Introduction

Government recently announced a new ambition for employers to play a more prominent role within the skills system,

“We will ensure employers are at the heart of Post-16 skills, driving technical and higher technical skills provision in their areas.”

The FE White Paper sets out an expectation that putting employers at the heart of the skills system will mean skills gaps will be more easily filled, resulting in improved productivity levels for the economy. Low take up of higher technical education, at levels 4 and 5, has been identified as critical gap within the labour market and a hindrance to economic growth. Lord Augur, in his review of Higher Education, referred to this skills gap - at the higher technical level - as the ‘missing middle’, and stated that funding structures and incentives should be reformed in order to increase take-up of levels 4 and 5 qualifications. A more central role for employers within the skills system should also benefit learners who will be more employable; being able to meet the skills requirements of local employers on completion of their training and education. And over the longer term, learners will be able to develop professional specialisms that can aid them in progressing with their employer.
Local Skills Improvement Plans (LSIPs) and the Strategic Development Fund programme (SDF) are two new mechanisms intended to draw employers more closely in to the curation of higher technical education provision. This research explored how well these new mechanisms, currently being piloted, will be able to achieve more effective employer engagement in the skills system, as part of a broader enquiry into the role that employers can play within further education.

It is important to recognise that many colleges already undertake deep collaboration with employers and this is monitored by Ofsted through regular inspections. Recent research from the Association of Colleges found the majority of colleges surveyed have developed an Employer Engagement Strategy, and highlighted the value of college staff taking responsibility for relationship management with key local employers.

Through exploring good practice in relation to employer engagement across both the public and private sectors a set of key principles have been identified that can guide colleges in their efforts to develop effective employer engagement.

**Policy recommendations**

LSIPs should be shaped through broad engagement with a range of employers. While the approach to engagement should be determined at a local level to maximise flexibility, the Department for Education should require evidence of small business engagement in order to approve each Plan.

- Chambers of commerce should ensure that LSIPs involve broad engagement with a range of employers. The establishment of SME/microbusinesses panels could be one method for achieving this. The Department for Education should require evidence of extensive engagement as part of the LSIP approval process.

- Employer validation panels for qualifications should include a mandatory and minimum degree of representation of smaller firms.

The Department for Education should develop the planned new skills funding and accountability measures to enable delivery of more specialist training provision, and also include criteria that focuses on the needs of priority groups.

- To help deliver this, the Skills and Productivity Board should ensure the Skills Fund aligns accountability outcomes and funding with industry priorities, as identified through local SDF need mapping. Such an approach would empower providers to invest in future-proofing provision to prepare for new industrial developments in local area.

- The Skills Fund should also include a component that measures progress made among identified priority learner groups. In following national guidance, colleges should have the remit to identify which groups they will prioritise, through consultation with strategic partners such as relevant local authorities.

**Method**

This research was informed by an evidence review as well as interviews, conducted with FE College principals or senior employer engagement leads. An online roundtable event was also convened to discuss employer engagement in the context of the FE White Paper reforms.
The skills challenge

Skills gaps blight the UK labour market and unless addressed will hold the economy back as we seek to recover from the Covid-19 pandemic. Over recent decades, investment and policy focus has centred on the expansion of Higher Education, while Further Education and vocational training have not received the same degree of attention.\(^5\) While a high proportion of the population achieve degree level qualifications, in 2019, only 10% of adults in England held a level 4-5 qualification as their highest, compared to 20% of adults in Germany and 34% in Canada.\(^6\)

Against this backdrop, employer investment in training has been steadily declining, as has funding for the Further Education sector. The latest Employer Skills Survey shows a fall in the amount of time employees in England, Wales and Northern Ireland spend in training - from 4.2 to 3.6 training days per employee between 2015 and 2019 and expenditure on training per employee fell by an average of £200 per employee.\(^7\) This reduction has taken place alongside dramatically reduced funding for the education sector. Although the current Government has allocated additional £2.5 billion for the National Skills Fund over the course of this current parliament, the reality remains that spending on adult education in 2024-25 will be one third lower than 2009-2010 levels.\(^8\)

Policy development

Recent reforms to the skills system, such as the establishment of ‘trailblazer’ groups - responsible for the establishment of industry-specific standards within the apprenticeship systems - have sought to provide a greater role for employers.\(^1\) But employers can still struggle to engage with the skills system in a meaningful way.\(^9\) In part, this stems from a system that is fragmented and complex to navigate. This was a challenge raised frequently by interviewees. In particular, the current funding mechanisms within the skills system place an onus on providers to reach out to local employers with offers - which can result in firms being inundated and unsure of ‘what to trust’.

Complexity as a barrier in the skills system is further borne out in the literature, and is in part the cause of frequent and disruptive reform resulting in fragmented funding arrangements across a range of centrally-held pots.\(^10\) The Skills Commission found that the fragmented system of Further Education and skills can be a particular challenge for SMEs to navigate. In the absence of formal channels, they have little collective influence over provision.\(^11\) A lack of awareness among employers, about the opportunities for training provision has also been found to be a barrier to employers engaging in the skills system - with complexity in the skill system preventing meaningful engagement.\(^12\)

Skills Accelerator Pilots - Lancashire’s Chambers of Commerce and Lancashire’s Colleges

In April this year, the Department for Education launched the Skills Accelerator programme. This includes an LSIP pilot and the SDF trailblazer. The former aims to offer a method for identifying which local skills needs, particularly technical training needs, can be accurately ascertained and fed directly in to education provision. The latter will seek to build capacity among educational providers, in partnership with employers and other stakeholders, in meeting identified local skills needs. Both the LSIP pilot and the SDF trailblazer are due to be completed by the end of March 2022, with longer-term benefits expected.

The North & Western Lancashire Chamber of Commerce successfully bid for the LSIP pilot and, Myrerscough College on behalf of The Lancashire Colleges for the SDF trailblazer.

Specific activities that the LSIP will undertake include:

- Analysing existing data sources
- Creating employer and stakeholder groups
- An interview process to understand granular level needs

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1 Since its inception in 2017, the levy has been critiqued on the basis that it has shifted provision away from the lower level apprenticeships and towards the re-badging of existing training for already highly skilled employees
Running alongside the LSIP pilot, the SDF trailblazer will seek to foster collaborations among providers, in their approach to delivery, to ensure it is more coordinated. This will include work to strengthen the relationships between colleges and employers in support of sector-specific growth strategies and technology adoption.

More effective relationships between providers and employers that can lead to better intelligence about skills needs reflected in curriculum development and planning will be an important measure of success of the SDF trailblazer - which is being taken forward by a consortium of FE colleges from across Lancashire. The overarching frame of the programme is supporting Lancashire’s businesses to respond to the net zero challenge, through a set of discrete projects across a range of areas such as supporting the growth of renewable energy sources and the development of low carbon manufacturing skills.

What works in engagement between employers and colleges?

Research led by UKCES found that employers are often uninformed about their local college’s offer and some rely on past experiences and assumptions that are often out of date or inaccurate. So crucially, meaningful employer engagement requires colleges invest both time and resources, and take a structured approach that provides sufficient visibility of training offers for local employers.

This should involve a strategic approach to engagement, informed by evidence on local labour market need, engagement with learners about their ambitions and preferences, and identifying partnerships that will align with a college’s own priorities. Through deep consultation and engagement with local employers, colleges are able to plan their provision according to the needs of local employers. This in turn benefits learners, who will be better placed to take up job opportunities with local employers upon completing their courses.

The Cambridge Regional College works closely with employers in sectors such as catering to understand the key skills they need, and as a result is able to base their curriculum around highly specific skills requirements. The college have established a framework for this approach, ‘Passport for Success’, which provides learners with a set of outcomes to work towards which have been approved by prospective employers. This initiative helps to embed employer needs in to provision. The college works with over 2,200 employers and 94% of students successfully progress to employment or further/higher education each year.

Engagement should be sustained through colleges developing their staffing and governance to embed engagement at every level. For example, college Principals interviewed sit on relevant local boards, such as Chambers of Commerce, or the Skills Advisory Panels of Local Enterprise Partnerships (LEPs). These roles provide a strategic oversight of key business skills needs, and allow College Principals to also build an understanding of emerging requirements. Research by the Career Development Institute has found that where there is a member of the senior management team, and a governor with responsibility for employer activities, then employer engagement is more likely to be coordinated, relevant, and consistent. Recruiting dual-role teaching staff is a further approach that can embed current industry requirements in to provision. These staff divide their time between part-time teaching and roles within their respective industry. Colleges can struggle to recruit teaching staff from industry as a result of pay differentials between the Further Education sector and various industry positions, and dual professional roles can help to bridge this cost barrier.

Often colleges will operate with a dedicated team that provides a direct link to local employers, and establish forums to plan partnership work with industry. These teams play a role securing income
and making offers to local employers. This may include offering tailored training to local employers, or the securing of grant funding to deliver subsidised training. For example, Capital City College Group in London includes Head of Schools roles within their structure. These roles do not involve teaching responsibilities, but are instead charged with running the curriculum, and engagement with employers. They are drawn from industry and are professional experts in their field, and are therefore well-placed to link in with key employers.

This research found that employer engagement works well where partnerships play to the respective strengths of training providers and employers. Examples highlighted by interviewees included leveraging industry engagement to access specialist equipment to ensure training closely aligns with real-world scenarios, or collaborating to develop an academy to meet the needs of a growing nuclear sector.

Case study:
Capital City College Group – London Rail Academy and Alstom Rail

Capital City College Group (CCCG) has worked with Alstom Rail since 2018 to develop Rail Industry Engineering apprenticeship programmes, hosted at the London Rail Academy. One part of this partnership involved CCCG assisting Alstom Rail with apprenticeship recruitment activity.

As part of this, CCCG advertised the roles across a range of platforms, including: CCCG’s website and the National Apprenticeship Service website. Alstom Rail and CCCG jointly organised assessment days.

There has been sharp growth in the volume of apprentices recruited for the scheme since the partnership began, rising from 14 apprentices in 2016 to 250 in 2021.

Responsiveness on the part of CCCG, to Alstom Rail’s needs has been critical to the success of the partnership, as commented on by the latter’s Learning and Development Apprenticeship Manager:

“The team are highly professional and focused on the employer needs. What makes them different from other providers is that they listen to our requirements and have the expertise to modify the apprenticeship content and delivery to meet our business needs.”

Open communication channels were also key to delivering an integrated offer. The partners hold regular meetings and maintain an ‘open doors’ policy so that familiarity is built up between the apprentices, the provider and the employer involved. On the basis of a flexible and open working relationship having been cultivated, CCCG has become Alstom Rail’s preferred training provider. In return for their investment, Alstom Rail’s apprenticeship programme benefits from high quality teaching staff, excellent facilities and workspace and good success rates with respect to the proportion of apprentices that successfully qualify and contribute to the business over the long-term.

What factors will be needed to drive effective engagement within local areas?

New LSIPs are a welcome vehicle to drive improved engagement, although they will require intensive collaboration and culture shift in order to catalyse the full benefits of employer engagement. Led by business representative groups, LSIPs will also involve colleges and wider stakeholders within a community. This section focusses on the ways LSIPs should approach engagement to improve learner outcomes within a local community.

1. LSIPs should collaborate with a broad range of local partners

To ensure that new LSIPs deliver meaningful improvements for adult learners, it is essential that they are shaped by consultation and engagement with other organisations and services with insights about the specific needs of a local area.

In a context in which Government is keen to address the ‘missing middle’ of level 4 and 5 learners in the labour market, as identified in the Augur Review, there is a risk that LSIPs and other skills programmes overlook learning required by people who are further away from the labour market. While it is important that higher technical skills are catered for within provision, this should not be at the expense of lower level education, across core skills. Nine million working-age adults lack basic skills across literacy or numeracy.15 To mitigate this risk, the Department for Work and Pensions (DWP) and local employment support providers should be consulted regarding lower level skills needs.
Business representatives leading LSIPs are expected to draw on analysis previously conducted on local adult education needs, for example delivered by Skills Advisory Panels within LEPs.\textsuperscript{16} In evaluating the trailblazer programmes, it will be important to examine how this was approached, to inform future guidance on collaboration.

2. Proactive outreach is essential to effective engagement with SMEs

The majority of employers are small businesses, and many face real challenges in workforce planning. There is clearly real potential for greater engagement between colleges and smaller employers at a local level to address this.

But many SMEs and micro-businesses lack the bandwidth to fully engage with opportunities in the skills system, or indeed engage in workforce planning to the same extent as larger firms. Some struggle to navigate Further Education options available to them, and plans to simplify the skills system through upcoming reforms are a welcome step to address this. Interviewees reported that existing routes for employer engagement, including the creation of apprenticeship standards and validation of technical qualifications, can be dominated by larger firms.

It is expected that Chambers of Commerce will be designated as the ‘business representatives’ in developing the majority of new LSIPs, and while many will certainly be equipped to play the convening role envisaged through the FE White Paper, this will not be the case across the country, with some regions, such as the South West, home to few accredited Chambers.

In this context, it is essential that small employers can see a clear business case for engagement which highlights the prospect of college graduates who are better prepared to start work as a valuable return for their investment of time in shaping curricula or local skills plans. It is crucial that the business representative groups delivering new LSIPs communicate this opportunity for smaller businesses, and engage with trade and sector bodies and local branches of the Federation of Small Businesses to capture a range of small business perspectives. While it is important that LSIPs and SDFs retain flexibility, there may be scope to require that they include small business representation.

How can Government improve funding and accountability to enable more effective employer engagement?

1. Develop a ‘Skills Measure’ that reflects a breadth of learner needs and experiences

At time of writing, the Department for Education is considering proposals for a new ‘Skills Measure’, a metric to understand how well a college is meeting local and national skills needs.\textsuperscript{17} The measure could include progression to high value jobs and progression into a job in a sector related to the learner’s field of study.\textsuperscript{18} This could be significant for colleges - performance against the Skills Measure will likely inform Ofsted’s decision making in prioritising college inspections, representing a shift in approach from performance monitoring grounded solely in attainment of qualifications.\textsuperscript{19}

This new approach has the potential to improve learner outcomes, incentivising colleges to develop provision focussed on equipping adults with the skills required for sustainable employment.

But to achieve this, there needs to be a focus on capturing progress made among learner groups that require greater support with their learning, to mitigate the risk that colleges face perverse incentives to attract learners closest to the labour market. Other research has also drawn attention for the need for a reformed accountability system to include measures against priority groups.\textsuperscript{20}

Adopting this approach would help to support social mobility and ensure that accountability is not overly focussed on the provision of higher technical education, at the expense of level 2 qualifications and below.

2. Facilitate collaboration among colleges

The current funding system fosters competition between colleges that can lead to training that doesn’t reflect the needs of learners or the local economy.

“We compete fiercely and in fact, we compete for employers, and that is something which I find completely bonkers. Because actually what we need to be able to do is establish the best relationship with employers so that we’ve got the pipeline so that we understand what the skills, gaps and shortages are…” (roundtable attendee)
Current funding arrangements require colleges to bid across multiple sources, and typically last for a year, making it harder for college leaders to look ahead to the long term and innovate. This makes it risky for colleges to trial new forms of provision based on anticipating skills needs that may arise through local economic development, particularly where competitor providers locally are offering more conventional provision which offers a more reliable source of income. The high cost of delivering highly specialist adult education is also challenging under the current funding arrangements.

Where a course attracts low volumes of students, colleges may be deterred from offering it, despite demand. Proposals to shift from single to multi-year funding settlements could be a valuable step in enabling colleges to take a more innovative and collaborative approach in developing provision. But the new accountability framework must also measure accountability in the round - which may include decisions to step back from certain provision in some areas, on the basis of partners looking broadly at needs within a place. The focus should not always be on expanding provision and increasing take-up.

There is clearly a need for local provision to be carefully coordinated, within and across sectors, at a regional and national level. The new SDF programme does seek to encourage collaboration among local colleges, by tasking specific colleges with projects that relate to important skills gaps and attempting to build capacity among consortiums of colleges. Regardless of whether the SDF is continued beyond the initial trailblazers, it is essential that future skills policy continues to enable joint work among colleges within local areas.

Achieving cultural change will also be important in helping to foster a more collaborative approach. Competition is deeply ingrained across the skills landscape and it will take time for new ways of working to filter down across the varied forms of delivery within the system. Setting out accountability measures as based on groups of colleges, as opposed to individual institutions, should be explored. This was a recommendation included in the College of the Future Commission’s report for England, in the form of college network strategies.\textsuperscript{21}
Conclusion

Increased employer engagement in the skills system can help to support better outcomes for learners and ensure that key skills gaps are addressed over the coming years. The Government’s intent to enhance the role of employers within the skills system is welcome, but our research has highlighted a set of key challenges that must be considered in order to maximise the benefits of increased employer engagement. How employer engagement takes place is crucial. It is vital that a broad range of local partners should play a role in the specification and delivery of skills needs.

Good practice identified throughout this research found that colleges who had developed close working ties with local bodies such as LEPs, could take advantage of these relationships in building a strong strategic view. It is important that the emerging LSIP model incorporates engagement with groups such as Skills Advisory Panels, as run by LEPs, as well as DWP. Involvement by the latter is vital to ensuring that a broad range of skills needs are considered, including lower level qualifications.

It is hoped that the new funding and accountability measures being devised will address complexity within the skills system and encourage greater collaboration between providers. As part of this, new measures against which colleges will be assessed should also include a priority measure focussed on groups that face disadvantage within local labour markets. This would help to foster social mobility and ensure that broad skills needs are being met.

This research found that deep consultation with a broad range of employers was vital to ensuring educational provision is well matched to local needs. A broad range of employers - critically smaller businesses - should also be consulted within the emerging models of engagement. Smaller businesses can find it more challenging to engage with stakeholders in the skills system but developing a clear offer, in terms of the benefits that will be gained from participation, can help to mitigate this. Again, new models of engagement must ensure that smaller businesses are engaging within the process of understanding skills needs in a place.

Policy recommendations

• Chambers of Commerce should ensure that LSIPs involve broad engagement with a range of businesses. The establishment of SME/microbusinesses panels could be one method for achieving this. The Department for Education should require evidence of extensive engagement as part of the LSIP approval process.

• Employer validation panels for qualifications should include a mandatory and minimum degree of representation of smaller firms.

• The Skills and Productivity Board should ensure the Skills Fund aligns accountability outcomes and funding with industry priorities, as identified through local SDF need mapping. Such an approach would empower providers to invest in future-proofing provision to prepare for new industrial developments in local area.

• The Skills Fund should also include a component that measures progress made among identified priority learner groups. In following national guidance, colleges should have the remit to identify which groups they will prioritise, through consultation with strategic partners such as relevant local authorities.
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The Work Foundation is the leading think tank for improving work in the UK. We have been an authoritative, independent source of ideas and analysis on the labour market and the wider economy for over a hundred years. As the pace of economic change continues to disrupt the ways we work and do business, our mission is to support everyone in the UK to access rewarding and high-quality work and enable businesses to realise the potential of their teams. To do this, we engage directly with practitioners, businesses and workers, producing rigorous applied research that allows us to develop practical solutions and policy recommendations to tackle the challenges facing the world of work. We are part of Lancaster University’s Management School, and work with a range of partners and organisations across our research programmes.

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Striking a balance: engaging employers in the skills system to achieve better outcomes for learners

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