



Research Policy Analysis
Ymchwil Polisi Dadansoddi

EMPLOYER ENGAGEMENT WITH PART-TIME HIGHER EDUCATION

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1.0 INTRODUCTION

1.1 Purpose of the Study

Old Bell 3 Ltd. was commissioned by the Higher Education Funding Council for Wales (HEFCW) in January 2012 to undertake a small scale review of part-time study in higher education (HE), with a specific focus on employer engagement with HE part-time work-based or work-related training for their employees.

The study is intended to assist HEFCW in responding to a request in its Ministerial remit letter for 2011/12 that it should

‘utilise research and evidence to inform future action and to build on the revised arrangements for widening access with particular emphasis on part-time, employer focussed provision and opportunities for progression from further education’.

The review has been commissioned to update and supplement aspects of a report published by the Welsh Government in 2010, *‘Research into part-time higher education supply and demand’*.¹ Although a comprehensive study, the research involved only very limited consultation with employers.

Moreover, there have been major developments in terms of the policy context relating to HE in Wales since the report was written, not least the introduction of a cap on full-time students, key decisions with regard to fees policies, and reductions in public expenditure. Furthermore, whereas in 2010 the economy appeared to be recovering from the deep recession, current economic circumstances are much more uncertain.

The review is therefore intended to update and supplement aspects of the 2010 report by reviewing published data on trends in employer engagement with part-time HE and conducting limited qualitative research with individual employers and with organisations representing or having extensive contact with employers in Wales.

The Specification for the study suggested a wide range of questions about employers’ views and use of HE which the research will attempt to address. In summary, however the key areas of focus for the study were:

- Recent changes in employer demand for higher level skills training and drivers of these changes (e.g. changes to available qualifications such as the introduction of Foundation Degrees; the economic climate; changes in the extent to which employers rely on recruitment of new staff to meet skills shortages or gaps);
- The extent to which there has been any change in the relative importance of HE as part of the ‘mix’ of higher levels skills provision and the reasons for this (e.g. changing requirements in terms of the mix between different sorts of training; the importance of transferable, accredited learning; any perceived changes in the flexibility of HEIs in their approach to employers);
- Likely future changes in employer demand for higher level skills training and anticipated drivers of these changes (e.g. changes in workforce composition; financial or economic pressures);

¹<http://wales.gov.uk/about/aboutresearch/social/latestresearch/researchparttimehe/?lang=en>

- Any anticipated changes to the extent to which HEIs will be used to meet higher levels skills needs and reasons for this (e.g. changes in fees arrangements; availability of alternatives);
- Employer views of the strengths and weaknesses of the current HE provision/ 'offer' in Wales (e.g. marketing/awareness, flexibility and responsiveness to employers' requirements, importance of local provision, cost, quality);
- Any current gaps in higher level skills provision.

It is important to stress that the study was intended to be a small piece of principally qualitative research. In particular it was recognised that within the timescale and resources available it would be impossible to interview a representative sample of employers. It was therefore the intention to combine secondary analysis of broader data and research on employer demand for training with a small number of qualitative interviews with Welsh employers to provide insight into recent and potential future trends of engagement with part-time HE.

1.2 Work Programme

The research has involved the following elements:

- an Inception Meeting to clarify the proposed methodology and agree data sources;
- reviewing relevant HEFCW circulars and other policy documents to ensure that the research team was fully conversant with recent developments;
- reviewing HEFCW's own analysis of Higher Education Statistics Agency (HESA) data on trends in part-time provision in Welsh HEIs as well as papers on the Higher Education- Business and Community Interaction Survey (HEBCIS) data for 2009/10 which were presented to HEFCW's Research, Innovation and Engagement Committee in June 2011²;
- reviewing a range of secondary research undertaken by the UK Commission for Employment and Skills (UKCES) related to employers' demand for and use of higher levels skills training including:
 - Skills for Jobs: the National Strategic Skills Audit for Wales;
 - UK Employer Skills Survey, 2011 – First Findings Report;
 - UK Employer Perspectives Report, 2010 – Evidence Report;
 - Working Futures 2010-2020;
 - Ambition 2020: World Class Skills and Jobs for the UK: 2010 report;
 - The National Employer Skills Survey (NESS) for England, 2010³;
- reviewing other relevant data and secondary research including:
 - Annual Population Survey data on numbers and percentage of employees accessing training in the previous four and 13 week

² HEBCIS is an annual exercise used to assess the volume and development of knowledge exchange activity between the HE sector and business and the wider community. Business in the context of HEBCIS means both private companies of all sizes and sectors and public bodies such as the NHS. Community is taken to mean society as a whole and includes all its social, civic and cultural components.

³ Although this survey was conducted only in England, it is the best source of data on post-recession trends in the UK in attitudes to skills training, pending the publication of the full results of the UK Employer Skills Survey later this year.

- periods⁴;
 - ‘*The South East Wales Employer Forum: A Stakeholder analysis of the current STEM skills shortages and links between Education and Business*’⁵;
 - ‘*The Impact of the 2008-9 Recession on the Extent, Form and Patterns of Training at Work*’⁶;
 - The CBI Skills Survey 2011⁷;
 - ‘*Stronger Together: Business and Universities in Turbulent Times*’⁸;
- developing two semi-structured topic guides, one for individual employers and one for representative organisations and agreeing these with the client;
 - receiving contact data from Industrial Liaison Officers (ILOs) from each of the HEIs for around 60 employers currently using HEIs for the provision of learning or training for some of their workforce and drawing a sample of around 35 employers to invite to participate in the research;
 - undertaking telephone interviews with Sir Adrian Webb (Welsh Commissioner on the UKCES) and representatives of a range of organisations expected to have some insight into employers’ demand for higher level skills:
 - the Alliance of Sector Skills Councils;
 - Business in the Community Cymru;
 - the National Leadership and Innovation Agency for Health (NLIAH);
 - the Federation of Small Business;
 - the Welsh Local Government Association (WLGA);
 - the Wales TUC;
 - CBI Wales;
 - undertaking telephone interviews with a total of 13 employers: this included a good mix of large and small employers, from the public, private and third sectors and from a range of employment sectors, and involved employers who had used training provided by almost all of the Welsh HEIs;
 - preparing an interim report and making a presentation to a HEFCW seminar on 23 February 2012 on ‘*Part-time study in higher education for a buoyant economy and social inclusion*’⁹;
 - chairing a workshop on ‘*part-time study and employer engagement*’ at the seminar in which around 25 delegates participated.

⁴ See:

<https://www.nomisweb.co.uk/query/construct/components/variableComponent.asp?menuopt=7&subcomp=130>

⁵ Business in the Community, Cardiff’s Metropolitan University and National HE STEM Programme Wales, September 2011

⁶ Felstead, A., Green, F., and Jewson, N. (2011) *The Impact of the 2008-9 Recession on the Extent, Form and Patterns of Training at Work*, published by the Centre for Learning and Life Chances in Knowledge Economies and Societies at: <http://www.llakes.org>

⁷ CBI, 2011 ‘*Building for growth: business priorities for education and skills: Education and Skills Survey, 2011*’ at: http://www.cbi.org.uk/media/1051530/cbi__edi_education__skills_survey_2011.pdf

⁸ The report of the CBI Higher Education Task Force, CBI 2009.

⁹ Papers are available on the HEFCW website: <http://www.hefcw.ac.uk/news/events/events.aspx>.

1.3 Structure of the Report

In the remainder of this report, we first (Section 2) consider, as context, what the 'supply side' evidence from HESA and HEBCIS data as analysed by HEFCW suggests, before turning to the findings from our desk-based review of evidence on employer need and demand for skills (Section 3). We then report on the findings from our qualitative fieldwork with employers and representative organisations (Section 4) before attempting to draw some conclusions and recommendations for HEFCW (Section 5).

2.0 SUPPLY-SIDE EVIDENCE

2.1 Introduction

The study was deliberately focused on employer demand for, and use of, higher level part-time skills training in general and HEIs in particular, rather than on supply side data, which is being more fully analysed within HEFCW as part of the package of work to respond to the HEFCW's remit letter.

However, in order to put into context what follows, it may be useful to summarise some headline findings from HEFCW's own analysis of HESA data on part-time enrolments and also to consider what HEBCIS tells us about current engagement between HEIs and employers in terms of training from the perspective of the HEIs.

2.2 Part-time enrolments

Turning first to the data on part-time enrolments, it is important to note that this data includes all credit-bearing part-time study, whether or not it is related to current employment and does not enable work-related study to be separately identified.

Significantly, it excludes any provision which is not credit-bearing and therefore may omit some bespoke training provided for employers by HEIs. While our fieldwork for this study and our work in relation to the 2010 Welsh Government study suggests that most provision – even where it is tailored to the requirements of specific employers – is credit-bearing, in theory it would be possible for there to be a significant increase in employer-focused training without this registering in this data set.

Moreover, HEFCW's analysis of the HESA data concentrates on undergraduate enrolments. While this is appropriate, in that the greatest part of the enrolments at lower levels, recorded as 'further education'¹⁰, is likely to be in the form of community or access-type provision and Welsh for Adults activity, it does mean that some elements of workforce training delivered by HEIs are not captured. Similarly, some proportion of postgraduate part-time enrolments will be employment-related, though the overall volume of postgraduate enrolments is significantly smaller.

Bearing these *caveats* in mind, the analysis of HESA data already undertaken by HEFCW suggests that:

- There has been a steady drop in part-time undergraduate enrolments at Welsh HEIs from 2006/07 to 2010/11: in all, enrolments have fallen by 24% over the five year period, or 16% excluding Trinity Saint David, where the recent merger has led to major changes in the extent of, and way of recording part-time enrolments. This is a more significant fall than for the UK as a whole where the comparable figure was 8%, although this average conceals very significant variations across different regions outside Wales, with the North West, London, the South East, the South West and Scotland all showing showing falls of more than 20%;
- Part-time undergraduate enrolments have fallen over this period at every Welsh HEI, with the exception of the Open University in Wales: there have been particularly sharp falls at Trinity Saint David (69%), Bangor (58%), Glamorgan (48%) and Swansea (30%);

¹⁰ Recorded in the data as FE enrolments

- Part-time enrolments at the Open University in Wales have increased by 45% over the period, and now account for more than a quarter of all undergraduate part-time enrolments in Wales compared to 13.5% in 2006/07;
- However, the sharpest annual fall (of 14%) in part-time enrolments in Wales occurred between 2008/09 and 2009/10, with a much smaller drop (of 2%) between 2009/10 and 2010/11, whereas in the UK as a whole, the largest fall was between 2009/10 and 2010/11;
- Part-time enrolments have also fallen as a proportion of all undergraduate enrolments from 40% in 2006/07 to 32% in 2009/10: though in Glyndŵr and Newport they still accounted for more than 50% of all enrolments;
- There has been a steady growth in the number of part-time Foundation Degree (FD) enrolments (though from a low base) and in first degrees being studied on a part-time basis;
- However, the proportion of **all** FD enrolments which are for part-time study has fallen from 56% in 2006/7 to 42% in 2009/10;
- The largest decline in terms of type of qualification has been in those studying for 'institutional credits/other qualifications' (from 15,437 or 59% of all part-time enrolments in 2006/07 to 9,640 or 43% of all part-time enrolments), possibly indicating a continued trend to higher average credit volumes;
- The proportion of part-time undergraduate entrants who already have a higher education qualification has increased from 40% in 2006/07 to 49% in 2009/10.

2.3 HEBCIS data

The HEBCIS collects a wide range of information about interactions between HEIs and business and the wider community. For the purposes of this study, the most interesting data is that collected in connection with 'Courses for business and the community - Continuing Professional Development (CPD) courses and Continuing Education (CE)' – where CPD is defined as '*A range of short and long training programmes for learners already in work who are undertaking the course for purposes of professional development/upskilling/workforce development.*'¹¹

This excludes pre-registration training funded by the NHS (which is, in any case, undertaken mostly on a full-time basis). More importantly it also excludes Foundation Degrees '*regardless of whether the programme of study constituted continuing professional development.*'¹² As with data on part-time enrolments, HEBCIS does not therefore provide a complete picture of all employment-related training or learning being undertaken within HEIs.

¹¹ HESA guidance on completing Table 2 of the HEB-CI survey: see: http://www.hesa.ac.uk/index.php?option=com_content&task=view&id=1315&Itemid=233

¹² *Ibid*

Nevertheless, analysis of the data submitted by Welsh HEIs for 2009/10 (the latest year for which data are available)¹³ suggests:

- There was a fairly sharp drop in the total number of days of Continuous Professional Development (CPD)/Continuing Education (CE) delivered by Welsh HEIs between 2008/9 and 2009/10 (nearly 30%), whereas in England the picture was fairly static and in Scotland there was a far more dramatic fall;
- However, total revenue generated from employers for CPD/CE increased marginally (2.3%), while that generated from individuals fell by nearly 30%;
- 74% of all revenue generated from CPD/CE comes from non-commercial employers (presumably, the public sector), with commercial employers accounting for only 5.5% of revenue or £1.9 million in total (of which £1.5 million comes from SMEs): the remaining 21% comes from individuals own payments. By comparison, in England, commercial employers account for around 23% of all CPD/CE revenue (a little over £110 million), non-commercial employers for 47% and individuals for 30%;
- Cardiff University's income from non-commercial organisations accounted in 2009/10 for almost two thirds of all income generated from CPD/CE by all Welsh HEIs, though it accounted for only 10% of CPD/CE training days.
- Three HEIs (Glamorgan, Aberystwyth and Bangor) accounted for almost all the revenue reported as generated from SMEs, while three HEIs (Bangor, Cardiff and Glamorgan) between them accounted for 94% of the revenue reported as generated from larger commercial businesses.

2.4 Conclusions

Overall, then the HESA and HEBCIS data suggest that part-time provision has continued to be under pressure over the last two years since the 2010 report on part-time HE was published. While there is no conclusive evidence that part-time, employer- focussed provision has reduced, the combination of the data on part-time enrolments and the HEBCIS data does suggest that it is unlikely to have increased significantly.

Moreover, the HEBCIS data clearly suggest that revenue generated by Welsh HEIs from employer-focused learning is mostly derived from non-commercial (and almost certainly public sector) employers, with Welsh HEIs apparently securing relatively small levels of income from private sector employers compared with English HEIs – although this undoubtedly in part reflects the overall economic environment in Wales, with a very strong public sector and relatively few Welsh-headquartered large companies.

¹³ See HEFCW Research, Innovation and Engagement Committee Paper RIEC/11/11 'HE-Business and Community Interaction Survey 2009/10' Annex C, Table 2c

3.0 DEMAND SIDE EVIDENCE: SECONDARY RESEARCH

3.1 Introduction

Turning now to the research which we have undertaken, we first consider the evidence from our desk-based review of available data and literature, before (in Section 4 below) considering the findings from our fieldwork with employers and representative organisations.

It is important to note that there are serious limitations in terms of the range of evidence available specifically about the need, and demand for, higher-level skills training in Wales, though the UK Employer Perceptions Survey does contain useful data on use and perceptions of HE providers by both Welsh and UK employers (based on a sample of nearly 2,000 Welsh employers). The UK Employer Skills Survey (with a sample size of nearly 6,000) will provide much more detailed information on workforce skills issues, but has not yet been published (a detailed Welsh report is expected in the summer). In the meantime and in the absence of a large-scale survey of Welsh employers' views on skills issues since the recession, we have used the England-only National Employer Skills Survey to draw inference on likely trends in terms of skills gaps and shortages.

In this section, we first consider evidence from the Office for National Statistics' Annual Population Survey on work-related training (Section 3.2), before considering what the literature suggests about the *need* for higher-level skills¹⁴ (Section 3.3), employer *demand* for higher-level skills (Section 3.4), recent and prospective trends in employer provision of training (Section 3.5), the role of HEIs in providing training for employers (Section 3.6), satisfaction with HEI provision (Section 3.7) and employers' reasons for not using HEIs or not training more generally (Section 3.8) before drawing some conclusions (Section 3.9).

3.2 Evidence from the Annual Population Survey (APS)

The ONS uses data from the APS to provide estimates of the proportion of the whole population and the working age population in Wales receiving work-related training over the previous four week period and the previous thirteen week period. The most recent data relate to the year from July 2010- June 2011. While the data do not distinguish between on the job and off the job training or provide information on the qualification levels of training (thus making it impossible to identify trends specifically in the provision of higher-level skills training), they do provide valuable evidence on trends over time in terms of the amounts of work-related training being provided.

In Table 3.1 we provide headline data for Wales for the period 2006/07 to 2010/11. For the purposes of this analysis we have concentrated primarily on data relating to the employed and self-employed population aged 16-64 in order to minimise the effects of rising unemployment.

¹⁴ In this report we use higher-level skills to refer to skills at level 4 on the Credit and Qualifications Framework for Wales/National Qualifications Framework and above: level 4 relates to a Certificate of Higher Education, broadly equivalent to study at first-year of an undergraduate qualification or a Higher National Certificate

Table 3.1: Proportion of workforce receiving job-related training, Wales (Selected data)

	2006/7	2007/8	2008/9	2009/10	2010/11
% Receiving job-related training in last 4 weeks					
All employees & self employed aged 16-64	14.8	14.8	14.3	14.3	14.9
In managerial and prof. occupations	19.9	19.8	18.7	18.8	18.9
In private services	12.0	12.4	11.9	11.4	12.6
In production	8.4	10.1	9.6	10.0	12.1
In public sector	23.5	21.7	21.4	21.2	20.7
% Receiving job-related training in last 13 weeks					
All employees & self employed aged 16-64	30.0	29.4	28.8	27.9	28.7
In managerial & prof. occupations	40.0	39.2	37.3	36.9	36.9
In private services	23.4	23.6	22.7	20.7	22.7
In production	20.7	21.0	20.2	20.9	23.4
In public sector	46.4	43.6	42.7	42.4	41.1

Source: Annual Population Survey, NOMIS

Looking first at the data relating to training in the last four weeks, our analysis shows that:

- The proportion receiving training over the previous four weeks fell quite sharply between 2007/8 (14.8%) and 2008/9 (14.3%), remained at this level in 2009/10 but rose again to 14.9% in 2010/11;
- In absolute terms (not shown in the table), however, the number of employees receiving training in the last four weeks was still lower in 2010/11 (185,700) than in 2007/8 (191,300), having fallen to a low point of 179,500 in 2009/10, reflecting the fall in the employed workforce;
- Relatively, however, these changes are quite modest – with a reduction from peak to trough of only around 6% in the total number of workers receiving training;
- Across the whole five year period, those in managerial and professional occupations (who were most likely to be accessing higher-level skills training), were around twice as likely to be receiving training than those in other occupations;
- But the proportion of those in managerial and professional occupations (in the whole working age population) receiving training fell from a peak of 19.9% in 2006/7 (representing 99,200 individuals) to a trough of 18.7% (or 91,900 individuals) in 2008/9 and has only recovered slightly to 18.9% by 2010/11¹⁵
- There appears to be a gender differential (not shown in the table), with the proportion of women in employment receiving training falling more sharply and not recovering as quickly as the proportion of men: in 2010/11, 13.4% of men and 10.4% of women received training in the last four weeks, a 'gender gap' of 3% compared to only 0.9% in 2006/7;

¹⁵ Since the data here relates to the whole working age population, the slower recovery is due to the increased rate of unemployment and is mirrored by the experience in the broader population.

- There also appears to be a divergent trend between the public and private sectors: although public sector employees remain more likely to be receiving training, the proportion of employees receiving training in the last four weeks continued to fall for the public sector between 2009/10 and 2010/11 (from 21.2% to 20.7%), whereas in the case of the private services and the production sectors it bounced back (from 11.4% to 12.6% and from 10.0% to 12.1%);
- Overall, the proportion of public sector employees receiving training in the last four weeks fell consistently over the five year period from a peak of 23.5% in 2006/7.

Similar patterns emerge from the analysis of the data relating to training during the last 13 week period:

- The proportion receiving training over the previous 13 weeks fell steadily between 2006/7 (30%) to 2009/10 (27.9%) before recovering somewhat to 28.7% in 2010/11;
- In absolute terms, however, the number of employees receiving training in the last 13 weeks was lower in 2010/11 (356,900) than in 2006/7 (384,900), a fall of around 7%;
- Across the whole five year period, those in managerial and professional occupations (who were most likely to be accessing higher-level skills training), were around twice as likely to be receiving training than those in other occupations but the proportion of those in managerial and professional occupations (in the whole working age population) receiving training fell from 40% in 2006/7 to a low of 36.9% in 2009/10 with no recovery in 2010/11¹⁶;
- There was again a sharper and more consistent trend of a falling proportion of women receiving training than men, possibly related to the high proportion of women working in the public sector;
- While public sector employees were much more likely than their private sector counterparts to receive training, there was a divergence between the trends within the public and private sectors over time: the proportion of public sector employees fell from 46.4% in 2006/7 to 41.1% in 2010/11, with a particularly sharp fall between 2009/10 and 2010/11, whereas in both the private services and production sectors the levels of training recovered sharply (from 20.7% to 22.7% and from 20.9% to 23.4% respectively).

Overall, the APS suggests that the volume of training fell through the recession, with women being particularly badly affected, but has begun to recover in the private sector; and that, while the proportion of employees receiving training has traditionally been and continues to be much higher within the public sector, the trend in the last two years has been for a fairly sharp contraction in training provision for those within the public sector workforce, presumably reflecting the cuts in public expenditure.

¹⁶ Since the data here relate to the whole working age population, the slower recovery is due to the increased rate of unemployment and is mirrored by the experience in the broader population.

3.3 The Need for Higher-Level Skills

UKCES research suggests that, across the UK, the ageing population, the fact that a high proportion (around 80%) of those who will be in the workforce in 2020 are already of working age and the rapid pace of technological and economic change are expected in the longer term to increase the demand for higher level skills in the workforce and to drive demand for upskilling of existing employees.¹⁷

In this context, the occupations within Wales which are growing most rapidly are generally ones which require higher levels of skills, while unskilled occupations generally continue to decline in importance: thus, half of the fastest growing occupations in Wales have a dominant qualification requirement at level 4 or above, whereas the majority of the most rapidly declining occupations require qualifications only at level 2 or below.¹⁸

In total, the share of the workforce in Wales employed in the more highly-skilled occupational categories (managers, professionals and associate professional/technical) is expected to increase from 37% of current jobs to 41% by 2017 – a growth of more than 70,000 jobs.¹⁹

In terms of specific future skills needs in Wales, UKCES research suggests that many of these relate to higher level skills, where HEIs potentially have a role to play, notably:

- A growing requirement for corporate managers across a wide and diverse range of sectors including health and social care, business services, hospitality and retail;
- Skills relating to managers' capability to exploit technology effectively, to drive innovation and the commercialisation of new products;
- A continued growth in demand for health associate professionals in response to an ageing population and other key drivers;
- A widespread need for change management skills to address the impact of public sector reform, technological change, increasing consumer demands and global competition;
- Demand for IT professionals to support the development of the ICT sector and the digital economy – particularly a need for high level security and data protection skills;
- Demand for teaching professionals in the education sector and health professionals in the healthcare sector;
- Growing occupational and skills demands in customer service as well as cross-cutting employability skills such as communication, literacy and numeracy, team working, problem solving and ICT skills;
- Growing demand for Welsh language skills, particularly in customer-facing roles in sectors such as public administration, education, hospitality and passenger transport.²⁰

¹⁷ UKCES: Working Futures 2010-2020, Evidence Report 41, December 2011

¹⁸ UKCES, Skills for Jobs: the National Strategic Skills Audit for Wales, Vol. 2 – Evidence Report June 2011, pp.122-127

¹⁹ Ibid

²⁰ Ibid., pp.129-139

3.4 Employer Demand for Higher- Level Skills

While the UKCES evidence points to the *need* within the UK economy for an increasing supply of higher-level skills, UKCES research has also increasingly urgently flagged up what it sees as a demand-side problem in terms of skills within Wales and the UK more generally.

‘There is some evidence of a significant level of “underemployment”, where some workers are over-qualified and over-skilled for the jobs that they are doing....Quantitatively, as with the UK as a whole, the issue is primarily one of un-used/underutilised skills, associated with a deficiency of demand, rather than one of skill needs that are currently unmet’.²¹

The National Strategic Skills Audit for Wales suggests that at all levels within the Welsh workforce (apart from those with no qualifications, and those requiring professional qualifications), there is an over-supply of qualified individuals compared to jobs requiring skills at that level: estimating that in 2006, for example, there were 31% more graduates than graduate jobs and 14% more individuals qualified at level 4 and above than there were jobs requiring this level of qualifications.²²

Moreover, across the UK as a whole, while there are more jobs requiring higher-level skills (defined, in this case, as those requiring any tertiary education) than there are people with qualifications at that level, the supply of those qualified at this level or above has been growing around seven times faster than the number of higher skilled jobs, with the growth in UK demand for higher skilled jobs being far slower than in most OECD countries.²³

In addition, the UKCES estimates that the downturn in economy has reduced skills shortages vacancies, with employers consequently being more likely to be able to meet skills shortages by recruitment rather than upskilling.

Overall, UKCES estimates the actual number of skill shortage vacancies in Wales in 2011 to be low (at around 2,000 compared to some 1.4 million within the workforce), with only around 2% of establishments affected by such vacancies. Smaller organisations employing fewer than 25 employees (which, as we shall see are least likely to look to external training providers in general and HEIs in particular, to meet skills needs) are thought to account for most of these establishments. Against this, however, UKCES also notes that *‘associate professional and skilled trades are the occupations which account for the greatest share of skill shortages’* – occupations which, to some extent at least, may require higher-level skills.²⁴

3.5 Recent and Prospective Trends in Employer Training

Evidence from the National Employer Skills Survey in England suggests that while the proportion of employers providing some training over the previous year broadly remained at the same level (68%) between 2007 and 2009, the overall number of employees receiving training fell quite sharply from 14 million (63% of the workforce) to 12.8 million (56% of the workforce), while total employer expenditure on training

²¹ Ibid., pp. 63-64

²² Ibid., p.58

²³ UKCES: *Ambition 2020: World Class Skills and Jobs for the UK: The 2010 Report*, p.93

²⁴ UKCES, *Skills for Jobs: the National Strategic Skills Audit for Wales, Vol. 2 – Evidence Report June 2011*, p.48

fell, after adjusting for inflation, by around 5%.²⁵ This suggests employers responded to the recession by reducing the amount of training being offered to employees.

The more recent Employer Perceptions Survey, 2010 which covers the whole of the UK, suggests a sharper fall in employers providing training – possibly reflecting the first impact of public expenditure cuts - with only 60% of all Welsh employers (the same figure as for the UK as a whole) providing some training compared to 69% at the time of the previous Employer Perceptions Survey in 2007/8.²⁶

However, Felstead et al, on the basis of more detailed research with the NESS, point out that it is important not to exaggerate the change in employer behaviour seen as a result of the recession, suggesting only a minority of employers significantly changed their behaviour in this regard:²⁷

'the largest two categories of employer are those who made little change to their overall training effort (44.5 per cent) and a third (33.4 per cent) who claimed to do no training at all in the previous 12 months. Only one in seven employers (14.2 per cent) cut training volumes, while around one in twelve (8.0 per cent) actually increased their effort... According to NESS the vast majority of employers report that their training expenditure, its coverage and its character has remained unchanged, with the recession doing little to knock employers off course. A small minority of employers have even increased training volumes, although there are many more who have made cut backs'.

Evidence from the NESS in England suggests an increasing tendency to use external providers ('off-the-job training'), with 72% of employers who provided some training having used external providers compared to 62% in the equivalent survey in 2007²⁸, although only a relatively small minority of all those trained (24%) are thought to have undertaken training towards a nationally recognised qualification.²⁹ Similarly, the Employer Perspectives Survey suggests that 42% of all Welsh employers - equivalent to 70% of those employers who undertake some training - use off-the-job training.³⁰ However, qualitative research by Felstead et al. suggests that employers may be increasingly looking at in-house provision to cut costs.³¹

The evidence across UKCES surveys consistently points to the fact that large employers and the public sector are much more likely to upskill staff and are more likely to use external providers, including HEIs, though are less likely to be concerned by external qualifications.

Thus data from the Employer Perspectives Survey show that in 2010:

- In 94% of workplaces employing over 250, employers provided some training compared to 44% of those employing between two and four employees;
- 86% of public sector employers organised training for their staff compared to 57% of private sector employers and 79% of third sector employers: though partly a function of size, the correlation of public sector employers with high levels of training remained true even after this was taken into account;

²⁵ UKCES, National Employer Skills Survey for England, 2009: Evidence Report 43 - August 2010, p.152 and p.166

²⁶ UKCES, UK Employer Perspectives Survey 2010 Evidence Report 25, January 2011

²⁷ Felstead et al (2011) pp. 10-11

²⁸ UKCES, National Employer Skills Survey for England, 2009: Evidence Report 43 - August 2010, p.152

²⁹ Ibid., p. 185

³⁰ UKCES, UK Employer Perspectives Survey 2010 Evidence Report 25, January 2011, p. 91

³¹ Felstead et al (2011) pp. 10-11, p.26

- 90% of establishments employing over 250 employees which provided training (and 84% of all establishments of this size) used some external training provision compared to 66% of those employing less than 10 which provided some training.³²

Evidence from the Employer Perspectives Survey also suggests that employers with stable workforces are significantly less likely to provide training (54% of employers) than those where employment is growing (79%) or even where jobs are being lost (65%).³³ Perhaps unsurprisingly, high levels of training provision are also associated with workplaces with product market strategies which seek to position the business goods and services towards the top end of the market.³⁴

Generally, UKCES survey evidence does not point to any major falls or changes to patterns of demand for upskilling going forward: 69% of all employers in England responding to the NESS in 2009 were anticipating making training available over the next 12 months compared to 68% who had done so in the previous year: this rose to 88% in the case of larger employers and more than 80% of all employers in education, public administration and defence and health and social services.³⁵

3.6 The Role of HEIs in Providing Higher-Level Skills Training for Employers

UKCES Survey evidence shows that HEIs are clearly a relatively modest part of the overall provision of skills training, and something of a niche market as far as employers are concerned.

The Employer Perspectives Survey shows that across the UK as a whole only 8% of all employers (or 13% of employers that provide training) use HEIs, compared to 33% (54%) using private training providers, 14%(23%) using FEIs and 11% (19%) using not-for-profit or third sector providers. Table 3.2 below shows how this pattern varies only slightly across the home nations, with Welsh employers marginally more likely to use HEIs, somewhat less likely to use private training providers and somewhat more likely to provide only on-the-job training.³⁶

Table 3.2: Proportion of employers providing training who make use of external training providers

%	Private Training Providers	Further Education Colleges	Third sector / Not for profit providers	University / HEIs	No external providers	Don't Know
All	54	23	19	13	29	2
England	55	23	19	13	29	
Scotland	51	25	17	12	32	2
Wales	48	25	19	14	33	1
Northern Ireland	56	24	25	17	27	2

Source: UK Employer Perspectives Survey 2010 Evidence Report 25 (January 2011)

³² UKCES, UK Employer Perspectives Survey 2010 Evidence Report 25, January 2011, p. 91

³³ Ibid., p.89

³⁴ UKCES: Ambition 2020: World Class Skills and Jobs for the UK: The 2010 Report, p.93

³⁵ UKCES, National Employer Skills Survey for England, 2009: Evidence Report 43 - August 2010, pp. 139-140

³⁶ UKCES, UK Employer Perspectives Survey 2010 Evidence Report 25, January 2011, p. 141-2

As with training in general, the propensity for employers to use HEIs to meet at least part of their training needs increases with the size of the workplace by number of employees, with 54% of surveyed employers with 250 or more employees and who develop their workforce making use of HEI provision compared with only 6% of those employing between two and four employees.³⁷

Across the UK as a whole, public sector employers are also much more likely to use HEIs to meet some or all of their training requirements: 28% of public sector employers who train use HEIs for some or all of their training provision compared to 20% of third sector employers and 10% of private sector employers. Private sector employers are five times more likely to be using private training providers than HEIs, with only 10% of even those employers who train making any use of HEIs.³⁸

The strong representation of the public sector in the use of HEIs is reflected even more starkly when looked at by sector classification. The key sectors using HEIs for training include education (with 37% of employers who train using HEIs), public administration and defence (32%) and health and social work (26%). Even for these sectors, however, HEI provision is just one part of the mix, with a greater proportion of employers in each case using private training providers and FE than HEIs.

By contrast, sectors such as agriculture, personal household goods, hotels and restaurants and transport make minimal use of HE provision (with less than 10% of employers who train using HEIs).³⁹

3.7 Satisfaction with HEI provision

The Employer Perspectives Survey also provides evidence on satisfaction with training provided by HEIs and other external providers.

Employers who made use of HEI provision were asked to rate their satisfaction on a scale of 1 to 10 and on average (across all UK respondents) the mean score given to HEIs was 7.7, indicating a fairly high level of satisfaction with the provision available. However, private training providers scored somewhat more highly (with an average score of 7.9) while third sector providers (at 7.6) and FE Colleges (at 7.4) were viewed somewhat less favourably.⁴⁰

Employers from the third sector (7.8) and public sector (7.7) were marginally more likely to give HEIs a higher score than private sector employers (7.6). Amongst industrial sectors, employers from the construction (7.8), personal household goods (7.9), education (7.8), health and social work (7.9) and other community services (7.9) rated HEIs more highly than the average while employers from hotels and restaurants (7.1), transport (6.6) and financial mediation (6.8) were significantly less positive.

At a general level, satisfaction with HE provision tended to reduce as the size of the employer increased, despite the fact a far lower proportion of small employers use HEIs: thus, 69% of those employing between two and four employees who had used HEIs gave a score of between 8 and 10 compared with 55% of those employing 250

³⁷ Ibid Page 142

³⁸ Ibid.,

³⁹ Ibid.

⁴⁰ Ibid., p.145. These findings were echoed in the CBI Employer Education and Skills Survey, 2011 (p.43) which found that 44% of employers using HEIs were satisfied with HEIs' 'responsiveness to your organisations training requirements', the same as for FEIs but below the 65% who said they were satisfied with private training providers.

or more employees.

Finally, Table 3.3 presents satisfaction levels with HEI provision amongst surveyed employers across each of the home nations: interestingly Welsh employers also returned a mean score of 7.7, although were more likely to give a mediocre score (4-5) than those in England and less likely to give a score at either extreme.⁴¹

Table 3.3: Satisfaction with Universities amongst UKCES Employers Perspective Survey

%	Score 1-3 (with 1 being not at all satisfied)	Score 4-5	Score 6-7	Score 8-10 (With 10 being extremely satisfied)	Don't Know	Mean Score
All	3	7	24	63	4	7.7
England	3	6	23	63	4	7.7
Scotland	2	12	26	59	5	7.7
Wales	Less than 0.5%	12	26	59	2	7.7
Northern Ireland	2	2	35	58	4	7.7

Source: *UK Employer Perspectives Survey 2010 Evidence Report 25 (January 2011)*

This pattern was not repeated in respect of FEIs, where Welsh respondents were more likely to give scores of 8 – 10 and less likely to give scores of 4-5 than was true for the other home nations, with Welsh employers providing a higher mean score (7.5) than that for the UK as a whole (7.4).⁴²

Across all UK employers, the main reasons cited by the minority of employers who used HEIs but were dissatisfied with HEI provision related to a view that course content was either too basic, too general or too theoretical (cited by 57% of those dissatisfied), followed by the quality of teaching (24%) and 'poor management' (16%). The same reasons, in broadly the same order were given in response to similar questions with regard to dissatisfaction with private training providers and FE Colleges, although value for money was a more significant concern (14%) amongst employers dissatisfied with private training providers.⁴³

3.8 Reasons for Not Using HEIs – and for Not Training

The main reason which employers responding to the Employer Perspective Survey cited for not using HEIs was that courses were not relevant (50%), that they had no need for HE level training (12%) and that they preferred to train in house (10%). Only 5% of employers said that courses were too expensive, with 4% saying that they did not know enough about what courses were available and only 3% that the lack of a HEI within the local area was an issue.

However, the NESS suggests that in England, just under half of all employers who provided training would have liked to provide more. For these employers, the most commonly cited barriers to providing more training were the cost of training and/or a lack of funds (reported by 60 per cent of trainers unable to undertake as much training as they would have liked, equivalent to 28 per cent of all employers) and an inability to spare further staff time (49 per cent). These were also the most commonly reported barriers in the equivalent survey in 2007, although both were reported less frequently in 2007 (49 per cent and 42 per cent respectively), suggesting that the

⁴¹ *Ibid.*, p.144

⁴² *Ibid.*, p.143

⁴³ *Ibid.*, p.146

recession had made it more difficult for employers to undertake as much training as they would like.⁴⁴

Cost was also the second most common reason (though cited by only 6%) for not training at all, although this figure was twice as high as in the equivalent survey in 2007. The view that the employer's workforce had all the skills needed was by far the most commonly cited reason for not providing workforce training by those employers who did not train at all (with 62% giving this reason).⁴⁵

3.9 Conclusions

Overall, then, the literature highlights the fact that those using HEIs to meet training needs are generally satisfied with what is available, but that this is a small minority of all employers, strongly biased towards larger employers and those in the public sector: interestingly, smaller employers who do use HEIs are particularly likely to be pleased with the provision.

Employers who make no use of HEIs are unlikely to cite issues related to the perceived cost or availability of HEI provision, or even their own lack of knowledge of what HEIs have to offer: rather, it is a view that employees are already sufficiently skilled, or do not have a need for the sort of provision which HEIs provide which predominates, although more generally financial constraints and the difficulty of releasing employees for training are barriers which prevent employers who wish to undertake more training from doing so.

While an analysis of broader economic trends may suggest that the need for higher-level skills will increase, there is less evidence that this is translating into increasing employer demand for higher-level skills training as yet, though equally there is as yet limited evidence of any sharp decline in employers' propensity to look to external training provision to meet skills needs more generally, despite the difficult economic circumstances.

However, the large share of HEI provision which is related to the public sector may prove a challenge to HEIs as public sector budgets continue to be under pressure over the next few years: the APS suggests that the levels of training within the public sector are falling, even as those within the private sector have started to recover.

⁴⁴ UKCES, National Employer Skills Survey for England, 2009: Evidence Report 43 - August 2010, pp. 193-4

⁴⁵ *Ibid.*, p. 195.

4.0 DEMAND-SIDE EVIDENCE: PRIMARY RESEARCH

4.1 Introduction

We turn now to the findings emerging from our qualitative research with employers and representative organisations, drawing also on the discussion at the workshop session in the HEFCW seminar on 23 February 2012.

In doing so, we need to make four significant *caveats*:

- Firstly, the interviews with employers inevitably represent a snap-shot of a small (though varied) group of employers. Given the small scale of the sample, we have highlighted issues raised by only one or two employers but we cannot be sure if these are representative or not.
- Secondly, our selection of employers is by definition not representative as it was agreed at inception that we should focus on employers already using HEIs and that (given time constraints) contact data should be sourced via HEIs themselves: it is also likely that, although we have drawn our sample from a longer list of suggested employer contacts, there is some selection bias, since Industrial Liaison Officers are perhaps unlikely to have put forward organisations where relationships have been difficult or problematic. However, the interviews have shown that employers were willing to speak frankly.
- Thirdly, employer interviewees, particularly from larger organisations, have often not had an overview of all the procurement of training within their organisations but have only been able to speak about their specific part of the organisation: in many cases, it was not possible to get comprehensive information about the overall scale of training budgets, for example.
- Fourthly, as we anticipated the representative organisations have generally been able to speak only impressionistically rather than on the basis of detailed feedback from employers.

Nevertheless, as already noted, the 13 employers interviewed represent a good mix of experience of those using or in touch with HEI provision. In particular, they included:

- both larger (seven) and SME (six) employers⁴⁶;
- employers within the public (three), private (nine) and third (one) sectors,
- employers from different industrial sectors within the private sectors (with three manufacturing companies, one utilities company, one media production company, one financial services company and three professional services companies amongst the private sector employers) and from different parts of the public sector (one within health, one within local government and one UK Government Department);
- employers who between them have worked with most of the Welsh HEIs;
- employers from across Wales (four from North Wales, three from Mid Wales, five from South-East Wales and one from South-West Wales⁴⁷).

⁴⁶ Some of the larger private sector employers we had hoped to interview had already been interviewed as case-studies for a Credit and Qualifications for Wales Framework/Colegau Cymru study of FE to HE progression and so were not able to participate.

⁴⁷ We would have preferred to increase the numbers of employers from South West Wales but this proved impossible within the timescales of the research.

Moreover, the engagement of the representative organisations has enabled some perspectives (albeit indirect) to be provided from a broader range of employers including those who do not currently engage with HEIs.

In the remainder of this section, we consider, first, the use made of HEI provision by employers as part of the mix of higher-level skills provision (Section 4.2) before turning to recent changes in demand for higher-level skills and use of HEIs, and drivers of those changes (Section 4.3), anticipated future changes in demand for higher level skills and the use of HEIs (Section 4.4), strengths and weaknesses of, and satisfaction with, current HE provision (Section 4.5) and views on how the sector could or should change to maximise its potential as a provider of workforce training (Section 4.6). Finally we draw some conclusions from this section (Section 4.7).

4.2 The Use Made of HEI Provision

Of the thirteen employers interviewed, two had not made use of HEIs to meet workforce development needs, despite the fact that they had been included in the sample by HEIs. In one case, the employer had played a significant part in advising on the content of degree and postgraduate qualifications which would be relevant to new entrants coming into his industry, but had not used HEIs for training the existing workforce: in the other, contact with HEIs was restricted to some initial marketing activity.

As already noted, in the case of the larger employers we interviewed, the contacts provided by the HEI were in each case responsible for only one part of the organisation's workforce, so were not necessarily able to provide a corporate view on the overall role played by HEIs in workforce development across the organisation. In itself, this perhaps suggests that HEI provision is in these cases seen as something of a 'niche'.

More generally, however, it was clear that the quantum of training delivered by HEIs for all the employers – whether large or small – was generally modest. In only three (one within the financial services sector, one within health and the utilities company) did it seem that spending on workforce development with Welsh HEIs was above £50,000 each year, and in most of the smaller businesses, provision involved only a handful (less than 10) staff each year. Thus, a medium sized engineering company estimated that only 3% of its staff needed higher level skills and its use of HEIs was restricted to sending around two employees each year on part-time undergraduate courses, while the third sector employer (a housing association) described the use of HE provision as '*occasional*'.

For almost all of the employers, HEIs were only one part of the 'mix' of provision: this was not surprising, since for most of them, higher-level skills were required of only a relatively modest part of the workforce – the exceptions being two small professional/business service organisations: in both of these cases, more generic provision by a local HEI was complemented by more specialist higher-skills training provided by private training companies or providers of proprietary products.

For the other private sector employers, FE was a significant source of training for two of them (a manufacturing employer and the utility company), while almost all also provided in-house training, with the financial services company having a dedicated in-house training team and the media production company only providing in-house training. Private training providers were also used by a handful of the employers – but by no means all.

In terms of the public and third sector employers, while there was some engagement with FE in three cases, the main alternative sources of training were either in-house or via specialist contracts procured either by the Welsh Government or by the UK Government: in three of these four cases (along with the utilities company, where again some generic provision was procured centrally), interviewees made the point that they had no or little option but to use these retained training providers – and suggested that the volume of training delivered by these was quite substantial. In two of these cases (one of which was a Welsh Government contract), English HEIs were the providers of some or all of the training.

The possible interpretation that Welsh HEIs are not always well equipped to compete successfully in procurement exercises was echoed during the 23 February seminar by a delegate from the All Wales Fire and Rescue Service, who pointed out that when the new service (formed by an amalgamation of former regional services) had specified a new bespoke degree to be mandatory for supervisory staff, no Welsh HEIs had tendered, with the successful tender being awarded to Lancaster University.

In contrast, one quite striking factor about almost all our private sector employers was the apparent lack of any formal procurement approach to sourcing training from HEIs. Indeed, even the financial services company which had had an annual expenditure of around £70,000 with an HEI for at least seven years, had not formally tendered this, with the relationship having started because of informal contacts between a senior manager and the HEI concerned.

All but four of the employers (two from the public sector, the third sector employer and one private sector employer) only had contact with one Welsh HEI – generally, that most 'local' to their employment site.

Within the context of the limited volume of training being provided, employers reported a wide mix of HEI provision being drawn upon. For the private sector employers, this was most commonly in the form of short courses, mostly delivered on campus, although in two cases some provision had been delivered within the workplace. However, two of the private sector employers (both North Wales based) used HEI provision for part-time delivery of more substantial qualifications, in one case a Foundation Degree (which the employer had worked with the HEI to develop) and in the other an Engineering Degree.

In terms of the public (and third) sector employers, staff were generally using HEI provision for longer courses of study, often leading to HE Certificates, degree level qualifications or professional qualifications, though bespoke provision of shorter courses was also a feature of the provision used by the health sector employer.

Almost all the employers were themselves paying HEIs any fees/costs charged, with none expecting employees themselves to meet all or part of the fees. Employers generally believed this represented the full cost to the HEI of the provision: though in many cases, it appeared that the provision was credit-bearing and was thus likely to be counted in data on part-time enrolments and could potentially be used to draw down HEFCW funding.

Interviewees from representative organisations generally confirmed the view that, for most employers, HE provision represented a relatively minor and 'niche' part of overall training provision, with two arguing strongly that private sector employers in

particular tended to look to private sector training providers as a default, with both FE and HE generally being barely visible to a large proportion of employers.

4.3 Recent Changes in the Demand for Higher-Level Skills

In general terms, most of the employers we spoke to did not point to significant changes over the last few years in their level of need for higher-level skills training – or for HEI's 'share' of training provision within it. In particular, there was little or no evidence of any 'recession effect' having affected the private sector commissioning of learning. – though some participants at the 23 February seminar felt that private sector commissioning of training had fallen during the last two years but was now starting to recover.

For most of our employers, the need for higher-level skills training was based on the requirement to equip relatively new staff with professional expertise or qualifications which typically were not held by new entrants, or for CPD which was either required by professional bodies (e.g. the Law Society) or needed to keep in touch with changes in the operating environment (technology, legislation and regulation etc.). None of these employers referred to having cut back on training as a result of financial pressures from the recession, but, equally, there had been no significant increase in the amount of higher-level training being provided.

There were some exceptions, however. These were mostly related to the larger employers, and to the public sector, where there had been other developments which had driven change, though in the case of one of the professional service companies (a firm of solicitors), use of their local HEI had only begun in the last few years as a result of the University Law Department starting to offer half-day short courses.

In the case of both the health service and the local government employers, a key driver had been changes to work organisation, with increasing responsibility being given to support/associate professional roles and an emphasis on transforming certain occupations, such as nursing and social work into ones where graduate entry was the norm. Interviewees both from individual employers and from representative organisations drew attention to the fact that to this had led to an increase in the pressure to provide the existing workforce with higher-level skills – for example, to develop a group of nurse prescribers, or ensure that the gap left with the implementation of the European Working Time Directive on junior doctors could be filled by nursing staff – which had been sourced from HEIs.

One interviewee pointed to another dimension of the drive to make certain occupations (such as nursing) graduate entry, that increasingly new entrants to the profession were less in need of academic knowledge, but more in need of practical skills at a lower level (communication, entrepreneurialism, customer service) than their pre-existing highest qualification which, arguably, HEIs were less interested in or less well equipped to provide.

Accompanying these changes in the public sector, a number of interviewees pointed to an increasing interest in in-house provision of higher-level training, which previously had either not been provided at all or had been delivered by HEIs (in the health case, by HEIs outside Wales). Two examples were provided (one in health and one in local government) where the teaching was undertaken wholly or mostly by in-house staff but accreditation provided by Welsh HEIs and, in both these cases, the HEIs were praised for their willingness to engage with this new approach. However, in the longer term, such provision inevitably would reduce the spend of the employers with HEIs.

Two of the private employers (both larger employers) also referred to changes which had increased their provision of higher-level skills training to their existing workforce. In the case of the utilities company, the interviewee argued that the company had come to the view that externally recruited engineering graduates were less well equipped than they had been in the past to meet the needs of the business and were increasingly favouring recruiting new entrants at 18 and then using the Foundation Degree provision they had developed with their local HEI to train them.

In the other case, the financial services employer had initially used a Welsh HEI to provide specialist training to meet an initial need to train new staff in a specific role when it had opened up a new Welsh-based operation. This had been sufficiently impressive that it had decided to use the HEI to provide the last two stages in its five stage staff development programme for staff from across the UK in this role. The employer had evidence that the training was making a measurable difference in terms of the quality of case-handling by these employees and thus impacting on the business' bottom line. Even so, the numbers involved were small and had reduced (from around 20 each year to around 10 each year) as the existing staff had completed the training.

It was interesting that only three of the private sector employers referred to having received funding from the Welsh Government to support the costs of higher-level skills training, despite the availability of a number of high profile schemes such as ProAct, ReAct and Skills Growth Wales over recent years.

In one of these cases, a manufacturing company had received significant funding from ProAct to support the upskilling of its staff, including through HEI provision: but this was seen as representing part of a continuum of engagement with the HEI in question (albeit allowing some increase in volume and a greater degree of tailoring of the provision to the specific requirements of the company). In the second, Welsh Government funding was very modest (around £5,000) and contributed towards the cost of engineering qualifications studied by a small number of employees as well as some bespoke provision delivered by a FE College, while in the third, Welsh Government funding from the Workforce Development Programme was used to pay for provision by a private training provider up to HNC level.

While it is risky to generalise from such a small sample, it would appear there has been relatively little use of HEIs by those receiving Welsh Government funding to encourage workforce development. This was also the view of one of the representative organisation interviewees who had some insight into the operation of ProAct, ReACT and Skills Growth Wales.

A small number of interviewees – including two who were personally strongly involved in the delivery of learning – thought that Welsh HEIs had been slow over recent years to appreciate the changing landscape of skills provision and the potential threat to their position, given increasing opportunities to achieve higher level qualifications through work based routes and potential competition from in-house provision by larger employers and from FEIs (e.g. Foundation Degrees).

Thus one argued that if FEIs started getting accrediting body status –as they already had in England – then Welsh HEIs would find they were being squeezed out of the process: *'it represents a real danger to HEIs in Wales, because the market is not that big'*.

4.4. Anticipated Future Changes

In terms of the future, there was a fairly clear distinction to be drawn between the views of those from, or commenting on, the private sector, and those from the public sector.

In terms of the employers we interviewed from the private sector (and the one third sector employer), almost all of them envisaged little substantial change in the pattern of their need for higher level skills development within the workforce or in their (currently rather limited) use of HEIs.

Six stated simply that their current pattern of training provision was unlikely to change.

One manufacturing employer, who used a HEI for the delivery of part-time engineering degrees had been approached by the HEI with a view to persuading them to commission more work-based learning, but believed it was unlikely they would choose to go down this route in place of already well-established links with a FEI.

Similarly, a second employer (also in manufacturing) said that he would only consider increasing his use of HEI provision if there was evidence that it could deliver as flexibly and as appropriately as the local College, which he doubted.

A third employer (a recruitment and training company) thought there would be some increase in its need for higher-skills training as the business was continuing to expand, but doubted whether this would be met by increased use of HEIs.

However, the financial services employer believed that there would be some reduction in the volume of training, since almost all the relevant staff within the workforce had now been through the HEI training and with staff turnover being low: discussions were now underway with the HEI in question to consider whether there should be a redirection of investment into ongoing refresher CPD for those who had already undertaken the training. Interestingly, however, in this case, although the employer had been happy for the initial training to be delivered on campus, with staff travelling from across the UK to take part, he was pressing the HEI to find a distance learning model to deliver the refresher training (such as *'lunchtime webinars'*).

Representative organisations, and some delegates to the 23 February seminar pointed to evidence (e.g. from the CBI employers survey and from their own experience) that private sector training budgets in general were recovering from reductions during the recession, and that employers were increasing their use of external training provision. One interviewee suggested that almost all employers in membership of his organisation (particularly in manufacturing) were now talking about investing in skills: having rebuilt financial reserves and with a generally poor climate for generating income from financial investments, businesses saw investing in the workforce (either by training or by new recruitment) as a way of preparing for future growth.

At the same time, there was some doubt as to whether this general upturn in the market for training would lead to any significant change in terms of use of HEIs, echoing the views of the CBI's HE Task Force:

'the Task Force is not convinced that the market for university-delivered workforce training will increase significantly in the short term....good work is being done, but

considerable internal changes within universities will be required if they are to capture a greater share of the market'.⁴⁸

Moreover, the weak labour market was thought by some interviewees to mean that employers were finding it easier to recruit new graduates even in areas where there had traditionally been a shortage (such as STEM) which might reduce the interest in upskilling the existing workforce.

In terms of the public sector, opinions were much more divided. One of the three employer interviewees (though responsible for only a handful of staff undertaking higher level skills training at any one time) believed his training budgets were reasonably safe from cuts, while the other two believed that policy pressures in terms of professionalising the workforce would mean that relatively high-levels of higher-skills training would continue to be required: indeed, both felt that the volume of training required for support workers at level 4 would probably increase.

However, both of these interviewees, and all of the representative organisations able to comment thought that cost pressures would become more intense over the next few years as public spending cuts bit deeper. In this context, one interviewee commented that:

'I don't fully understand the proposals around changes to part-time HE funding...but if it [p/t provision] becomes more expensive that will have a significant impact.'

Several participants in the 23 February seminar also pointed out that any tightening of the rules regarding eligibility to reduced fees for those with equivalent or higher level qualifications could severely depress demand for CPD from HEIs from those parts of the public sector where graduate entry was now the norm.

Indeed, even without any changes to fees level and the cost of HEI services, several of these interviewees argued strongly that there was likely to be a significant shift to in-house training delivery of higher level skills, with HEIs involvement generally restricted to accreditation. In this context, the reorganisation of the NHS into only five Local Health Boards (LHBs), each with large workforces, in place of 22 LHBs and 11 Trusts was seen as giving new opportunities to move to an in-house model of training provision, while increasing experimentation with regional working in local government similarly offered the chance of creating 'critical mass' which would make in-house provision much more attractive.

As well as the direct impact of spending cuts on the public sector, interviewees pointed to a number of indirect impacts on the potential uptake of training provision, for example from a reduction in staffing levels leading to reduced possibilities for time off for training, a fall in staff turnover due to limited recruitment and limited promotion possibilities meaning less need for CPD.

4.5 Strengths and Weaknesses of HE Provision

Of the 11 employers interviewed with direct experience of using HEI provision for workforce development, all but one were very satisfied with the provision, often suggesting that it had improved over time.

Thus the firm of solicitors felt that the CPD provision at the local HEI had improved considerably as a result of a willingness to listen to feedback and was now *'much*

⁴⁸ *'Stronger Together: Business and Universities in Turbulent Times'*, CBI 2009, p.42

more geared towards our needs and are focused on the practical, rather than the academic.' In particular, they welcomed the fact that the HEI had brought in external experts to deliver some elements of the provision, rather than relying solely on the academic staff who were felt to be less well-equipped to deliver practical training.

A manufacturing employer similarly said that their local HEI had a good reputation, that the business has been satisfied with its provision and had thus not seen the need to turn elsewhere. The HEI had also been prepared to take on board feedback from the company about its training and as a result its provision in recent years had become much more relevant to businesses - *'less academic and more practical'* in its nature.

These views were echoed by a third, professional services employer, saying that *'the challenge is taking the academic into the practical for us [but they] tend to cover our needs very well and my experience has been very positive'*.

The interviewees from the health sector and utilities employers – by some distance the two largest purchasers of HE provision from amongst the interviewees - felt that the HEIs that they worked with had shown an increased willingness to work flexibly with them over recent years, in the first instance, by agreeing to accredit in-house delivery of level 4 programmes, and in the other by working with them to develop a Foundation Degree tailored to the company's specific requirements, which employees could study on a part-time basis:

"It [the foundation degree] is aimed at employees of utility industries in particular. It gives students the knowledge and skills companies actually need at that level. It's very relevant to what we need [from our staff]'.

The health sector employer thought this was symptomatic of a more general flexibility with regard to their needs which had developed over recent years:

'they are much more responsive now....they've realised recently that they want and need our business...we tell them what we need and they're happy to put it on'

Similarly, the financial services employer had been impressed by the way the HEI had developed a bespoke course to meet their needs, albeit delivered in a traditional setting on campus.

Another public sector employer welcomed the fact that provision for a professional qualification was available through a local on-campus course which ran in the afternoon and evening: in his view, this provided a suitable balance in which both the employer and the employee invested some time in the learning, rather than a standard 'day-release' option or using an alternative distance learning approach where the employee would themselves have to find most of the time. Interestingly both this employer and the health sector employer felt that in principle there were advantages to enabling employees to take part in training on campus where they would benefit from the facilities and the academic environment offered – a view not really shared by the private sector employers.

By contrast, however, employers who had engaged with the distance learning offered by the Open University in Wales were particularly enthusiastic about the possibilities this offered to combine flexible learning with work commitments.⁴⁹ The health sector employer felt that this provided an important way of supporting employees who wanted to progress but where it was difficult to find time to release them even for in-house but off-the-job training provision.

In the one exception, where an employer was dissatisfied with the provision they themselves had received from a HEI, the employer (a training provider) had commissioned some bespoke management development training from a HEI and was pleased with the eventual outcome, but claimed that it had taken several years to get what was a very limited (20 credit) course off the ground. Moreover, this employer felt that this had only been possible because of the personal commitment of the staff involved – who had delivered the module despite rather than because of the policies and procedures of the HEI.

By contrast to these generally positive views on the part of the employers who were already engaged with HEIs about the HEIs they knew, these same employers often expressed more scepticism about the capacity of HEIs in general to meet business's needs. Thus, the utilities employer felt that the excellent service the business had received from its local HEI would not have been the same from other Universities:

'They were willing to listen to us. You would not get that with a red brick university, because there's.....an arrogance there.'

Similarly, the interviewees from representative organisations were generally much more negative about HEI's capacity for engaging with employers (though this was largely based on anecdotal evidence).

Despite these differences of view a set of fairly consistent messages emerged about the strengths and weaknesses of current HEI provision.

In terms of strengths, the rigour and quality of the teaching and perhaps even more the 'kudos' of HE accreditation were the main issues highlighted: one manufacturing employer talked about the respect and status associated with HE provision, for example. For a small number of the employers, the development of new qualifications, notably Foundation Degrees, was also a strength.

As we have already noted, employers also placed considerable weight on the advantages of local provision: even where they were prepared to allow employees to travel to training where its specialised nature meant it could not be delivered locally, they strongly appreciated having more generic courses available on the doorstep.

The issue here was not the additional cost of travelling to training but the time away from the workplace required to access training which was geographically distant. This emerged as a critical issue and one where HEIs often were felt to perform less well than private training providers, who were more flexible in terms of timing of delivery and ensuring learning was closely geared to the needs of the organisation, and did not contain any redundant elements.

⁴⁹ In general we have not identified employers or HEIs referred to in the course of our interviews, as these were undertaken on the basis of anonymity. However, the Open University was widely recognised as being the only significant HEI provider of distance learning and it therefore seems appropriate to identify it here.

Indeed, a clear message emerged, in particular from the private sector employers that HEI fee levels were not regarded as excessive and that the direct cost of training in terms of fees or charges was a relatively minor factor in the decision on whether or not to commission training from HEIs or other providers, relative to the concern to minimise time away from the workplace, which was seen as being of critical importance.

At the same time, employers were generally wholly unaware of the discussion around changes to part-time fee levels, and several commented that a very large increase in the costs of provision would cause them to review their current arrangements.

By contrast, public sector employers were more price-sensitive, though in part this was related to the question of scalability and (again) to the desire to minimise the time away from the workplace. As one interviewee pointed out, even using private training providers at £1,000 a day over say 15 days delivered in-house could be a far more cost effective way of delivering a training programme to ten staff from the same organisation than paying the fees (probably around £2,500) for an equivalent part-time course at a HEI which would almost certainly be delivered over a longer period. Similarly, the local government employer suggested that the cost of fees *'has never been a major issue'* compared to *'the cost of backfill'*.

In terms of weaknesses, the two issues which were forcefully highlighted by interviewees were the perceived lack of flexibility of HEIs provision and the lack of a clear customer service culture – though it again needs to be emphasised that these points were more likely to be made by the representative organisation interviewees than employers themselves who, in some cases (as illustrated above), believed HEIs to be reasonably flexible.

For many interviewees, HEIs were perceived as being slow or even reluctant to respond to employers' needs for bespoke or tailored provision – though at least one interviewee recognised that HEIs were in a difficult position in that they were required to serve multiple masters, in terms of both meeting employers needs and securing the validation of provision:

'People will say that they could be more responsive and could turn things around more quickly [but] HEIs have got a range of different masters they've got to serve'.

Thus one manufacturing employer, even though he was satisfied with the undergraduate provision which he accessed from a local HEI, argued that he would generally prefer to use the local FE college than the HEI because the college:

- better understood their business requirements;
- offered training which was less academic/more practical;
- was physically closer to the business;
- was usually cheaper; and
- could usually turn things around quicker for the business.

Again the experience of the Fire and Rescue Service at the HEFCW seminar was of interest here, where it was said that an audit of the HEI qualifications which had been delivered to the predecessor authorities had revealed that at least a third of the content was of no relevance to the Service and thus could not be justified from the point of view of the accountability for the use of public funds.

HEIs were seen as much less ready than private training providers to deliver learning in the workplace or to offer provision at times which reduced the time away from the workplace, while they were also seen to lack flexibility in smaller ways, such as the

fact that courses could only be started at the start of the academic year or the timing of awarding qualifications:

'I've been told that HEIs can only award qualifications in February, May or November – but why? If as an employer I send my staff on a course I want them to get that recognised straight away, as soon as they've completed it'.

In terms of customer service culture, this same employer argued that it was often difficult to get a quick response from a HEI to a question and that HEIs whole culture was somewhat impenetrable to an employer who might not even have a clear idea of exactly what support they needed with developing their workforce. She contrasted most HE campuses with a recent experience of visiting a FE College in North Wales, where it was easy to park, there was a reception set up to deal with general enquiries and a large and welcoming reception area, with rooms set aside for staff to meet outside visitors:

'Just look at campuses – it's impossible to find a parking place, you don't feel you can walk through the door and just ask for help....as a commercial organisation, if we get an enquiry from a potential customer we deal with it that day. With an HEI you can wait weeks for a response...it's a pain to get information out of them'.

The view that HEIs were largely impenetrable to employers who did not already have contacts within them were echoed by a number of other employer interviewees and most of the representative organisations. Thus, one interviewee argued that employers had a problem *'knowing who to contact – they want to work with them but don't know how to get into them'* and as a result fell back on a default mechanism of *'bringing in private training providers or consultants'*.

Another representative body interviewee said that HEI websites and literature were extremely difficult to make sense of from the perspective of an employer:

'I challenge you to go on any of their websites and find out how they can help you as an employer, whereas on most consultancy websites you can get a really good idea of what sort of things they can offer'.

Similarly, a manufacturing employer who did not currently use HEIs thought that both HEIs and FEIs suffered by comparison with private training providers where *'you have one contact and deal only with that person'*. This employer said that a major concern she had with HE was that lecturers were busy teaching for most of the day and hence were often unavailable when you needed to speak with them. She also believed that even when they were free they did not tend to be quick to return phone calls and argued that they needed to become much more proactive:

'If they are serious about providing training to companies they have to market their services to companies – they can't rely on companies finding the information by magic.'

Indeed, although two of the employers referred to HEIs taking the initiative to approach them with regard to potential training opportunities, many interviewees (including both of these interviewees and a majority of employers interviewed) argued that HEIs were not sufficiently proactive in marketing or contacting businesses (*'doing the rounds'*). One interviewee argued that Welsh HEIs *'should be doing more'*, a view echoed in the qualitative research undertaken for the South East Wales Employers Forum, based on interviews with 16 large STEM employers, which

found that many of these employers *'were slightly disturbed that their local university had never made contact with them to discuss their skills needs.'*⁵⁰

By contrast, HE and FE participants at the 23 February seminar generally felt that HEIs lacked the resources to proactively market to employers, and that, without dedicated funding, it was unlikely to be cost-effective. Several argued that there would be economies of scale from a more joined-up regional 'offer' to employers.

Some interviewees also thought that while HEIs often assumed that by definition they offered higher-quality provision, because of their academic credentials, (*'they assume they are at the pinnacle'*) in practice academic staff might be much less aware than private sector consultants of the real-life issues faced by businesses, and therefore offer training which was of less value:

'providers do need staff with the experience of a real working environment'.

Moreover, it was argued that HEIs were not always good at adapting to dealing with staff who did not themselves already have a background of HE:

'at the training, one of the staff talked about the importance of using the Harvard Referencing System and it was assumed everyone knew what this was. The staff were too embarrassed to show their ignorance so waited till the trainer had left and then asked the graduates who were in the group what it meant'.

Finally, some interviewees (along with many of the delegates to the 23 February seminar) also argued that a further weakness in regard to HEIs' role in workforce development was the broader cultural assumption both within HEIs and amongst employers that higher education is about the supply of new entrants to the workforce rather than upskilling and that, despite demographic trends, ensuring the supply of newly qualified young graduates was the way of meeting longer-term needs for higher skills.

Thus one representative organisation interviewee argued that for employers:

'the focus is on taking graduates from HEIs...they see them [HEIs] as people who provide them with workers, not people who develop their workforce'

Several interviewees also thought that the culture of HEIs continued to place a much higher premium on research and on teaching full-time undergraduates, with one pointing out that the terminology of 'the third mission' was indicative of HEIs priorities.⁵¹

4.6 Future Changes in HE Provision

In general, employer interviewees had little in detail to say about ways in which HEIs might change to increase their role in workforce development and to fill gaps in existing provision beyond a general view that greater flexibility, including a greater willingness to deliver provision at employers' premises and outside standard hours would be an important step forward, along with a stronger focus on proactively marketing their services to businesses. A small number of interviewees believed that

⁵⁰ *South East Wales Employer Forum: A Stakeholder analysis of the current STEM skills shortages and links between Education and Business* Business in the Community, Cardiff's Metropolitan University and National HE STEM Programme Wales, September 2011

⁵¹ Although the term "Third Mission" has now been replaced in HEFCW by 'Innovation and Engagement'.

other HEIs needed to learn from the Open University in Wales in terms of the power of distance learning to meet employers' requirements:

'They have a model that others should consider'.

'The OU have fantastic flexibility... other HEIs might want to look at it'.

Two interviewees from representative organisations and a number of delegates at the 23 February seminar suggested that there might be scope for HEIs to work more effectively with FEIs – many of whom were said to have better relations with employers - on a regional basis to provide a seamless offer to employers, who did not want to have to negotiate with a number of different providers simply because qualifications were at different levels.

Similarly, a small number of delegates at the 23 February seminar and two interviewees (all of whom were familiar with developments at Cardiff Metropolitan University where this model is being pursued) suggested that HEIs might need to recognise the fact that mainstream academic staff were unlikely to prioritise engagement with workforce development and that HEIs needed to consider developing a separate *cadre* of staff working exclusively on these issues on a commercial basis, much as many FE Colleges had separate training arms delivering work-based learning contracts for the Welsh Government.

Finally, a number of interviewees argued that Welsh HEIs needed to increase their capacity to bid for and win competitive tenders to provide training services to the public services.

In this context, one interviewee suggested that there was scope for the public sector in Wales and in particular the Welsh Government to be more joined up in its approach to the position of the publicly-funded learning infrastructure in workforce development, noting that the default position for many parts of the Welsh Government when specifying new training requirements for the public sector was to go straight to a public procurement exercise rather than considering whether and how a partnership with the FE and HE public training infrastructure might deliver a better result.

4.7 Conclusions

Overall, our fieldwork suggested that the use of HEIs for higher-level skills provision remains fairly marginal, and echoes the view from the desk-based research that the public sector is of particular importance in terms of the use by employers of HEI provision. Relationships between private sector employers and (mostly local HEIs) are often relatively informal, based on broader contacts and networks rather than on formal procurement.

The impression is that there has been relatively little change in patterns of training procurement through the last few difficult years, though the emphasis within the public sector on upskilling the associate professional workforce across a number of areas has generated increased business for Welsh HEIs. Some employers, particularly from larger and better resourced organisations, believe Welsh HEIs have become increasingly willing to work closely with them, not least in terms of the development of Foundation Degrees.

Going forward, the private sector market appears to be reasonably stable, with some signs of optimism about an expansion of demand, but from what is a very low base. The employers we spoke to suggested that demand is not particularly price-sensitive – although this is in a context of considerable ignorance about the potential sharp increase in fee levels in future.

In terms of the public sector, the signs are much more mixed: on the one hand, regulatory pressures to increase the skills and qualifications of the existing workforce are likely to continue, but, on the other, there is likely to be increased competition from in-house provision, where HEI involvement might be limited, along with practical issues about releasing staff for training.

In terms of satisfaction, there is a dichotomy between the experience of individual employers with specific provision they are familiar with – where there are quite high levels of satisfaction and a recognition that HEIs are generally willing to listen to feedback from employers and to try to tailor provision appropriately – and the more general ‘received view’ (including from these same employers about HEI provision in general) about the lack of flexibility of HEI provision.

There is general agreement, however, that employers with no experience of using HEIs for workforce development are unlikely to think of using them; that it is probably more difficult for such employers to find out about what HEIs can offer; and that HEIs have a culture which is less focused on putting the needs of the customer first than private training providers. Some argue that these problems can only be overcome by setting up a dedicated workforce development service within HEIs.

5.0 OVERALL CONCLUSIONS

In conclusion, the evidence reviewed and collected for this small-scale study suggests that:

- Part-time HE provision of work-related training is something of a 'niche' both from the perspective of HEIs and from that of employers.
- The public sector is disproportionately important (relative to its share of overall employment) in terms of this niche market.
- Welsh HEIs generate only a relatively small amount of income from work-related training, and particularly from private sector employers: they appear to be performing less well here than their English counterparts, though this is in part a function of the Welsh economy.
- There is some evidence that private sector procurement of training (more generally) fell slightly during the recession of 2008/9 but that it has recovered more recently, whereas public sector training is now showing signs of falling in the wake of the onset of public spending cuts – though from a high base, which has partly been driven by the upskilling of para/associate professionals.
- The public sector is much more likely to use formal procurement processes than the private sector. This is not necessarily to the advantage of Welsh HEIs.
- Those employers who do make use of HEI provision generally express considerable satisfaction with the provision, with smaller employers being particularly likely to rate the support highly – though only a very small proportion of small employers make use of HEIs.
- Welsh employers taking part in the qualitative research shared this general satisfaction with the provision they themselves had used and suggested that Welsh HEIs had become much more responsive and willing to tailor provision over the last few years.
- However, employers who do not make use of HEIs generally see HEIs as not having anything to offer in terms of their workforce development needs.
- Going forward, while there is much evidence that Wales and the UK more generally needs to invest in higher-level skills, there is relatively little evidence of a large increase in employers' demand for higher-level skills. Within the private sector, most of the employers we interviewed did not believe the future pattern of demand would change significantly over the next few years.
- For private sector employers, the level of direct costs of training provided by HEIs appears a relatively minor consideration compared to the indirect costs of providing staff with time off to undertake training: though most private sector employers appear to have little idea of the potential impact of changes to fees.
- Within the public sector, while the pressure for increased investment in the workforce to meet regulatory and other requirements is likely to continue, cost pressures mean that employers are likely to be much more price-sensitive.

HEIs are likely to face increased pressure from competition from in-house training.

- Despite the generally high levels of satisfaction amongst employers actually using HEIs, there is a received view that HEIs (with the clear exception of the Open University) remain insufficiently flexible in terms of provision, insufficiently 'customer-aware' and insufficiently proactive in their marketing to employers and that employers without prior contact with HEIs are unlikely to consider them as an answer to workforce development problems.

In the light of these findings, we suggest the following questions where there might be further work or reflection on the part of HEFCW and its partners:

- how increased flexibility in terms of training delivery for employers (location, timing, accreditation) can be facilitated and encouraged, including through the funding system;
- how Welsh HE can play a constructive and profitable role in developing appropriate, accredited in-house CPD provision;
- how learners in Wales can be offered a greater range of part-time distance learning options: given the expense and skill required to develop effective distance learning, there is a strong argument for recognising the unique experience of the Open University in Wales in developing, delivering and supporting such provision;
- whether particular institution(s) within each region might be tasked with leading on developing the market for HE work-related part-time provision and on employer engagement in their region, working closely with FEIs, private providers, and the Welsh Government itself where appropriate;
- how any changes to rules relating to study at an equivalent or lower level than an individual's prior qualifications might impact negatively on HE work-related provision particularly in the public sector,
- how parts of the Welsh Government itself can be encouraged to consider HE provision as a natural part of public sector workforce development and what (if any) capacity building support can be provided to Welsh HEIs to enable them to compete more successfully in public tenders for workforce-related training.