of the learning process” (WFDP 20). So the importance of co-funding to those that received it should not be underestimated. The sentiment of nearly all of the workforce development projects regarding co-funding is best exemplified by this quote from a workforce development project lead, who said it was:

“Absolutely crucial. We would not be where we are today on the project without it. I have to emphasise how useful that money was, because it proved to be a very important part of the proposition. Without that two important clients wouldn’t have come, because that was the thing that tipped them ... because it was competitive.”

WFDP 1

7.55 Certain employers who were aware of the existence of co-funding also asserted that they would have supported less development for their employees had it not been available. One employer admitted that they would only have been able to run one or two modules without the funding; but with it, they were able to create a six-module course and run more each year. Another employer found that the funding had helped reduce the risk of running training whilst in a recession.

7.56 Nevertheless, despite the overwhelmingly positive view about the importance of co-funding, both the project monitoring reports and interviewee’s feedback revealed a certain frustration with the effectiveness of the funding methodology. Most notably it appears that the co-funding model was difficult to understand, with one HEI observing in particular that “...co-funding, has essentially been a flawed model. It’s been a flawed model because nobody really understands it” (WFDP 18). Some HEIs found it very difficult to test the model; in some cases there had been so much confusion that they were unable to describe the way in which the funding had been used to support employers. For instance:

“The course advertised fee is £800, and we get £120 in addition to that from HEFCE. I’d have to check, but the way it works is, my understanding, if a company block books somebody on a course then we will use that £120 to discount the fee for them potentially. I think that’s how it works. Or is it the other way round, and we charge them more? I can’t remember.”

WFDP 10

### **Co-funding: the aspects of the model that caused confusion or difficulties**

The specific aspects of the co-funding model which seem to have caused most confusion or difficulties included the:

- Rationale of the eligibility criteria for co-funded provision;
- Level of co-funding expected from employers;
- Reporting of employer co-funding income internally via the same mechanism as core fee income;
- Timing at which HEFCE co-funding could be drawn down by the HEI;
- Reconciling the co-funding received with the total Additional Student Numbers at a departmental or faculty level;
- Counting of co-funded numbers in relation to learner intentions at the start of an academic year, and
- Requirement to report back to HEFCE on the total numbers of co-funded students.

7.57 It is important to note that whilst some of the issues experienced with co-funding are due to its methodology, a number of issues are related to the way in which an institution responded to or dealt with this funding approach. For example, one case study project reported that internal challenges arose when determining the accountability of co-funded activity. This case study had struggled to incentivise Business Development Managers who identified opportunities for employer co-funding activity as the additional income generated would not reflect against their faculty's additional income target.

7.58 Given this confusion around the concept of co-funding, only a few attempted to explain it to employers. Where HEIs did try to explain the concept, it was perceived as being difficult to represent in a positive way. As a result, some of the project case studies decided against making employers aware of co-funding, although they did not hide it either. Of course this does also exclude some of the large corporate organisations, many of which were already "wise to this" apparently. Instead, many of the HEIs that were most successful in securing co-funding highlighted to employers that meeting their business needs came with a "price for doing the job". This was borne out in wider experiences which suggest again that "business will pay for something that they value".

### **Transition arrangements and support needs**

7.59 In considering wider issues around HE workforce development policies, this evaluation has found that HEIs had faced difficulties in planning due to the uncertainty over the future allocation of co-funding beyond 2011. HEFCE has since made it clear as part of the wider reforms to teaching funding that co-funding would no longer be available. In response to the changing policy environment, some HEIs have begun to remodel their approach to costing and pricing of higher level skills provision for employers to ensure it is delivered on a full cost recovery or surplus generating basis.

7.60 In all likelihood, this remodelling will necessitate HEIs increasing their prices to the point at which the full operation (including the delivery of provision) is sustainable

from employer/individual fee income. One of the challenges for HEIs is that they need a good understanding of both their cost base and of the prices their markets will tolerate. Another challenge for HEIs is that they require time to “educate the market” (WFDP 16), a market that has substantially benefitted from public subsidy for training and development for so long.

7.61 Evidence suggests that the phase-out of co-funding and phasing-in of the new fees and student support system will be particularly challenging for workforce development teams. This is due to the increased contributions from employers that they will need to secure and the large proportion of short courses that they offer; meaning that the change is more rapid for this type of provision than for the full-time undergraduate provision. A sudden increase in fees charged to employers may also have a detrimental effect on the relationship that an HEI has built. These assertions about co-funding were also supported by the stakeholders we interviewed with one suggesting they had “...lobbied for a grace period with removal of funding over the period of one year for institutions who have benefitted to ensure business relationships are not compromised” and that “HEFCE had a strategic role” to play in this respect (SH 2).

7.62 Despite the need for transition, HEIs involved in the Programme intend to continue demonstrating the value of HE to employers and employees in the new system and context of new funding arrangements. Some HEIs in particular hope to work with employers to help build an understanding of how part-time student loans might be able to support work-based learning in a cost-effective model. Other interesting models could emerge centred on the tripartite relationship between the individual employee (the ‘learner’), the employer and the HEI, based on the principles of shared risk and return. One stakeholder certainly felt it was important to look at “...how the [new] funding regime relates to this flexible, customer centric approach where we’re dealing with people in employment... doing part-time programmes” (SH 6). The eligibility criteria for access to part-time support, the potential application of the Equivalent or Lower Qualifications (ELQ) ruling to employer-facing provision, the minimum credit level and any cap on student numbers have all been raised by HEIs as potential inhibitors to sustaining (and growing) a viable portfolio of workforce development activity.

7.63 Beyond the availability of further funding, at least one HEI felt it was a “lone voice in this region, trying to drive up demand for high-level accredited skills” (WFDP 20) and suggested that the Coalition Government, directly through BIS and indirectly through agencies it supports, such as SSCs and the UK Commission for Employment and Skills (UKCES), could do more to take the ‘higher level skills’ message out to employers; particularly the private sector. “The Government need to be saying, ‘Not just apprenticeships, not just the advanced apprenticeships, but let’s be serious about work-based learning that’s applied within the workplace at Level 4 and above.’” (WFDP 16)

7.64 This situation has, in part, been compounded by the demise of the Regional Development Agencies and the regional Business Link service, and again it will take time for HEIs to reposition themselves in the new economic and skills landscape and engagement with Local Economic Partnerships.

7.65 Notwithstanding the changes to funding and the supporting infrastructures, for those HEIs that remain strategically committed to supporting workforce development,

stakeholders felt that even in a “non-subsidised era” HEIs that have clearly differentiated value propositions for employers, based on their areas of competitive advantage (e.g. academic strengths), could sustain a viable portfolio of activity – even in the face of increasing competition. The key issues for those HEIs to address in this new era of employer engagement would be “market positioning and differentiation, working in partnership... costing and pricing, [developing] pedagogical approaches which are cost effective, staff development to build capacity, and assessing and measuring impact (outcomes as against outputs)” (SH 3).

### **Suggested areas for future prioritisation of public subsidy in WFD**

7.66 Notwithstanding recognition and reluctant acceptance by many that no further public funding exists for workforce development activities, the evaluation found that HEIs, stakeholders and employers feel there is a strong justification for maintaining or reintroducing some level of public subsidy in the future. One large employer described how its procurement strategies are geared towards high quality training that is cost-effective. As such, if no public subsidy is available then it is more likely to purchase overseas accredited programmes, if it purchases any at all. Other employers felt strongly that whilst a public subsidy is justified, it should be prioritised towards SMEs or sectors “which are strategically important to the UK economy, sectors prioritised for growth where innovation demands an adequate supply of higher level skill” (large IT & Telecoms employer).

7.67 Other areas which could be prioritised to receive public subsidy include the development of higher level scientific, engineering and technical skills, as well as leadership and management skills. However, this could be reserved for those sectors of the economy where the UK has competitive advantage achieved through higher productivity, efficiency gains and innovation. Some also felt that any subsidy should be more about ‘new areas’ and ‘new products’ where demand is emerging and the financial risk of entering a new market or developing a new product needs to be mitigated, rather than supporting existing activity on an ongoing basis. The Growth and Innovation Fund<sup>85</sup> may provide some opportunities for sectors or employers working in partnership with HEIs to draw down funds to increase the contribution higher level skills make to growth and competitiveness.

7.68 Moreover, if there was any further funding to support workforce development activities, it was suggested that this should be ‘concentrated’ in a similar way to research funding; targeted to the top ten HEIs which are the vanguards of this activity. However, other HEIs feel “...it is up to [them] to demonstrate and create that value that employers and employees actually are prepared to pay for and pay the value” (AUS 2). Stakeholders also felt that there were still many areas where further support in sharing good practice and resources (including funding) to assist in ‘mainstreaming’ activity would be beneficial.

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<sup>85</sup> [www.ukces.org.uk/gif](http://www.ukces.org.uk/gif)

## **Suggested areas for future improvement for HE WFD**

7.69 Consultations with HEIs, stakeholders, employers and learners provided numerous suggestions for ways in which the workforce development agenda in HEIs could be developed in the future. Employer feedback suggested HEIs could improve on providing better feedback during delivery, supporting students who might be falling behind due to work commitments, offering information on other services available, and ensuring that administrative aspects run smoothly.

7.70 Flexibility of delivery and effective account management were emphasised as ways to build strategic partnerships with employers, rather than merely transactional relationships. It is important for HEIs to differentiate themselves significantly from other providers in the marketplace to avoid being exposed to cost and pricing competition. As such, by building strategic partnerships which adapt to meet their customer needs, HEIs will stand out from their competitors.

7.71 A particular area for improvement highlighted by learners is that HEIs should ensure that more information about the nature, content and time requirements of the course is provided at the start of the process. This would then enable learners to better assess whether studying for that particular course is feasible whilst working full-time. Other learners agreed that HEIs need to treat work-based learners differently from full-time students, recognising that their experience and support needs are different. One specific point raised was that distance-learning students do not have access to the same networking opportunities with other students as other learners; therefore finding a way to link distance learners to each other was suggested.

7.72 One HEI commented that the sector should consider taking a more co-ordinated approach to workforce development to generate greater awareness of the HEI offer across the country. It was felt that by showing a united front, HEIs could better educate the marketplace if they co-ordinated their communication through a shared marketing campaign, similar to those which have been used in further education.

7.73 Another HEI called for greater exploration into evidencing the return on investment and economic impact of HEs that work with employers. This sentiment was echoed by one of the learners we interviewed, who emphasised the importance of qualifications being valued outside of the HEI, in the marketplace. For those courses which are new, it is crucial to promote the qualification to ensure employers are aware of its significance and the skills that the learner has acquired through their studies.

7.74 Exploring how new Local Economic Partnerships will work with HEIs on HE economic priorities, as well as addressing regional and national concerns was suggested by another HEI. This was reinforced by an HEI that had not received funding, which felt that finding ways to share the risk of investment in workforce development is needed to encourage them to pursue this activity more aggressively.

7.75 Finally, one stakeholder suggested that, just as the new Research Excellence Framework highlights the importance of the impact of research, something similar could be encouraged in teaching to incentivise partnership working with employers. For example, they suggested setting (low) income targets from employers as a condition of

receiving teaching grants and, on the employer side, setting a higher education requirement for corporate tax relief associated with training (SH1).

7.76 In addition, stakeholders indicated that in this era of reduced direct funding, HEIs would need to seriously consider making efficiency savings through, for example, greater alignment of their employer-facing activities. Overall it was felt by some stakeholders that HEIs still had, culturally and organisationally, a distance to travel; resolving how staff will be recognised and rewarded was thought to be one area which would help.

7.77 Setting aside concerns associated with the withdrawal of co-funding, overall feedback suggests that employers would be more willing to contribute to higher education for their workforces in future if they could truly see a return on investment. Moreover, as long as there is a clear longer term business case or rationale for doing so, employers will strive to support HE skills development. Ultimately, the more HEIs demonstrate their provision is both relevant to employers' strategic needs and likely to improve the bottom line, the more likely it is that employers will contribute to the cost of provision.

## 8 | Key findings, conclusions and recommendations

This section presents an overview of the key findings and conclusions that can be drawn from the evaluation of the Programme. It also provides a summary of recommendations that HEIs and HEFCE may wish to consider.

### Overall review of key findings

8.1 Reviewing the extent to which the expected outcomes of the Programme have been realised provides a means by which to evaluate the overall contribution and impact it has made. Our key findings and conclusions draw upon a synthesis of the qualitative and quantitative data gathered through the evaluation, structured in relation to the Programme's objectives and the outcome statements for the Programme identified in the logic chain (See Appendix 1).

### Demand for higher level skills from employers and employees

8.2 The primary first order objective, to achieve targets for additional entrants into HE co-funded by employers, (5,000 in 2008-09 and 10,000 in 2009-10), has been met. The secondary first order objective, to achieve the target of 100,000 enrolments onto Foundation degrees by 2010, has also been met.

8.3 Leverage of employer investment was also achieved by institutions to deliver Additional Student Numbers; data from institutions indicates that net ASN funding has generated co-funding from employers of £4,265,814 (29.7%) in 2008-09 and £12,821,089 (38.9%) in 2009-10. This represents an increase of 9.2 percentage points across the two years and the number of employers providing contributions increased from 631 to 2706. In addition, the large disparities between co-funding from public and private sector employers also levelled out throughout the duration of the Programme<sup>86</sup> and the number of employers supporting employees through co-funding including both cash and in-kind contributions significantly increased between 2008-09 and 2009-10.

8.4 Analysis of the profile of co-funded learners also shows that increased levels of access to HE by individuals with no prior experience of HE has been partly achieved; in 2008-09, just under half (49%) of co-funded learners already held a qualification at Level 4 or above. By comparison, over a third (35%) of the working age population in employment in the period January to December 2009 held a degree or higher level qualification.

8.5 Whilst demand for higher level skills from employers and employees has increased as a consequence of the Programme, HEIs and employers were uncertain how sustainable this demand will be in the new funding environment. Concerns were raised over the impact of increased fees and the demise of co-funding. Employers indicated that any significant increase in fees and/or the contribution they make towards the HE is likely to affect their future purchasing decisions. Two areas identified as being particularly vulnerable to the funding changes are the accreditation, validation and quality assurance of employers' in-house training and of training for employers delivered by third

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<sup>86</sup> Public sector employers' in-kind contributions stood higher than private sector employers' (65% compared to 53%). For 2008-09 these proportions were 75% and 37% respectively.

party providers (e.g. FE colleges, private training providers). There has been significant growth in this area over recent years, although the financial model underpinning this activity has been predominantly built on the ability of HEIs to draw down HEFCE co-funding.

8.6 Of course, the new funding regime also brings with it new opportunities. For example, individuals undertaking their first undergraduate course on a part-time basis will be able to access loans to cover their tuition fees for the first time.<sup>87</sup> Many HEIs with WFD projects are assessing how they can re-orientate their employer-facing operations to support sustainable workforce development activities in a student-fee driven environment. Increasingly, HEIs are beginning to capitalise on the links they have made with employers through workforce development activity to improve their employability offer to students, and some are exploring the potential to offer Higher Apprenticeships.

### **The effectiveness and sustainability of the demand-led environment**

8.7 There is clear evidence to indicate that the Programme has been instrumental in enabling HEIs and support agencies to establish mechanisms for market stimulation, referral and response. Many HEIs are systematically maintaining contact with existing and previous clients, responding directly to employer enquiries, identifying and targeting warm employer leads, working with existing industry networks and following up recommendations or referrals from business support organisations, clients or partners. However, it is also less clear to what extent the mechanisms that have been established are fully embedded operationally and culturally and will be sustainable.

8.8 In respect to market stimulation, HEIs are using a much wider range of business development and marketing interventions than they were before the Programme to systematically generate leads and secure new contracts. Systems, processes and mechanisms to refer and respond to employer enquiries and leads have also been widely implemented. While the strategy adopted by most HEIs to focus on large companies will need to be maintained and developed, it may also need to be widened to include the aggregation of demand from SMEs to mitigate the risk of relying on a relatively small number of large clients.

8.9 As the Programme has evolved there has been a shift to a 'solutions' rather than a 'product'-based approach, reflecting the increasing application of relationship management as opposed to one-off interventions. HEIs involved in the Programme have become more business-like and professional in their approach to employers. Modes of delivery are also changing to meet new markets with distance, work-based and blended learning being increasingly used to support non-traditional, employee learners.

8.10 Overall, the proportion of HEIs utilising the full range of marketing interventions available to them as part of integrated strategy to build a 'sales pipeline' is low. HEIs typically make less use of more proactive marketing strategies, but rather rely on existing links with clients or referrals generated by networks. This suggests that they are focusing their efforts on extending their existing employer relationships, potentially into new areas of demand, rather than simply focusing effort on stimulating demand from new employers. This leaves considerable scope for expansion into new markets and for

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<sup>87</sup> if studying at/or above the threshold for part-time study



increased use of the full range of marketing interventions to build a 'sales pipeline',<sup>88</sup> which is currently low. Strategies for targeting priority sectors or particular employer groups could also be developed further as, at present, most are relatively under-developed or in their infancy.

8.11 Only a few HEIs have fully implemented formalised and integrated approaches to account management (including tender/project management, contract monitoring, financial management and cross-selling) and customer relationship management (including generating market intelligence and management information, client/employer segmentation, contact management and key account management). With this in mind, more action is likely to be needed if HEIs are to grow a sustainable market for their workforce development activity. A number of HEIs are now recognising the need to be increasingly targeted in their promotion, lead generation and engagement activities which, in part, will be reliant on them using robust market intelligence and developing longer-term strategic relationships with employers.

### **Employer engagement/responsiveness as a strategic priority**

8.12 Employer engagement/responsiveness has become a strategic priority for those HEIs in receipt of development funding and/or co-funding. There is evidence that the funding has had a significant impact on the mission of their institutions. For some HEIs, they have reconfirmed or reaffirmed their mission as an employer (or business) facing institution as one means by which to differentiate in an increasingly competitive market. Moreover, HEIs have embedded this commitment to employer engagement/responsiveness and higher level skills workforce development in institutional strategies and operations. Many have adopted a more strategic approach to business or employer engagement as a cross cutting theme in institutional strategies from the outset; whereas, for others, the initial 'standalone' nature of their project has meant they are only now beginning to influence institutional missions and strategies.

8.13 Most HEIs that received development funding and co-funding for ASNs reported that they had observed a degree of cultural change, although in most cases, it had not become transformational and there remained pockets of their institution that were still not as 'business facing' as they would like. The nature and extent of the change varies and in almost all cases HEIs recognised that there remain pockets of the institution where workforce development is not 'fully embedded'.

8.14 Most stakeholders tended to agree that HEIs have developed mechanisms to stimulate and respond to employer demand; however, these are not yet fully embedded in their operations and further transition is required if whole institutional cultures are to be fully aligned with the workforce development agenda.

8.15 Active leadership at the most senior level has been critical to the degree to which employer engagement/responsiveness is seen as a strategic priority and has been embedded in institutional strategies, operations and cultures. A Vice-Chancellor, Deputy or Pro-Vice-Chancellor 'championing' the agenda was seen as a, if not the, key driver of change.

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<sup>88</sup> A 'sales pipeline' comprises a set of employer leads (i.e. prospective clients or opportunities) at the different stages of the sales process, the progress of which is measured through the pipeline from unqualified lead to satisfied repeat client.

8.16 Most HEIs involved in the Programme intend to sustain and develop their workforce development activity to some degree, and are critically appraising their market position and the market opportunities available to them. This reflects the need to adapt to the changing economic and political climate, and to learn from the experience of participating in the Programme. Despite there being commitment to build upon the developments afforded by the Programme, in the context of the HE reforms and given the current economic climate, any activity is likely to be on a reduced scale. Stakeholders were even more conservative in their assessments of the extent to which employer engagement has become and will remain a strategic priority for HEIs.

### **Sustainable capacity and capability**

8.17 Through the Programme, HEIs have developed the capacity and capability to respond more effectively to employers' higher level workforce development needs. This has involved changing attitudes, improving the skills of staff who engage directly with employers as well as recruiting new staff, both on a permanent and temporary basis, with commercial experience to embed the 'business-facing' capability that was felt to be needed. In particular, there has been increasing use of dedicated account managers to serve as the point of contact between the institution and the employer.

8.18 While significant progress has been made, many HEIs have found it difficult to encourage some academic staff to take up the challenge of designing and delivering employer provision. Many also found it difficult to attract and retain the 'right' staff with a mix of HE and commercial experience to take their workforce development activities forward. Consequently, most HEIs initiated some form of staff development programme for academic and business-facing staff but these varied in scale, intensity and uptake. Notwithstanding these efforts, many HEIs still expressed that they had difficulties in encouraging some staff to take up the challenge and engage in designing and delivering employer-focused provision.

8.19 The legacy of the Programme at an institutional level, aside the processes and systems that have been implemented or adapted, is likely to be the capacities and capabilities that have 'mainstreamed' in an HEI's infrastructure. Whether these will be fully or partially mainstreamed remains uncertain at this stage, but even for those HEIs that have pursued a sustainability pathway from the outset, the end of both development funding and co-funded ASNs is seen to be problematic. Moving beyond the Programme, HEIs are exploring ways to sustain their workforce development activities in a very different policy environment. As such, transition plans will inevitably involve some reorganisation and realignment of capacity, resources and activities, to bring them in line with wider institutional plans and strategies.

### **Operationally scalable and financially sustainable operating models**

8.20 The HEIs that participated in the Programme have developed and implemented a range of operating models and structural arrangements to support the delivery of employer responsive provision. Diverse approaches have been adopted by HEIs to bridge the gap between 'traditional' academic processes geared to the (majority) undergraduate market, and the very different requirements of engaging employers to support higher level skills development.

8.21 Through the Programme, three relatively discrete operating models have been adopted by individual HEIs to deliver employer responsive provision; these are 'standalone', 'hub and spoke' and 'distributed'. The standalone model is characterised by the HEI establishing a wholly owned subsidiary as part of a group structure or a separate, largely self-contained division within the institution. As a consequence it tends to have a highly pro-active and sophisticated approach to business development, marketing and sales more akin to the commercial sector and dedicated, in-house delivery capability and capacity. The hub and spoke model involves a centrally co-ordinated business development function with varying levels of pro-activity, sophistication and integration with the HEI's academic divisions. The delivery capability and capacity is provided, in this instance, predominantly by the institution's academic divisions. The distributed model, by contrast, is characterised by business development, marketing and sales capacity being decentralised and embedded in the academic divisions with little, if any, central co-ordination or support. In this case the academic divisions which provide the delivery capacity operate largely independently of one another. In adopting a particular model, HEIs have their own nuances on a particular approach.

8.22 The HEIs which have created autonomous employer-facing operations suggest that they have found it easier to make progress. However, this model may not be appropriate for all, or even most, HEIs as whilst it is tactically easier, separating employer operations from the HEI's main body can make it difficult to develop a genuinely integrated offer that is the strongest, most clearly differentiated value proposition. There is an especially important final point; for most HEIs, successful employer engagement will come less through the elegance of their operating model than in their ability to implement it, as developing employer relationships requires a high level of flexibility.

8.23 For almost every HEI, and certainly all of those in this evaluation, engaging successfully with employers requires considerable innovation to develop the right operating model. Any such model needs to incorporate sales, marketing and business development with products and services that deliver on propositions made to employers, and adapt to their specific requirements. This is challenging territory for all HEIs; however, this evaluation offers two general pointers to making the most of an HEI's unique potential proposition:

- Offer integrated solutions not narrow products: integrate workforce development with the institution's wider business offer (applied research, consultancy, graduate recruitment, facilities) into a coherent solutions-led proposition. HEIs can make such a broad offer, backed by a valuable asset base, in a way few other business services providers can.
- Design solutions with demonstrable business benefit: solutions should be designed and delivered based on a robust analysis of employers' business needs rather than a 'product push' of existing provision. Solutions should always be geared to achieving demonstrable return on investment for employers.

8.24 To these we would add a third general lesson from the experience of HEIs covered in this evaluation: that, starting from a low profile in working with employers, most HEIs need to be proactive and long-term in their approach to sales, marketing and business development. That needs to include targeting, lead generation activities, and increasingly sophisticated segmentation and customer profiling. Where successful, as

the customer portfolio increases in size and complexity, HEIs need to be ready to implement relationship management systems and infrastructure that can sustainably deliver customer satisfaction.

8.25 It is hardly a novel claim that HEIs are difficult organisations to change, but developing relationships with employers requires a high level of flexibility. The HEIs that have created autonomous employer-facing operations (either as a division or as a subsidiary company) have reported positive progress. However, this model may not be appropriate for all, or even most HEIs, as whilst tactically easier, separating employer operations from the HEI's main body can make it difficult to develop a genuinely integrated offer that is the strongest, most clearly differentiated value proposition. There is an especially important last point here. Just as finding the right operating model requires innovation, and therefore experimentation, it will not be designed in the abstract. For most HEIs, succeeding in engaging and delivering to employers will come less through the elegance of their operating model than in their ability to implement it.

## **Conclusions and recommendations**

8.26 The Programme has succeeded in supporting an expansion of workforce development activity within the HE sector which has led to additional entrants to HE. The first order objectives, to achieve targets for Additional Student Numbers into HE co-funded by employers and 100,000 enrolments onto Foundation degrees by 2010, have been met and exceeded respectively. The majority of the additional objectives for the Programme have also been achieved.

8.27 Without doubt, many individual HEIs have also benefited substantially from their involvement in the Programme. Co-funded provision has certainly helped HEIs to test the scale of the market and employer demand by mitigating some of the risk involved in initiating new employer relationships or deepening existing ones at lower cost. While the Programme has helped HEIs to stimulate increased demand for higher level skills from employers, sustaining this demand will necessitate their continued focus in the long term.

8.28 The Programme's funds and resources have galvanised parts of the sector to bring about institutional change by developing and enhancing workforce development activities and improving systems, processes and capabilities. As a result, some HEIs have established much stronger footholds in their chosen markets, and have made significant internal changes – in many instances changing attitudes about the workforce development agenda.

8.29 The Programme has also helped to promote access to, and progress through, HE for a wide range of learners. While our analysis of co-funded learners suggest that the participation of individuals without previous experience of HE has been lower than anticipated, this reflects the demand-led nature of the Programme and the training preferences and business model that participating employers have chosen to adopt.

8.30 In summary, the Programme has been successful in providing a platform of capability and capacity for workforce development within the HE sector. The Programme's legacy at an institutional level is likely to be the systems and resources, staff capability and employer relationships that HEIs have developed. It is more difficult to conclusively determine whether this platform will be used to achieve future growth in

employer demand and the numbers of individuals already in work participating in HE-based workforce development.

8.31 While the HEIs that participated in the Programme have derived significant benefits from it, evidence from the evaluation suggests that the sector-wide impact of the Programme has been more modest. Yet it was perhaps unrealistic to expect a Programme of this scale, which engaged a limited number of HEIs, to transform the workforce development capability of the entire sector, particularly as not all HEIs have made – or will make – the strategic decision to pursue the workforce development agenda.

### Recommendations for higher education institutions

8.32 Through the Programme, HEIs have proved it is possible to build an employer market for higher level skills from a relatively low base. However, if HEIs are looking to sustain a financially viable portfolio of workforce development activity in the new policy and funding environment, our evaluation findings suggest that consideration should be given to the recommendations outlined below.

Recommendation	Summary
<p><b>1: Gather evidence to make a robust business case for continued investment.</b></p>	<p>Buy-in and active support from academics, Vice-Chancellors and senior executives is crucial to sustaining workforce development activity; as such, HEIs should ensure appropriate evidence is gathered to demonstrate the value of the activity internally and to make a robust business case for continued investment. This could include key metrics on income generated, number and variety of employer relationships developed, and positive impact on other external facing activities (e.g. knowledge transfer partnerships, CPD, internship placements etc) to demonstrate an overall return on investment of this activity. Clarity on what ‘success looks like’ and how this will be measured from the senior executives’ perspective is critically important in this respect.</p>
<p><b>2. Critically appraise the current 'state of readiness' to respond to employers’ needs.</b></p>	<p>To ensure employer engagement and workforce development become embedded as a core activity, HEIs should critically appraise the extent to which: there is active leadership across all functions and levels; the HEI’s culture is truly supportive of this area of activity; plans are in place to ensure a ‘smooth’ transition to a new funding environment; the operational model is fit for purpose and adequately staffed and resourced; and processes, systems and delivery modes are flexible and responsive enough to meet employers’ needs.</p>

<p><b>3: Identify and develop opportunities to collaborate with other providers.</b></p>	<p>Notwithstanding the increased levels of competition and ‘marketisation’ of the HE sector in line with current Government policy, opportunities still exist to collaborate. HEIs should identify and develop opportunities to collaborate with other providers (universities, FE colleges, private training providers) as a means to strengthen and extend their workforce development offer and exploit new and existing markets. Collaboration should be built on aligned intent, complementary expertise and (crucially) shared values and mutual trust.</p>
<p><b>4: Adopt pro-active and sophisticated approaches to business development.</b></p>	<p>Building a sustainable ‘pipeline’ of employer demand can be a challenge, particularly during an economic downturn, but is vital to success. HEIs should consider adopting pro-active and sophisticated approaches to business development which draw on a better understanding of employers’ procurement strategies and purchasing decisions, and a fuller range of marketing and sales interventions, including working through intermediaries (Chambers of Commerce, SSCs, other employer-facing bodies) to access, for instance, the SME market.</p>
<p><b>5. Ensure that existing relationships with employers are optimised.</b></p>	<p>In conjunction with establishing new employer contacts, HEIs should ensure that existing employer relationships are optimised by building stronger (more strategic) partnerships which can lead to repeat business, ‘cross-selling’ other services and referrals to other employers – a formalised approach to customer relationship and key account management can help in this respect.</p>
<p><b>6. Approach working with employers as a collaborative venture.</b></p>	<p>Given the diversity of employers and their needs, HEIs should approach working with employers as a collaborative venture and engage in a dialogue to better understand the nature of their business and the challenges they face. This will, as part of a more integrated and holistic approach to business/employer engagement, help to identify the ‘right’ solution to meet the identified needs. It will require a shift away from the ‘product push’ approach that HEIs have tested in the past by bringing together the HEI’s wider employer offer (applied and near-market research, consultancy, education and training, graduate recruitment, etc.) as many have begun to explore.</p>
<p><b>7. Continue to develop and enhance pedagogical approaches.</b></p>	<p>The needs and expectations of employee learners can be very different to traditional undergraduate students; as such, HEIs should continue to develop and enhance pedagogical approaches which are increasingly more</p>

	<p>facilitative than didactic, and supportive of learning in the workplace as a means to ensure an exceptional student experience; integrating skills, knowledge and experience gained in the workplace with higher level learning.</p>
<p><b>8. Strive to provide maximum flexibility around delivery modes and timings.</b></p>	<p>Flexibility has been highlighted as a factor limiting an HEI's ability to respond in a timely manner to employers' requirements. HEIs should therefore strive to continue to provide maximum flexibility around delivery modes and timings. Streamlining internal processes and reducing timescales required for course development by, for example, establishing 'open' content (or shell) frameworks will enable greater levels of responsiveness.</p>
<p><b>9. Ensure an adequate 'supply chain' to support delivery.</b></p>	<p>Delivery capacity has similarly been identified as a key factor inhibiting an HEI's ability to respond in a timely manner; as such, HEIs should build 'workforce development activity' into workload planning models and establish a network of individual associates and collaborative provider partnerships (with other universities, FE colleges and private training providers) to ensure an adequate 'supply chain' for delivery.</p>
<p><b>10. Evaluate the contribution and impact of the higher level skills interventions.</b></p>	<p>Often employers will engage with an HEI because they can demonstrate a track record of successfully working with other employers to meet the higher level skills needs of their workforce. HEIs should work with their existing and new employer clients to evaluate the contribution and impact of their higher level skills interventions. Employer testimonials and case studies as an integral part of the marketing approach have proved to be a successful way to better promote an HEI's experience and track record, and to demonstrate the return on investment. Establishing clear success criteria and agreeing with the employer at the specification stage how these will be measured will help to focus efforts in respect to evaluating impact.</p>
<p><b>11. Incentivise, reward and recognise the contribution of staff.</b></p>	<p>Motivating staff to engage in workforce development activity and recognising their contributions will produce better results and ensure greater parity with research, other teaching activities and employer-facing activity; as such, HEIs should establish new or enhance existing mechanisms to incentivise, reward and recognise the contribution of staff engaged in workforce development activity. This will further help to ensure that institutional culture is highly supportive of this area of work.</p>

<p><b>12. Remodel the approach to costing and pricing.</b></p>	<p>The new funding system will potentially affect the uptake of HE by employers and employees alike; to mitigate the impact, HEIs should remodel their approach to costing and pricing based on a better understanding of their cost base, taking into account a range of factors (mode of delivery, location of delivery, access to learning resources, the level of employer contributions, nature and level of learner support required, and the number of learners) and a pricing strategy which is market sensitive. Developing a better understanding of the cost base will help to ensure that an appropriate overhead level is used in costing a workforce development solution.</p>
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### Recommendations for HEFCE

8.33 HEFCE has provided funding to develop employer-responsive provision and piloted co-funding in response to the previous Government’s policy priorities. As a consequence of the HE reforms, HEFCE funding will no longer be available to support the activity previously funded through the Programme. HEFCE will no longer pursue the co-funding model, although co-funding will still be available in 2011-12 to support the transition from an employer and Government-funded activity to an individual and/or employer-funded activity. There will also be loan support for part-time learners studying at an intensity of a quarter of a full-time equivalent (FTE) or above.

8.34 Notwithstanding these changes to the policy and funding environment, we have drawn on the findings of the evaluation to formulate a number of recommendations for HEFCE to inform the sustainability of workforce development activities and the development and management of future programmes of investment. These recommendations are set out below:

<p><b>Securing the future of workforce development activity</b></p>	
<p><b>Recommendation</b></p>	<p><b>Summary</b></p>
<p><b>1: HEFCE should consider tapering the level of co-funding drawn down by HEIs over a two-year period.</b></p>	<p>HEIs are highly concerned about approaching the ‘cliff-edge’ of funding support for workforce development and as such supporting a smooth transition to the new HE funding system will be critically important. When devising an exit strategy for the co-funding model, it will be critically important for HEFCE to take into account the employer as well as the learner – it is not merely as simple as ‘teaching out’ students on existing courses. HEFCE should therefore consider tapering the level of co-funding drawn-down by HEIs over a two-year period (post 2012-13) in order to minimise the potentially detrimental impact on the relationships that an HEI has built with employers.</p>



<p><b>2. HEFCE should give particular consideration to the implications of changes to student number controls for part-time students who are already in the workforce.</b></p>	<p>Given the phasing out of the co-funding grant, HEFCE should take account of part-time students who are already in the workforce to ensure that the development and implementation of the student number controls does not create barriers to part-time study. This is particularly important because in this Programme, almost all the co-funded cohort studied part-time and the vast majority of these students studied institutional credits at low intensities.</p>
<p><b>3: The Government, in partnership with the HE sector, could consider innovative payment plans to enable those individuals studying at an intensity of less than a quarter of the FTE to continue to access HE.</b></p>	<p>Many of the HEIs in the Programme offered employee learners the opportunity to undertake less than 30 credits, which means that they have not been studying at an intensity of at least a quarter of the full-time equivalent. Under the future funding arrangements such students would not be eligible for co-funding or a fee loan and with neither available, their access to HE would not be free at the point of entry. As such, the Government should consider the effect of these changes, in line with its commitment to improving social mobility, increasing fair access and widening participation.</p>
<p><b>4: HEFCE should observe workforce development activity in the new system and consider how it can best be supported, encouraged and enabled.</b></p>	<p>The Programme has revealed willingness from employers to pay course fees for a cohort of employees and make in-kind contributions in the context of co-funding that HEIs could draw down from HEFCE. In all likelihood this activity will continue to some degree, but the demise of the co-funding grant poses a considerable risk to this activity. The extent of growth will depend on the impact of the increased fee regime and the willingness of individuals and/or employers to contribute more towards full cost. In this regard there are a number of possible scenarios that warrant further exploration. One such example is where there is eligibility for a tuition loan; in this context an employer may be willing to support individual employees studying at a higher level by repaying an individual employee's loan over an agreed period of time. This would negate the employer having to make a significant upfront investment (through the payment of fees) and could potentially mean that the employer could benefit more from the investment, by 'tying' the individual into the organisation until the loan is repaid. By observing workforce development activity in the new system, HEFCE should consider where it could provide further support and encouragement.</p>
<p><b>5: HEFCE should feed the lessons learnt from this Programme and its evaluation into</b></p>	<p>Workforce development is an important component of an integrated approach to HEIs collaborating with industry. The HEIs involved in the Programme have considerable experience in building deeper links with employers in order</p>

<p><b>Professor Tim Wilson’s review.</b></p>	<p>to meet the higher level skills needs of the workforce. They have also gained a better understanding of what strategies and models are most effective in engaging with employers.</p> <p>HEFCE should ensure that this area of work is a key point of focus for the Professor Tim Wilson’s review and that evidence from this evaluation and insights from the HEIs involved in the Programme are taken into account.</p>
<p><b>6. If HEFCE wishes to support workforce development in the future, an appropriate funding approach for WFD activity based on performance should be established.</b></p>	<p>Recognising and rewarding the importance of workforce development activity is critical to its sustainability. Should HEFCE decide to support workforce development again in future, an appropriate funding approach, based on performance in this area, and integrated with other business/employer-facing funding (e.g. HEIF), would support and reinforce its relative prioritisation across the HE sector and in the strategies of HEIs.</p>

### **Developing and managing future funded programmes**

<b>Recommendation</b>	<b>Summary</b>
<p><b>1: HEFCE should provide as much clarity and focus as possible around the objectives and the desired outcomes and impacts of any future funded programmes.</b></p>	<p>To ensure the HE sector and participating HEIs fully understand a funded programme’s intent and requirements thereof, HEFCE should provide as much clarity and focus as possible around the objectives and the desired outcomes and impacts; and, where possible, should prioritise the importance of the objectives. The use of a logic chain at the programme specification stage may help in this respect.</p>
<p><b>2: HEFCE should take steps to ensure that the design of future funded programmes ensures that deadweight is minimised.</b></p>	<p>This Programme resulted in a degree of deadweight as a proportion of the Additional Student Numbers were employees who had already held a Level 4 qualification and were enrolled onto courses at a lower level than the qualifications they already held. If HEFCE wishes to develop a co-funding model in the future, it should seek to minimise the potential for deadweight (such as where there is an ambition to target particular student cohorts). In developing future programmes, HEFCE should consider at the outset how deadweight can affect impact, which may necessitate revising strategies.</p>
<p><b>3: HEFCE should ensure that the funding regulations and monitoring arrangements reflect and align to, as far as possible, the nature of</b></p>	<p>Funding mechanisms and regulations can be complex, and difficult to interpret, implement and explain to others (e.g. employers). They may also skew demand by only rewarding certain types of activity rather than being truly demand-led. To make the process easier, HEFCE should ensure that funding regulations and monitoring arrangements reflect and align to, as far as possible, the</p>

<b>the activity being supported.</b>	nature and timeframe of the activity being supported or delivered. The direct application of mainstream funding and reporting arrangements to, for instance, the piloting of the co-funding model initially created problems for HEIs. The introduction of the CFEE monitoring arrangements resolved these problems to an extent, but HEIs still felt constrained by some of the regulations which did not seem to take into account the 'lifecycle' of employer-facing activity.
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## Appendix 1 | Logic chain: HEFCE Workforce Development Programme

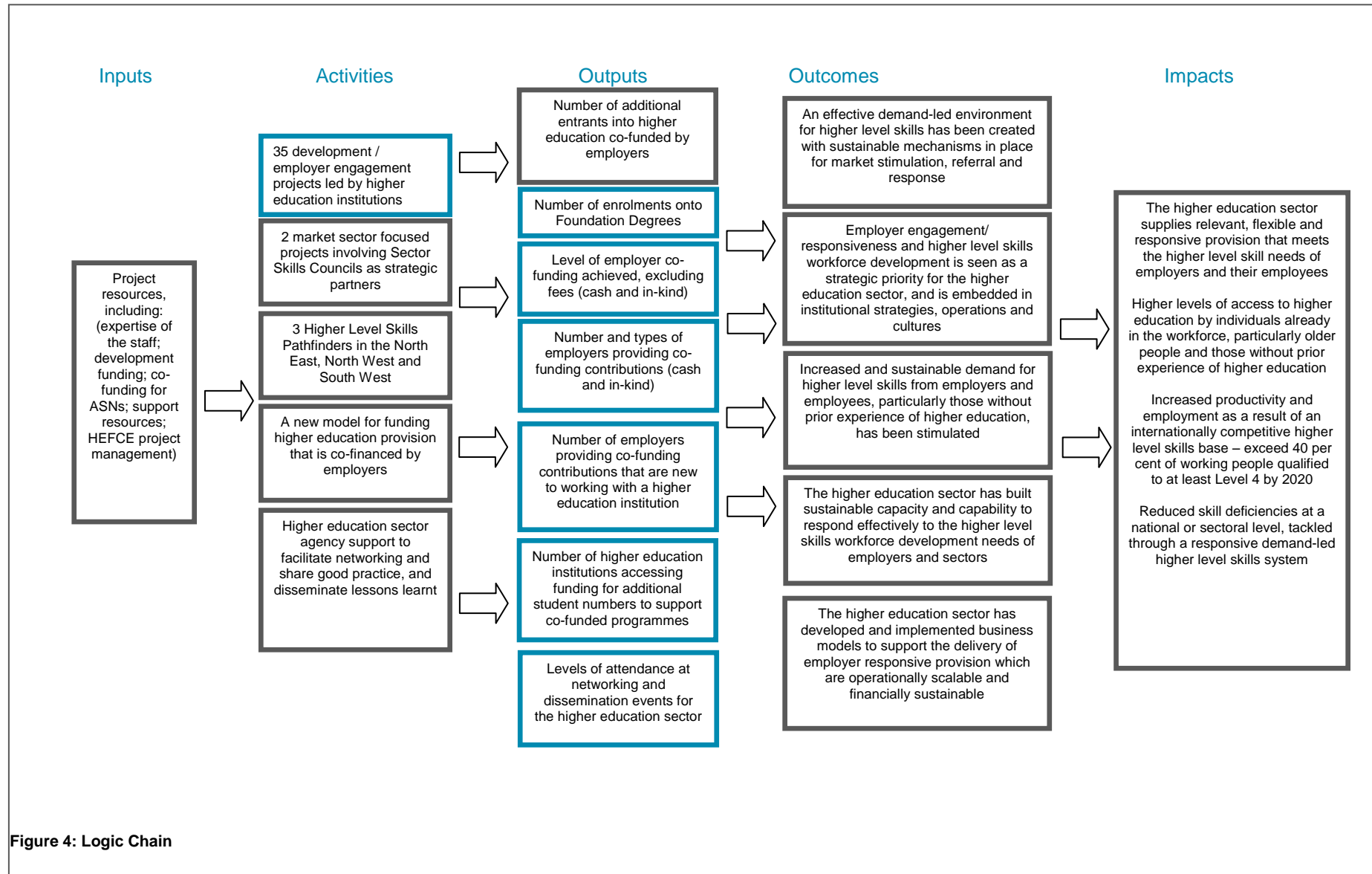


Figure 4: Logic Chain

## Appendix 2 | Indicator framework: HEFCE Workforce Development Programme

	Outcome	Indicators	Data Collection
External context	An effective demand-led environment for higher level skills has been created with sustainable mechanisms in place for market stimulation, referral and response	Feedback from employers and brokers on the clarity of entry points and referral routes for higher education workforce development that exist at the national, regional and local level	Consultations with employers and depth interviews with brokers
		Number of HEIs reporting that they collect information on employers systematically using a customer relationship management system and that this is used to inform current and future provision	CFE/KSA online survey of sector representatives and institutions
		Feedback from brokers and other intermediary organisations, employer representative bodies and employers on their understanding of the higher education sector and individual HEIs offer(s)	Depth interviews with brokers and other intermediary organisations, employer bodies and representatives
		Proportion of HEIs reporting that education and training solutions are based on specific and realistic outcomes reflecting the employer's business needs, preferences and circumstances	CFE/KSA online survey of sector representatives
		Additional employers provide co-funding contributions to higher education institutions	CFEE monitoring forms and institutional records regarding employer engagement
		Proportion of HEIs reporting that they have effective processes for establishing employers' wants and identifying underlying business needs to shape solutions to meet their requirements	CFE/KSA online survey of sector representatives
Institutional change	Employer engagement/responsiveness and higher level skills workforce development is seen as a strategic priority for the higher education sector, and is embedded in institutional strategies, operations and cultures	Qualitative and practical examples of institutional change can be identified e.g. capability, capacity, responsiveness, programmes implemented, etc	CFE and KSA survey of HEIs, depth interviews with project leads and employer engagement teams leading workforce development projects and delivering co-funded provision
		Proportion of HEIs reporting that they have recognised the workforce development agenda's importance in key strategies (e.g. in key policy documents and strategies)	CFE and KSA review of institutional business plans and key institutional strategy documents
		HEIs have articulated clearly and publicly how committed they are strategically to this agenda through clear communications and presentation of the core offer to employers and learners (e.g. in literature and on websites)	CFE and KSA review of a sample of HEI literature and websites
Sector Implications	Increased and sustainable demand for higher level skills from employers and employees, particularly those without prior experience of higher education, has been stimulated	Increase in additional entrants to higher education from those already in the workforce without previous experience of higher education	CFEE monitoring returns and monitoring information
		Increase in sustainable demand for higher level skills from employers – both in terms of new and repeat business	CFEE monitoring return data and review of institutional management information
		Enrolments onto Foundation degrees	Monitoring data
		Number of HEIs accessing funding to support additional students that were already in the workforce	CFEE monitoring returns and monitoring information
		Proportion of HEIs using marketing materials and media channels to promote workforce development to employees that have no prior experience of higher education	CFE/KSA online survey of sector representatives
	The higher education sector has built sustainable	Proportion of HEIs reporting that they have built their capacity to respond and capability to respond effectively to the higher level skills workforce development needs of the sector	CFE/KSA online survey of sector representatives

capacity and capability to respond effectively to the higher level skills workforce development needs of employers and sectors	Proportion of HEIs reporting that have a workforce who consistently demonstrate positive attitudes and behaviours to this agenda as a norm	CFE/KSA online survey of sector representatives
	Proportion of HEIs reporting that manage relationships with employers in an integrated way (across the full range of services), with contact maintained at appropriate levels and to appropriate standards	CFE/KSA online survey of sector representatives
	Proportion of HEIs reporting that they undertake staff development for business facing staff (academic and non-academic)	CFE/KSA online survey of sector representatives
	HEIs are appropriately represented on key forums so that they can share information and lessons learnt to contribute to the workforce development policy agenda	Review of institutional representation on key workforce development forums
The higher education sector has developed and implemented operational models to support the delivery of employer responsive provision which are operationally scalable and financially sustainable	HEIs identify and disseminate appropriate information on the workforce development activities they are involved in	CFE/KSA online survey of sector representatives
	Proportion of HEIs reporting that they have allocated dedicated and sustainable resources to support employer-facing activities and to deliver products and services that meet employers' needs and expectations	HE-BCI data and CFE / KSA online survey of sector representatives
	Proportion of HEIs reporting that they have developed and implemented an operational model to support the delivery of employer responsive provision which is operationally scalable and financially sustainable	CFE/KSA online survey of sector representatives
	Proportion of HEIs reporting that they regularly review and evaluate the effectiveness and impact of their education and training solutions on employers and their employees, and acts promptly on the feedback	Review of evaluate evidence and evaluation arrangements that HEIs and workforce development projects have in place
	HEIs have mechanisms in place to create sufficient opportunities for employers and stakeholders to engage strategically in the development of provision and also to influence curriculum development, design and delivery	Depth interviews with a sample of workforce development project leads and HEIs that are in receipt of co-funding

**Table 5: Indicator framework**

## Appendix 3 | Methodological note

Here we outline more information about the methods used in the evaluation including a breakdown of the profile of the respondents to the online survey.

### The online survey

Representatives from employer engagement projects and stakeholders within and beyond the higher education sector were invited by email to respond to an online survey. The representatives were identified by CFE and KSA in collaboration with HEFCE via three different methods:

- An online pro-forma which was disseminated to all workforce development projects in February 2011 to identify institutional contacts at a variety of levels including: leads for workforce development projects, senior level institutional leaders, senior and mid level professional services managers, heads of academic units, and directly engaged delivery staff;
- A list of the main contact for projects drawing down funding for ASNs compiled by HEFCE;
- Stakeholders who were identified from our existing networks and via our desk-based activity.

This produced an initial 370 contacts and, in addition, respondents were encouraged to disseminate the survey to other representatives from their employer engagement projects and the higher education sector as appropriate. The survey was open for a period of three weeks, from mid February to early March 2011, and achieved a total of 173 responses. This is equivalent to a 47 per cent response rate and, therefore, a robust base for statistical analysis. However, due to the snowball nature of the sample, this figure should be viewed as indicative and used to provide an approximate indication of the response rate only.

The content of the survey was designed to capture respondents' views on the impact of the Programme and structured to explore a variety of themes central to the evaluation's objectives. These included:

- National, sector wide and institutional perspectives on the intended outcomes of the Programme and the extent to which they have been achieved;
- The prevalence of employer engagement infrastructures and business development/marketing interventions prior to and after the introduction of the Programme;
- Institutional perspectives on employer contributions and co-funding including future sustainability; and
- The nature of support provided to employer engagement projects and respondents' perceptions of the usefulness of that support.

- The survey was designed to direct respondents only to those questions that were relevant to the focus of their project and their experience in relation to the project. This was to ensure that the information captured was reliable.

## Profile of respondents

A total of 173 individuals completed our online survey. Over a tenth (14%) identified themselves as stakeholders from within and beyond the higher education sector. The remainder were from employer engagement projects; of these, the majority (87%) were receiving or had received workforce development funding in addition to funding for ASNs. Only a small minority were receiving or had received funding for either workforce development or ASNs only (4% and 9% respectively). The small proportion of projects drawing down funding for ASNs only imposed some restrictions on the analysis that we have been able to perform, including exploring the extent to which differences are apparent on the basis of the mix of funding received. Such analysis would have been dependent upon significantly boosting the size of the sample for respondents who are drawing down funding for ASNs only, which was not possible given the absence of a database. Furthermore, a significant number of these HEIs were in receipt of relatively few co-funded ASNs.

A good cross-section of roles is represented within the sample. As Figure 5 illustrates, 24 per cent of respondents were named as main contacts of an employer engagement project. A further 13 per cent were senior institutional leaders,<sup>89</sup> 20 per cent were senior and mid level professional services managers,<sup>90</sup> 14 per cent were heads of academic units,<sup>91</sup> and finally 15 per cent were directly engaged members of staff.<sup>92</sup> A further 14 per cent of respondents identified themselves as a key stakeholder from the higher education sector.<sup>93</sup>

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<sup>89</sup> Senior institutional leaders could be: Vice-Chancellors (VC), Principals or Rectors; Pro or Deputy Vice-Chancellors (PVC/DVC) for Teaching and Learning, Employer/Business Engagement, and/or Research and Enterprise/Innovation.

<sup>90</sup> Senior and mid-level professional services managers could be: Directors of Research and Enterprise/Knowledge Transfer; Directors of Graduate Employment and/or Careers Service; Directors of Business Development; and heads of Continuing professional development (or equivalent).

<sup>91</sup> Heads of academic units could be: Deans of Faculty/School; Deans of PG studies; Heads of Department.

<sup>92</sup> Directly engaged members of staff could be: front-line academic staff (e.g. senior lecturers, lecturers) involved in the design and delivery of provision to meet identified employer needs and curriculum development/business development/employer liaison staff.

<sup>93</sup> These could be representatives from within an institution e.g. staff from the Quality Unit, or Finance Department or external organisations e.g.: Sector Skills Councils; local authorities; employers; Lifelong Learning Networks; Regional Development Agencies; and or National Skills Academies.



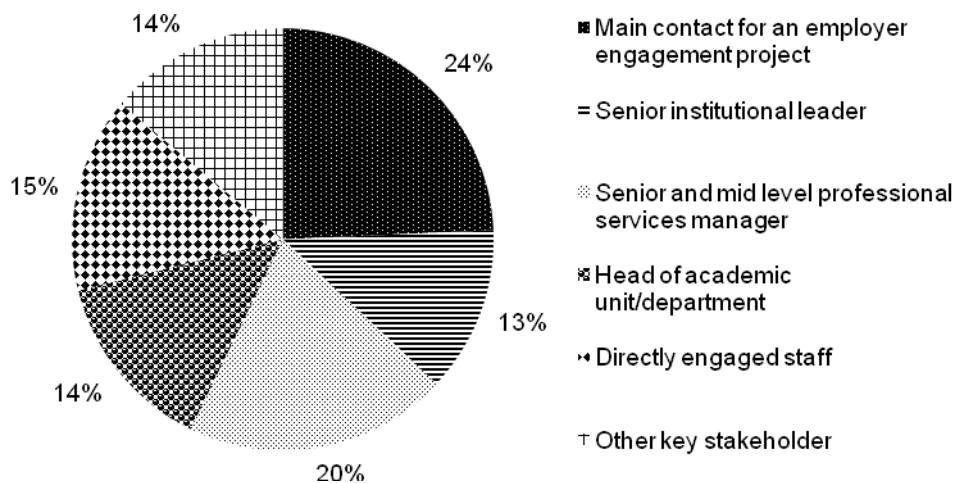


Figure 5: Respondents' main roles (base = 173)

Just under three-quarters (72%) of respondents reported they were involved in employer engagement projects predominantly focused on bringing about change within their institution. For a further fifth (18%), change was intended across a number of HEIs working in partnership within a region; whereas for a tenth (10%) change was intended across a number of HEIs working independently or collaboratively to respond to the needs of a specific sector at national level. The breakdown of responses is fairly reflective of the number of funded projects in each category, in that there were significantly more funded projects focused on bringing about change within their institution.

### Statistical analysis: focus and techniques

The analysis that follows is primarily based on individual respondents rather than being aggregated to reflect employer engagement projects. It is acknowledged that more than one respondent in our online survey may report their views or experiences for the same employer engagement project or institution. However, our approach is designed to allow us to investigate the extent to which perceptions of the impact of the Programme vary based on the role of the respondent and therefore provide additional explanation for the degree of institutional change within those HEIs that have been involved in employer engagement projects.

A variety of statistical techniques have been applied to interrogate our data. Descriptive statistics (including frequencies and means) summarise the information provided by respondents, whereas inferential statistical analyses (including t-test and ANOVA) are applied to search for meaningful, statistically significant differences between groups of respondents. This is supported by the application of segmentational analysis methods (including factor analysis and cluster analysis) to allow us to determine unknown groups or clusters.

Part of our analysis is based on data submitted to HEFCE in the CFEE monitoring return which is completed by those projects drawing down co-funding for Additional Student Numbers. This data has been merged with primary data collected via our online survey to introduce objective external information against which to benchmark individual experiences, and more fully explore the impact of different 'models' through examination of not only perceptions of institutional change but also the delivery of co-funded students. For this part of the analysis, only the views of respondents who were named as the main contact for the employer engagement project have been taken into account to avoid skewing the results.

## Appendix 4 | Programme background

### Programme Objectives

#### First order objectives

All interviewees stated that achievement of the targets set by Government for additional entrants into HE co-funded by employers and 100,000 enrolments onto Foundation degrees is the primary objective of the Programme.

However, it was also acknowledged that an experimental approach was employed within the Programme and that it was designed to allow HEFCE and other key stakeholders to better understand what models work well in meeting the workforce development needs of employers both now and in 2012 (in a different funding context). As one interviewee stated, “Providing we could hit the targets, it then gave us scope to explore the other things and to work with institutions, so that they themselves could come up with ways of expanding the agenda”. In this context, investment in a range of capability and infrastructure projects designed to test and explore different ways of transforming HEIs’ capacity to respond to employers’ higher level skills needs is a key objective of the Programme even though these projects may not result in high volumes of Additional Student Numbers (ASNs). This was summarised by one interviewee who stated, “There are some projects that are doing some quite interesting things, but they’re not delivering co-funded learners.” Another interviewee recognised the potential tension that exists between being driven by meeting quantitative targets as against experimenting with different approaches to learn about what works and what does not.

#### Additional objectives

##### Test the potential scale of the market

The Programme was also to be underpinned by a new and separate funding mechanism – co-funding – and the Programme brief acknowledged that this was a high risk strategy, precisely because it was a, “test of the employer co-funding policy and the scale of the potential market for higher education based and employer co-funded workforce development”.

Interviewees were in agreement that the Programme is highly stimulative in nature; by investing in improving the supply of higher levels skills, this in itself could help to stimulate demand from employers as they come to better understand that the HE sector can deliver the provision they require. The Programme was very broadly conceived and designed to test a variety of models to determine which have a positive impact in stimulating and meeting the demand of employers. As a consequence it was intended to ‘test’ models with different types of employers, different types of approaches, different cost models, different sectors, and so on. The intention was that the Programme would support the development and delivery of provision to meet employer and employee need, from short accredited and non-accredited courses to full qualification bearing provision. However, there was the expectation that the projects would maintain continuity in funding and, by year three of the project, generate 50 per cent co-funding. In the longer term, it was envisaged that the projects would be self-funding and, for a small number of HEIs, profitable. In addition to this, projects were to generate both new and repeat business.

### Stimulate HE institutional change

There was consensus among interviewees that one of the objectives of the Programme was to re-orientate HE away from its "...fixation with the three-year undergraduate programme and re-orientate it towards being more responsive to the needs of the workforce". Achievement of the 40 per cent target of working age people qualified to Level 4 in the Leitch Review would require high volumes of learners entering traditional programmes (200,000-250,000+). The intention was therefore to build workforce development, "...as a recognised function of the higher education sector". However, this presented a significant challenge, especially at the inception of the Programme, as a number of stakeholders perceived there to be reluctance amongst HEIs to engage in this activity. At least initially their interactions and dialogue with senior leaders at various HEIs suggested that there was a level of hostility to the agenda and concern about the potential to deliver higher education in this way which was consistent with established academic standards. Stakeholders suggested that as the Programme was established, there were some 'embryonic' business teams developing, but they were very much on the periphery of HEIs; "only a few universities had any real sense that this was an appropriate part of their mission" Stakeholders also discussed the challenge of persuading HEIs that it was a 'legitimate' thing for them to be doing.

Therefore in achieving this objective, it was recognised that the Programme would need to stimulate change in relation to: construction of learning units/courses to be developed, with more bite-sized provision; academic standards and quality; and finance. That said, a number of stakeholders also pointed out that the Programme was unlikely to revolutionise HE and in a sense that 'transforming' was a label. Inevitably, this therefore poses questions about the extent to which any of the HEIs leading workforce development projects will be able to sustain these activities, especially when the funding ends at the end of the 2010-11 academic year.

### Promote access to and progress through HE for a wider range of learners

There was consensus that workforce development in the context of the Programme referred to adults already in employment, "who did not have a substantial history of learning". Following dialogue with BIS and the CBI, funding was not targeted exclusively at those that did not possess a Level 4 qualification; however, it was quite explicit as an element of the criteria against which projects were assessed. As part of this, there was an expectation that HEIs would not simply reach out to existing management staff that were graduates, but instead would open up HE to those who had little previous experience of it. Initially this was intended to be predominantly older workers qualified to Level 2 or 3 and unlikely to take a traditional HE route. This was described by one interviewee as frontline managers and those who had, "reached the glass ceiling", and therefore were less likely to be aged 21-25.

It was envisaged that engaging these individuals in higher education would result in productivity gains for employers and employees. However, it is recognised that this is an untested hypothesis and there are risks associated with this approach. Moreover, although the emphasis on productivity was established, stakeholders pointed to a lack of clarification in the Programme's objectives regarding the extent to which co-funding should seek to encourage progression to Level 6 – those qualifications which are known to produce more significant productivity gains and individual wage returns. The initial

focus of the Programme was very much driven by what employers wanted with less of a focus on the skills required by employees.

#### Build a platform of capability and capacity within the higher education sector

The Programme was designed to build a platform of capability and capacity in the HE sector; by investing in infrastructure, HEFCE were putting arrangements in place that would enable it to grow in the future. However, whilst one of the stated objectives was to explore different models, the development of the Programme was described by stakeholders as iterative. The initial intention was that projects would focus on HEIs that reworked their systems and mission around this focus; however, this was felt by some not to be realisable within the budget available. As one interviewee commented, “I’m not sure how realistic that would ever have been given the amount of funding we were offering.” Instead projects evolved through a combination of a ‘top down’ and ‘bottom up’ approach which included mostly smaller projects with one or two larger ones. The projects were diverse in nature; some had a very clear focus, whilst others were instigated to take advantage of the funding available. There was a very clear strategic driver behind some of the projects, such as the national Sector Skills Council projects, whilst others evolved iteratively. A set of criteria was developed to help ensure that the projects would help achieve the objectives of the Programme; however, these were not developed at the outset and were introduced once interest from HEIs had grown.

Milestones and outcomes were not established for the projects in line with this approach; one interviewee commented that, “We didn’t take the Training Quality Standard approach of saying, ‘this is what a good quality employer engagement project or an institution that is responsive to employers looks like’”. Instead, the Programme responded flexibly to HEIs in order to give them freedom to respond to the market and the needs of the employers with which they were engaged.

#### Generate information to inform policy

The Programme documentation does specifically acknowledge that there was a paucity of evidence on which to base some of the assumptions underpinning the Programme; therefore any information that was generated through the Programme would contribute to filling this gap. One interviewee noted that as a direct result of this paucity of information the research and evaluation strand was largely ad hoc and built up, “...through accretions of different elements”. Described as an incremental approach, this objective or strand of the Programme was therefore deemed to be less clear in its scope than other objectives.

However, in practice, information will be generated throughout the achievement of all of the Programme’s objectives and the successes or failures associated with all of the funded activity will be used to inform future policy. So the generation of information to inform policy is not necessarily a standalone outcome of the Programme and the achievement of this outcome will not be measured by the evaluation per se.

### **Evaluating the Programme against the outcomes and outputs**

One of the key insights of the theory of change approach and the use of a logic chain is the importance of measuring the extent to which the outcomes have been realised. It is quite possible to achieve the desired outputs (i.e. the quantifiable targets) without

achieving the desired outcomes (i.e. the changes and impact that the Programme sought to have). Hence, it is these outcomes (impacts, long-term results) that are the justification for doing the work in the first place. The logic chain for the evaluation therefore documents the activities that have been funded through the Programme and provides a summary of the desired outputs, outcomes and impacts. Further information on the range of projects and key strands of activity that have been funded are provided below. Wherever possible the Programmes objectives have been converted to outcomes and outputs which will serve as the basis from which key elements of the evaluation will be designed.

## Programme strands and activities

HEFCE, through the Programme, has invested in a wide range of funded projects in order to deliver against the specified objectives and realise the outcomes identified by the CFE and KSA evaluation team. The projects fall under one of the Programme's four key strands of activity. The key Programme strands are:

- **Development (or employer engagement) projects** – a total of £103 million has been invested in 37 transformational projects to drive through change in HEIs to enable the sector to better respond to employer demand, and including £4.2 million in two market sector-focused projects involving Sector Skills Councils as strategic partners; these projects have also been allocated co-funded ASNs.
- **Co-funded programmes** – a further 58 HEIs are drawing down co-funded ASNs to support the delivery of programmes and leverage co-funding contributions from employers, without the need for development funding.
- **Regional pathfinders** – a total of £11.8 million<sup>94</sup> was invested in three Higher Level Skills Pathfinders projects (HLSPs) in the North East, North West and South West to develop sustainable capacity and mechanisms to enable employers to better access appropriate higher education provision.
- **Higher education sector agency support** – initial pump-priming investment alongside the core budget for agencies which support the higher education sector has been made to facilitate networking and sharing of good practice, undertake action based research, and disseminate lessons learnt more widely.

In addition to the four strands of funded activity, HEFCE intended to focus its energies on developing a longer term strategy and funding model. Each strand of activity is described in more detail below.

## Development projects

In May 2006 a HEFCE circular letter (CL 06/2006) invited HEIs to express an interest in, “undertaking pilot projects to test various forms of employer engagement, especially those likely to attract employer contributions towards overall funding of provision”. Following a positive response to this invitation, a further letter was circulated in February 2007 (CL 03/2007) which indicated that HEFCE was providing, “development funding to

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<sup>94</sup> This figure includes an additional £500k to extend the HLSP in the North East to all colleges offering higher education courses.

support preparatory work, available for higher education institutions (HEIs) to request and for further education colleges (FECs) as part of a collaboration led by an HEI”.

Initially the invitation to the sector was to bid for Employer Engagement Pilot Projects, but at a very early stage the notion of the projects being ‘pilots’ was dropped suggesting the agenda was not to be a short-term one. As such the intention was to support a range of projects designed to transform HEIs’ capacity to respond to employers’ higher level skills needs and support a significant growth of provision co-funded by employers. Changing the culture of higher education to foster a, “new relationship between higher education and employers”<sup>95</sup> was also recognised to be critically important. HEIs interested in submitting a business case to secure development funding were directed towards their HEFCE regional consultant or adviser in the first instance. There was no deadline for submissions and funding was generally available for up to three years.

### **Co-funded programmes**

The development projects were also expected to draw down co-funded ASNs to support the delivery of provision which is co-funded by employers. In 2006-07 and 2007-08, HEFCE allocated co-funded ASNs to a small number of HEIs, but from 2008-09 onwards significantly more co-funded ASNs were available to HEIs in receipt of development funding as well as to other HEIs in response to proposals received. In 2008-09 HEFCE made 5,000 full-time equivalent (FTE) ASNs available for 2008-09, normally on a co-funded basis, to universities and colleges.<sup>96</sup>

The target for co-funding was a 50 per cent employee/employer contribution, alongside the employer and/or employee paying for any tuition fees.

In CL03/2007, HEFCE stated that it expected the co-funding to, “deliver accredited HE which would count towards an HE qualification of at least 120 credits”, and that, “all new provision would be developed in discussion with SSCs and employers”. HEFCE also suggested that certain types of provision were more likely to drive up demand from employers and employees and these would be prioritised for co-funding. The priority areas for co-funded support were:

- Work-based learning (learning derived from undertaking work)
- Accreditation of prior and experiential learning (APEL)
- Enhancement and accreditation of employers’ in-house training programmes
- Short courses tailored to employers’ needs
- Flexible provision (at a time and place to suit employers and employees; and credit accumulation and transfer (CAT) systems)
- Blended learning and e-learning
- New types of programme which embed skills that are relevant to employers (for example, HE programmes with NVQ Level 4 embedded)

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<sup>95</sup> See HEFCE, Invitation to tender: Evaluation of the ‘Higher education Transforming Workforce Development Programme’, p. 7.

<sup>96</sup> Initially the HLSPs had access to fully funded ASNs for 2006-07 and 2007-08.

- Programmes designed or delivered in conjunction with employers.

## **Regional pathfinders**

The three regional HLSPs were funded by HEFCE for three years from October 2006 onwards. They were developed in response to the brief prepared by HEFCE, which highlighted the objectives of regional projects as being:

- To embed HE in employer workforce development and skills strategies regionally, sectorally and nationally;
- To embed workforce development and skills in HE providers' strategies;
- To promote greater co-funding of HE provision by employers.

The intention was that the universities and colleges in each of the regions, working with appropriate partners, would develop sustainable capacity and mechanisms to enable employers to better access appropriate higher education provision, which meets both the needs of employers and their employees. One element of which was expected to be working with Train to Gain brokers to extend the offering to include work-based higher education and other flexibly delivered provision at a higher level.

## **Higher education sector agency support**

In addition to the direct investment in projects described above, HEFCE sought to encourage support for the HE sector from sector agencies including the individual and collective efforts of the HE Academy, Quality Assurance Agency (QAA), fdf and the JISC. Alongside the core funding allocated to these sector agencies by HEFCE, they provided further funding to the HE Academy to support networking and sharing of practice related to institutional approaches, teaching, learning and curriculum developments, research, and policy developments in employer engagement and workforce development. Key activities included:

- Facilitating a Pro Vice-Chancellors' special interest group;
- Developing discipline-specific practice through the Subject Centres;
- Creating and maintaining a research observatory, EvidenceNet;<sup>97</sup>
- Working with the development projects.

The HE Academy, through additional funding provided by HEFCE, also commissioned six quality assurance demonstrator projects. The projects were designed to enhance HE practice on managing the quality assurance of workforce development provision, taking forward the recommendations from the QAA's task group on quality assurance and employer engagement. They focused on areas known to be challenging the HE sector including: managing employer and cross-institutional partnerships; rapid response and fit-for-purpose solutions for employer-responsive provision; assessment of employer-

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<sup>97</sup> [www.heacademy.ac.uk/evidencenet](http://www.heacademy.ac.uk/evidencenet)



responsive provision; accreditation of company-based learning; designing, accrediting and assuring bite-size provision; APEL; determining credit volumes for negotiated learning; supporting academic staff who contribute to employer responsive provision; and supporting workplace staff who contribute to the mentoring process within work-based academic awards.

JISC developed its own programme of work to support the HE sector to enhance its business and community engagement activity – an element of which specifically focused on how technology could be better utilised to support workforce development activities. The JISC programme aims to: provide guidelines, advice and good practice for approaches to knowledge management, including customer relationship management; enhance network and infrastructure facilities and the availability of digital knowledge assets to facilitate HEIs' connectivity with external organisations and employers; and provide analysis and good practice on the system integration needs of employer engagement within HEIs, minimising institutional overheads in dealing with a range of employers and learners. Fdf, similarly, has been active in this arena working with employers, employees and higher education providers to create innovative work-based learning, including Foundation degrees. They also provide the EBTA service which works with employers to enable in-house training to be recognised by higher education for credits and/or awards.

In addition, the Centre for Recording Achievement received funding to provide the evidence, exemplars and technological specification essential for the successful implementation of sustainable structures to support workplace learning and development and employer engagement with HE based upon e-portfolio technology. The project involved supporting a national network of HEIs and employer partners to build their capacity to develop and promote best practice in using e-portfolio technology to support employer and learner engagement in higher level learning.

## Appendix 5 | Participants in the evaluation

Higher education institutions and colleges	
Anglia Ruskin University	Skillset Academy (Bournemouth University)
Brunel University	Thames Valley University (now University of West London)
Cogent (University of Hull)	University of Bradford
Coventry University	University of Brighton
Cranfield University	University of Central Lancashire
De Montfort University	University of Chester
Harper Adams University College	University of Essex
Leeds City College	University of Derby
University of Manchester	University of Hertfordshire
Newcastle College	University of Leicester
Newcastle University	University of Northumbria
Middlesex University	University of Surrey
Open University	Teesside University
Oxford Brookes University	University of Plymouth
Sheffield Hallam University	University of Wolverhampton
Staffordshire University	Worcester College of Technology

**Table 6: Higher education institutions and colleges which have participated in the evaluation**

Please note that these HEIs have been anonymised throughout the report to respect the confidentiality of their responses provided through the online survey and in-person consultations. As such, the name of the HEI is replaced with a code that only indicates the typology of the HEI:

- Workforce Development Projects are coded WFDP 1-20
- Co-funded projects are coded CFO 1-5
- HEIs which did not apply for funding are coded DNA 1-4
- HEIs which applied for funding but were unsuccessful are coded AUS 1-3

<b>Employers</b>	
Neighbourhood Investor	BT
Institute of the Motor Industry (IMI)	ACAS
The Lloyd Fraser Group	IBM
Chartered Institute of Housing	Tekdata Interconnections
Gateway Business Consultants	MorePeople
The Priory Group	Wine & Spirit Education Trust
BBC	First Milk
Illumina Digital	Proctor & Gamble
West Hertfordshire Hospitals NHS Trust	BAHA (British Association of Hospitality Accountants)
Citigroup -UK Consumer	Leicestershire Partnership NHS Trust
The Institute of Quarrying	Consalia
Dixons Retail	Halifax Building Society
Showsec	Ford
BEL Valves	

**Table 7: Employers which participated in the evaluation**

Please note that employer quotes have been anonymised throughout the report to respect their confidentiality. As such, the employer's name is replaced with a descriptor that only indicates the typology of the employer: e.g. large Retail employer.

<b>Stakeholders</b>	
unionlearn (TUC)	Universities UK (UUK)
Higher Education Academy (HEA)	JISC
Foundation Degree Forward (fdf)	Department for Business, Innovation and Skills (BIS)
Higher Education Funding Council for England (HEFCE)	Universities Vocational Awards Council (UVAC)

**Table 8: Shareholders which participated in the evaluation**

Please note that stakeholders' quotes have been anonymised throughout the report to respect their confidentiality. As such, the name of the stakeholder's organisation is replaced with a code: SH 1-7

## Appendix 6 | Glossary of abbreviations

<b>Abbreviations</b>	<b>Aligned definitions</b>
APEL	Accreditation of Prior and Experiential Learning
ASN	Additional Student Numbers
B2B	Business to business
BIS	Department for Business, Innovation and Skills
CBI	Confederation of British Industry
CFFEE	Co-funded employer engagement (monitoring return)
CFO	Co-funded only institution
CPD	Continuing professional development
CRM	Customer relationship management (system)
DNA	Did not apply for WFD Programme funding
ESF	European Social Fund
FD	Foundation degree
FdA	Foundation degree of Art
fdf	Foundation Degree Forward
FdSc	Foundation degree of Science
FE	Further education
FTE	Full-time equivalent
HE	Higher education
HE-BCI	Higher Education Business and Community Interaction survey
HEFCE	Higher Education Funding Council for England
HEI	Higher education institution
HEIF	Higher Education Innovation Fund
HEIFES	Higher Education in Further Education: Students Survey
HEROBC	Higher Education Reach-out to Business and the Community
HESA	Higher Education Statistics Agency
HESES	Higher Education Students Early Statistics Survey
HLSP	Higher Level Skills Pathfinders
HNC	Higher National Certificate
HND	Higher National Diploma
ILR	Individual Learner Record
JISC	Joint Information Systems Committee
KTP	Knowledge Transfer Partnership

L	Employee learners that accessed higher level provision through the Programme
LLN	Lifelong Learning Network
MBA	Master of Business Administration
NVQ	National Vocational Qualification
PVC	Pro Vice-Chancellor
QAA	Quality Assurance Agency for Higher Education
RDA	Regional Development Agency
SH	Stakeholder
SMEs	Small and medium-sized enterprises
SSC	Sector Skills Council
STEM	Science, Technology, Engineering and Mathematics
UKCES	UK Commission for Employment and Skills
UUK	Universities UK
UVAC	University Vocational Awards Council
VC	Vice-Chancellor
WBL	Work-based learning
WFD	Workforce Development
WFDP	Workforce Development Project

**Table 9: Abbreviations used in the report**

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