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Policy report

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Unlocking
workplace *skills:*

What is the role
for employers?



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Unlocking workplace skills: What is the role for employers?

Policy report

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Introduction

'I am optimistic about the future of our economy, but to realise our ambitions, some important fundamentals must be in place. In my view, "skills" is one of them. The skills and capabilities of our people are ultimately the basis for our long term competitiveness. We know the quality of our workforce in this country, when compared to other leading economies, is simply not developing quickly enough. That needs to change.

'Business, with encouragement from government, is best placed to effect that change. The key shift required here is to secure much greater commitment from business to invest in skills to drive enterprise, productivity and growth. Business commitment to tackling climate change is a good analogy. Ten years ago few businesses saw carbon reduction as a material issue. Today, few don't. Investment in developing skills should be a defining characteristic of a responsible and enterprising business – it is perhaps the "inconvenient truth" of this decade.' (Sir Charlie Mayfield, chair of the UKCES, in the foreword to *Growth and Innovation Fund Prospectus*, DBIS/UKCES/SFA 2011)

'There has been a shift from employer engagement being about asking key employers "what do you want?" to asking them "what can you contribute to making this idea a success?"; and, not just asking employers "will this work?", but, asking "how can we jointly make this work?"' (UK Commission for Employment and Skills 2013a, p1)

One of the central 'big ideas' running through English policy development on training and skills over the last few years has been employer ownership (EO). It has ostensibly been intended to mark a radical refocusing of public policy, and to draw a line under traditional models for the design and funding of skills supply. Within the policy rhetoric, the aims appear clear: EO will give greater power to employers to specify what they want from the education and training (E&T) system and providers therein, more public funding for vocational education and training will be routed via employers, and in return, employers will reciprocate by designing new and better forms of E&T provision and certification and invest more of their own money in skills in what has been termed 'a something for something deal'.

This paper has been framed as 'provocation' – as a means to generate reflection and debate. If the concept of employer ownership is, over time, to become the guiding principle for the design and management of the English E&T system, it seems reasonable to subject it to some fairly close scrutiny. What follows explores where the concept came from; what EO means, not least from the different perspectives of government and employers; and what the implications of a shift towards greater employer ownership within skills policy might actually be for the various parties involved.

This sounds a simple task, but it is not. As will become apparent, EO can be defined in various ways and means very different things to different people. Moreover, because the actual implementation of the concept is still evolving, is

taking several very different forms and has not been fully evaluated, its implications have yet to be defined or explored. What is already clear is that EO is shifting the focus of policy thinking towards employers and what they are and are not willing to do and pay for, to a degree that has not been the case for a long time. Employers, depending on their circumstances and viewpoints, can either see this as an opportunity or as a threat.

The paper draws on two pieces of research recently conducted by the CIPD. The first is an analysis of questions in the CIPD's *Learning and Development* survey. The second comprised two online focus groups, organised and managed by YouGov. The first was made up of HRM managers, the second of small business owners and managers, with between 12 and 14 participants in each group.

Nothing new under the sun...

One of the central messages in what follows is that although the term EO is new, the thinking that underpins it, and many of the avenues of policy development that are meant to deliver it, have quite long histories and we can learn some important lessons from looking at how earlier, differently branded iterations fared. For many years policy-makers have been claiming that they want to give employers greater control over the publicly funded E&T system, often via making it more ‘demand-led’ or employer-led.

For example, under the Conservatives, local Training and Enterprise Councils (TECs) were established, with the stated aim of allowing employers to take charge of local training provision and economic regeneration (see Jones 1999). They in turn were replaced by the Labour Government with the Regional Development Agencies (RDAs) as a higher-level spatial dimension to economic development and the planning of skills provision, as well as the Learning and Skills Council (which funded post-16 non-degree-level education and training). When the LSC was first established, the talk was of how it would enable employers to have a much stronger say in how public funding for skills and training was disbursed (DfES 2003). The LSC was given a statutory duty to engage with employers on adult training, and 40% of the seats on the 47 Local Learning and Skills Councils (LLSCs) were initially allotted to employer representatives. Ivan Lewis, the then Minister of Young People and Learning, asserted: *‘I want to tear down the barriers that have got between what happens in the world of education and training and what’s needed in the labour market; there has been a separation for too long’* (quoted

in Kelly 2002, p5). In the wake of the Leitch Review of Skills (2006), the LSC was charged with creating a demand-led E&T system that reflected what employers wanted (LSC 2007). Unfortunately, despite the rhetoric, the LSC found it impossible to reconcile the desire to be demand-led with the over-riding requirement from government that its spending power be focused on delivering the blanket qualification achievement targets that had been set out in the 2003 skills strategy and then reinforced and supplemented in the Leitch Review (2006). As these targets were primarily derived, not from any analysis of actual demand in the labour market, but from international benchmarking studies and from a desire for the UK to figure in the top eight countries in the OECD’s E&T league tables at every skill level, employers had little or no influence over policy or spending patterns that resulted at a macro level.

As we will see, EO is an attempt to finally break free of these constraints, and to empower firms within the E&T system. To understand how it aims to achieve this, we need to know what the concept of EO means.

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What is employer ownership?

‘The central findings from the two CIPD YouGov focus groups was that not a single participant in either group was aware of the term “employer ownership”, or of the current policy initiatives taking place under the EO banner.’

What is employer ownership?

This is a good question with which to open our discussion, as one of the main findings from what research is available is that the answer very much depends upon who you ask and what you ask them. Large-scale survey evidence from the DBIS’s own June 2013 English Business Survey (with a sample of about 3,000 firms) indicated that more than half (59%) of employers agreed that they would like to play a greater role in setting the wider skills agenda for their industry (Diamond et al 2015). This suggests that there is significant interest in the overall concept of employers exerting more influence over the skills policy agenda and the operation of the publicly funded skills system.

However, when we come to the specific policy label of ‘employer ownership’, the central findings from the two CIPD YouGov focus groups were that not a single participant in either group was aware of the term ‘employer ownership’, or of the current policy initiatives taking place under the EO banner, and many expressed surprise that it had been a fairly central feature of skills policy since 2011. Indeed, some owners/managers went further and expressed the view that employer ownership of skills was a ‘stupid’ phrase with no real meaning. Across both groups (owner/managers and HRM specialists) respondents hypothesised that it might involve employees taking responsibility for their training (for example may have to repay a proportion of their training

fees if they leave a company within a certain time frame after completing the training) and/or employers taking responsibility for training their employees.

It is perhaps understandable that SME owners and managers were unfamiliar with the concept, but the lack of recognition among the HRM and HRD participants is more puzzling. Perhaps part of the story is that many firms’ point of contact with policy, particularly given the decline of many of the Sector Skills Councils, now primarily takes place via private training providers (PTPs), who act as the main ‘salesforce’ for whatever is on offer in terms of public support to firms. As will be discussed below, PTPs have, on the whole, been less than entirely enthusiastic about the EO concept, and it is unlikely to form a central part of their ‘sales pitch’. It should also be acknowledged that the samples involved in the CIPD focus group exercise were small, and may not have been entirely representative, but the findings do suggest that, at the very least, some caution is required when bodies such as the CBI offer views about what their member firms think about EO, or aspects of the concept. There is a strong possibility that, in at least some cases, their members do not know what EO is, never mind have any clearly formed views upon the topic. It also indicates the scale of the task faced by government and the UK Commission for Employment and Skills (UKCES) in selling active engagement with EO to individual firms and managers, not least the vast number of SMEs.

Besides many people not having heard of it at all, there is also the issue that, to date, EO has been a fairly vaguely specified concept. It means slightly different things to different people, with the attendant danger that when individuals or organisations offer opinions concerning EO, they may not all be talking about quite the same thing. Indeed, even within the UK Commission for Employment and Skills (UKCES), which is the policy body that developed the initial vision for employer ownership of skills, the phrase ‘demand-led solutions’ is sometimes used instead of employer ownership (see Howat et al 2013a for example).

Moreover, some bodies in the skills world currently decline to talk about EO. The chief executive of the Education and Training Foundation (the body responsible for trainer and lecturer staff development of those in both the public and private sectors who deliver vocational learning) noted that, ‘*We don’t use the term employer ownership. I don’t think it is a very helpful phrase*’ (David Russell at the ATL FE conference, London, 18 July 2014).

Another, quite fundamental, issue is that the employer population is extremely heterogeneous, varying in its training needs by sector, size and product market strategy within sectors. All too often skills policy talks about employers as though they were a simple, undifferentiated group. They are not (Huddleston and Keep 1999, Gleeson and Keep 2004, Keep 2012). The divergent demands posed by a very diverse set of employers can pose a major challenge for policy. Catering to the skill needs of those at the leading edge of practice by setting and maintaining high, world-class standards is liable to mean disengagement by employers closer to the ‘long tail’s’ trailing edge (and vice versa).

In addition, in trying to gauge how employers view the idea of EO, it is not always clear who speaks on their behalf. There is a wide range of possible voices, including:

- British Chambers of Commerce (BCC) and individual chambers
- Federation of Small Businesses (FSB)
- Confederation of British Industry (CBI)
- Institute of Directors (IoD)
- Chartered Institute of Personnel and Development (CIPD)
- Engineering Employers Federation (EEF)
- Chartered Institute of Management (CIM)
- British Institute of Management (BIM)
- Sector Skills Councils (SSCs)
- professional bodies
- individual large firms with lobbying power
- small and medium-sized enterprises, and individual owner-managers
- Local Enterprise Partnerships (LEPs) and City Deals.

With these caveats in mind, we now turn to look at what policy-makers think the EO ‘offer’ means.

The core offer?

One way of analysing what EO is supposed to mean is to explore what changes or new behaviours it is intended to deliver, and what problems it is expected to address and solve. The central propositions deployed by the UKCES to describe EO to employers and other stakeholders revolve around the following claims (UKCES 2011a):

- 1 The English E&T system, especially those elements relating to vocational education and training (VET), is over-centralised, dominated by government and driven by state-imposed targets and priorities rather than employer demand.

- 2 Because of this, employers are unable to get what they want from the publicly funded E&T system, and lack influence, feel divorced from, and are insufficiently involved in and with it.
- 3 There are two training markets – one publicly funded and managed, the other funded and driven by employer demand. Public funding and employer investment need to be combined, as at present the two markets are insufficiently aligned.
- 4 As a result, ‘*there is a risk that publicly designed initiatives and qualifications are not delivering economically valuable skills and could be crowding out those that do*’ (UKCES 2011a, p15).

The overall argument, as John Cridland, the director-general of the CBI put it, is that, ‘*for too long the government model has led to a divergence between what employers really want and what the publicly led system was able to offer*’ (UKCES 2011a, p14). These circumstances, the UKCES argues, in turn result in:

- too few employers offering training and large sections of the workforce not being able to access training opportunities
- too few apprenticeship places, and too many being offered at a low level (Level 2) rather than at craft worker level (Level 3) or above
- too few employers using vocational qualifications (VQs) to certify their training, as the VQ system is not fit for purpose
- employers using private training providers (the private market) far more heavily than they use public providers (further and higher education). ‘*The bulk of employer investment is flowing outside the public system*’ (UKCES 2011a, p15).

‘SME owners and managers were especially concerned with the notion of up-front payment, and believed this to be a potentially extremely inhibitory factor for smaller companies.’

The answer to these problems is to ‘create a single, sustainable market for skills development which is responsive to employer need and intrinsically linked to growth. A market that produces high quality, highly valued training, that creates more opportunities for people and into which businesses and people are prepared to invest for their future’ (UKCES 2011a, p16). The author can attest that the idea of bringing together and consolidating the state and firms’ spending on training to create a single market has been a long-standing dream of policy-makers within government over the last two decades.

Within this model:

‘Funding should follow ownership. Currently, funding and ownership sit with government. For employers collectively to own the skills agenda, public contributions need to shift from provider grants to employer incentives and investments which flow through a single market for skills development. This transfers ownership and puts purchasing power in the hands of employers, making for a more responsive training provider network. Employers and employees would also contribute more to a system they own, for training which brings real benefits and value, increasing the overall size of the market for skills development’ (UKCES 2011a, p19).

How did the employers in the CIPD’s *Learning and Development* survey and in the two CIPD focus groups react to this model (which was presented to them in stages online, via whiteboards)? The CIPD’s annual *Learning and Development* survey for 2014 had a sample of 1,066 respondents, and they were asked: ‘Which of the following do you believe are offered

by employer ownership of skills?’ Their answers were as follows:

- greater employer influence over the structure and purpose of government training schemes – 7%
- greater employer influence over the strategic direction and objectives of publicly funded education and training – 6%
- increased ability for employers to design new vocational qualifications that meet their needs – 10%
- higher levels of financial contribution by employers towards the cost of training, for example apprenticeships – 8%
- increased levels of direct government financial support for training undertaken by your organisation – 8%
- reduced government bureaucracy in accessing government financial support for training – 4%
- payment of government financial support for training via the PAYE system to employers, rather than as grants to training providers – 4%
- reduced government (Ofsted) inspection of government-funded training – 1%.

These results do not indicate a clearly focused awareness of EO, or very great expectations of what it might deliver.

In terms of the focus groups, once the EO concept had been explained to participants, using the propositions contained in the DBIS/DfE/UKCES 2012 Employer Ownership of Skills Prospectus, first impressions were negative, with respondents across both groups believing that the programme provided a way for the Government to distance themselves from taking responsibility for training and/or funding. SME owners and managers were especially concerned with the

notion of up-front payment, and believed this to be a potentially extremely inhibitory factor for smaller companies. HR respondents expressed some mistrust in any extension of the student loans system and questioned the sustainability of the funding system overall. As one director and board-level manager observed: *'OK I understand now. It is a way for the Government to absolve themselves for any responsibility for young people's development and to make employers pay.'* An HR adviser commented: *'Government removing themselves of the responsibility to help train the workforce! ... problem is that companies are already struggling to come to terms with having to provide pension contributions so to take on training responsibility too will prove financially very difficult. What next, free work meals!'*

After some consideration, some of the principles of EO were felt to be good in theory, but respondents remained dubious about their practical implications. They were also broadly supportive of the policy's intent, but deeply sceptical about the Government's ability to deliver change, and held strong suspicions concerning greater bureaucracy (especially around employer-routed funding systems), the need for employers to pay more, and the degree to which the Government was genuinely willing to 'let go' of control of the E&T system to any significant degree. The idea of simple and transparent systems to engage customers and collaboratively deliver relevant skills for jobs and growth was appealing to respondents (especially owners/managers) – but they still questioned how these were going to be implemented, monitored and measured. Time remained a key concern for owners/managers; and while they found the idea of moving funding

away from providers attractive, there were issues about what this might entail for employers. One participant argued that, *'I like the idea of moving funding away from the providers and directly to the employer but I'm not certain how open that would be to abuse or how much admin it would add.'* Other principles of the EO concept were seen to be common sense; and some dubbed the programme overall as being obvious and patronising; many felt it offered nothing new. As one participant observed, *'just official speak for what a responsible company already does!'* Again, what these responses suggest is that, at the very least, there is a major sales job to be done.

From policy to practice

The foregoing suggests that awareness and understanding of the policy concept of EO is, at best, patchy and incomplete. What of the development of EO as policy 'out on the ground'?

From the UKCES's original conceptual starting point, EO has evolved since 2011 into a range of activities. Some are pilots that aim to test how different ways of securing greater ownership of training provision by employers might be achieved. Others, such as apprenticeship reform, are intended to be fundamental restructurings of the ways in which across England these are designed, organised and funded. To date, these practical manifestations of the concept are:

- various pilot schemes, funded by the UK Government and managed by UKCES, mostly focused on getting employers to identify and tackle skills problems on a collective basis
- the Richard Review of Apprenticeships and subsequent government-led proposals for apprenticeship reform

- the Whitehead Review of vocational qualifications and subsequent VQ reforms

These come with varying degrees of scale of ambition and prospects for success and will be reviewed in detail below. In addition, although not until very recently billed as part of the EO concept, the gradually growing power and influence of the 'employer-led' Local Economic Partnerships (LEPs) over skills funding will also be briefly touched upon.

What do current employer ownership policies look like?

‘In the absence of strong traditions of collective organisation and action, sector-wide alliances were very hard to construct and then maintain.’

The three broad strands of activity outlined above will be reviewed in turn in the section that follows.

Collective action on skills
Where has this concept come from? It is important to understand that this aspect of EO goes back before the term or brand EO was being applied to activities that sought to enable groups or networks of employers to work together to tackle perceived skills problems. In order of their appearance, it can be argued that the following are the manifestations to date of funding or other activities to support this facet of the concept of employer ownership.

- 1 Sector Skills Agreements (SSAs)
- 2 the UKCES’s collective measures research programme, which sought to identify different models and means to enable the formation of employer alliances to tackle skills issues
- 3 the Employer Investment Fund (EIF), set up mainly to fund SSCs’ project work
- 4 the Growth and Innovation Fund (GIF) (of which there have been four rounds of bidding), announced in the Coalition Government’s 2010 *Skills for Sustainable Growth* white paper (see DBIS/UKCES/SFA 2011 for details)
- 5 Employer Ownership Pilots (EOPs) rounds 1 and 2
- 6 UK Futures Programme.

Points 1 and 2 effectively pre-date the appearance of the term EO and can be seen as its precursors in terms of attempting to deliver co-investment.

Sector Skills Agreements. The Sector Skills Agreements (SSAs) were developed by the Sector Skills Development Agency (SSDA) – the predecessor to the UKCES. The SSAs were an integral part of the original design for a new UK-wide system of employer skills bodies – the Sector Skills Councils (SSCs) – which the New Labour Government decided were to replace the National Training Organisations (NTOs) that had previously acted as the voice of employers within the E&T system. SSCs were to be fewer in number than the NTOs, larger, more strategic and better resourced. As an evaluation of the SSAs noted, ‘SSCs were conceived as employer-led collectives that would move beyond the voluntarism of the late 20th century but which would (usually) stop short of the statutory regulation of employer training through levies ... an SSA would be an agreement for collective action by employers’ (GHK 2008, p4). In other words, the policy ambitions for SSCs were considerable.

The SSAs were the primary vehicle for delivering these ambitions and aimed to establish the basis whereupon responsibility for investment in skill could be shared between the state, employers and individuals, and expressed in terms of an agreement between an SSC representing employers and the Government. The SSA was to be a skills plan for the sector, based on reliable labour market intelligence (LMI), which identified and quantified future skill needs at various levels and laid out how these were to be met, with actions identified for government,

its agencies and the E&T system and also for employers. Once an SSA had been concluded, the intention was that public agencies would direct funding for E&T in ways that would reflect the SSA's priorities, thereby giving employers leverage over the supply side. In return, employers would co-invest against objectives identified in the SSA, providing a 'something for something' deal with government.

The SSCs expended massive amounts of time and energy in assembling their SSAs, not least in trying to obtain realistic and up-to-date LMI from employers and in getting them to reflect on what this information might imply for their training activities. In many instances the SSA came 'to encapsulate the entire role of the new SSCs' (GHK 2008, p1). Unfortunately, on the whole, the SSAs did not deliver what was expected, particularly in terms of securing visible and lasting changes in employers' own patterns and levels of skills investment (GHK 2008). Some of the lessons that emerged from the SSA process are germane to the wider concept of EO and to the present-day Employer Ownership Pilots.

The first problem was that in many sectors, organising employers to act collectively proved extremely difficult to contrive. In the absence of strong traditions of collective organisation and action, sector-wide alliances were very hard to construct and then maintain (see GHK 2005, pp65–6, Payne 2007).

'Translating the employer perspective in terms of "what is the problem" into "what should be done" and by whom, into a tangible employer commitment to act requires a large degree of skill and effort and elapsed time. ... The challenge of trying to

marshal and articulate a coherent employer voice ... should not be under-estimated ... there may well be no single vision across a sector. It may be that employers cannot effectively articulate a long-term vision because this implies that each employer has the requisite sophistication of HRM to be able to analyse and assess its own requirements' (GHK 2008, pp8–9).

Second, SSCs were generally unable to secure a substantial commitment from employers in their sector to deliver additional investment. As the evaluation of the SSAs noted, 'it is also practically difficult to organise an industry to act in unison without resorting to more systemic approaches, such as levies' (GHK 2008, p7). This was because, 'for the most part, there are no collective mechanisms to influence employer investment available to SSCs' (GHK 2008, p15). As a result, the SSAs came to represent yet another 'shopping list' given by employers to government in pursuit of subsidy. In an attempt to combat this, government proposed a new Joint Investment Scheme whereby SSCs covering areas key to economic recovery might have access to matched funding on a 50% employer, 50% government basis (from a government pot of £50 million) for training employees at Levels 3 and 4. This model of co-investment represents the starting point for much that has followed by way of policy development of the Employer Ownership Pilots.

Third, 'it ... proved extremely difficult for SSAs to gain leverage over public sector funders and providers through the power of argument (i.e. the research and analysis)' (GHK 2008, p8). As a result, 'few hard "deals" ... emerged from the SSA process directly' (GHK 2008, p8).

Partly as a result of these rather disappointing outcomes, and partly because the SSDA was replaced by the UKCES, a new programme of research was put in hand to rethink how employers could be encouraged and enabled to work together to address skills issues. This emerged as the UKCES's collective measures programme.

Collective Measures. The work undertaken by the UKCES under the collective measures research programme provided the rationale and template for future lines of policy development concerning employer collective action on skills. The collective measures research was undertaken in 2008–09 and resulted in a series of research reports (for an overview, see Stanfield et al 2009).

The collective measures programme started out with the idea that it was possible to identify an optimal national level of training and that this was unlikely to be attained without policy measures being put in place to correct for various forms of market failure (for example, lack of information on the benefits of training, fear of skilled labour being poached by rival firms, and so on). For a full account of this thinking, see Bosworth and Stanfield (2009). One of the key elements of these proposed corrective mechanisms was seen to be the development of structures and incentives that could help collectivise employers' responses to skills provision. The programme explored a range of different means to bring this about, including:

- the extension of training levies
- more licence to practise agreements within occupational labour markets
- tax incentives
- accountancy standards and human capital reporting

‘Building on earlier experience, the EOPs have tried to sidestep some of the problems encountered by the SSAs.’

- individual rights to time off for training
- public procurement policies
- loan guarantees for training
- improvements to the Investors in People (IIP) standard.

In the event, four were prioritised for further work: inter-employer networks, more extensive occupational licensing, improvements to Investors in People, and changes to accountancy standards. Of particular interest from the perspective of the topics being covered in this paper, the programme recommended that:

‘...the UK governments consider establishing a fund, on a pilot basis, to support networks which have a specific training focus. Employer-led networks could bid to the fund and, providing they adhered to certain criteria, they could receive support for the administration of the network and for some types of training’ (Stanfield et al 2009, pii).

This broad approach, coupled with the joint investment scheme model that had emerged from the SSAs, paved the way for the Employer Investment Fund (EIF), the Growth and Innovation Fund (GIF) and then the Employer Ownership Pilots (EOPs).

EIF, GIF and the EOPs. The first point to stress is that the activities and schemes that have been funded under GIF rounds 1 to 4, EIF rounds 1 to 3, and EOP rounds 1 and 2 are extremely heterogeneous, in terms of ambition, scale, purpose, the intended nature of employer involvement, and their likely impact (see Cook et al 2012 for the variety of what was funded under round 1 of GIF). As a result, making generalisations about them is almost impossible. Moreover, although the UKCES has published a number of very useful overviews

and broad initial evaluations/lessons learned from the GIF and the EIF (see UKCES 2013a, 2013b, 2013c, 2013d, 2013e, Howat et al 2013a), the final detailed evaluations of the EOPs are not yet available. The main points to emerge from the initial evaluations of the EIF and the GIF that are in the public domain have been the amount of time and effort that is required to both bring employers together to identify common problems and solutions thereunto (echoing the evaluation of the earlier SSAs); the time, effort and managerial skills needed to mount a credible bid to the UKCES; and the need to think hard about how the investments being made through the GIF and the EIF can generate lasting changes and impacts once the stimulus provided by initial government funding is over (Howat et al 2013a).

Building on earlier experience, the EOPs have tried to sidestep some of the problems encountered by the SSAs. First, by reducing the focus of the intervention to specific problems, often at a sub-sectoral or individual large firm level, rather than aiming for an entire sector-wide comprehensive shopping list of demands and issues. Second, rather than a near-universal process of intended take-up linked to expectations of widespread coverage, as was the case with the SSAs, the EOPs have offered funding dependent on a competition, which has allowed a selective approach, with the weaker proposals being weeded out and only more coherent ones proceeding. Third, the routing of funding for skills solutions to employers, giving them direct purchasing power rather than expecting them to negotiate resources and responses from E&T providers, as was the case with the SSAs, means that the EOPs have significantly greater chance of exerting leverage on provision.

Further evaluations of the Employer Investment Fund, the GIF and the EOPs have recently been made available (Diamond et al 2015, Cox et al 2015, Tu et al 2015, Mackay et al 2015). The findings of these are complex, but two areas need to be highlighted here. The first, which attracted some attention in the specialist skills and training press, was that many of the EOP schemes were slower to get under way and tended to under-recruit trainees against self-defined targets in their initial phases. That this should be the case seems hardly surprising, particularly as these were often evaluations of the early stages of development. The scale and pace of activity is liable to increase as the pilots gain momentum.

The second finding was a set of figures calculating the cumulative levels of co-contribution from employers for the EIF and the GIF, and also for the EOPs. For the EIF and the GIF, the ratio was generally of the order of £1 of employer money matching each £1 of public money (Mackay et al 2015). For the EOPs, the ratio was higher, with estimates suggesting that overall spend will be £178 million, of which £101 million will come from employers and £77 million from government. The bulk of employer investment in the EOPs has been in the form of 'in-kind' contributions rather than cash (Diamond et al 2015). Do these figures represent success? Unfortunately, it is impossible to reach any judgement on this, as the decision is ultimately a political one. A ratio of circa £1.30 private money to £1 of public funding is better than anything achieved by most previous attempts to stimulate employer co-funding of skills provision, but whether it is substantial enough to represent a 'game changer' in an environment where public funding for all forms of training is faced with further sharp declines is less clear.

The other key point of note is that the UKCES has already made it clear that:

'There is no intention for a third round of the Employer Ownership Pilot although lessons we learn from round 1 and round 2 about the impact of direct employer influence on skills training and development will be used to inform the Government's skill strategy' (UKCES 2013b).

As will be discussed below, this raises questions about the degree to which a set of projects awarded via competitive bidding can form the basis for a comprehensive model of funding.

What is also apparent is that the Government has come to see EOPs as the convenient answer to a long list of policy problems. For example, the DBIS's research and evaluation specification for the evaluation of the Employer Ownership Pilot round 1 (DBIS 2012) mentioned the following expectations of what might be achieved:

- encourage employers to undertake greater skills investment
- reduce skill gaps
- economic impact via improved business performance
- increase the impact of work-readiness, workforce development and apprenticeship activity
- enable employers to better secure the training they need by having the influence they require over quality and contents and can shape training provision to meet their needs
- increase collaboration amongst employers to address cross-sector or supply chain challenges
- increase employer leadership, commitment and investment in

skills, including the involvement of employers who do not have a track record of investing in skills.

It also offered suggestions as to indicators of success, which, beyond employers' satisfaction and perceptions of the initiative, included:

- production gains
- reduction in hard-to-fill vacancies or skill gaps
- changes in employer attitudes towards the value of skills
- quality of training for the learner
- learner satisfaction
- wage gains
- increase in employability
- improved skill utilisation
- new jobs created
- increases in GDP.

This suggests that significant, perhaps in some instances unrealistic, expectations have been placed on what the EOPs might achieve.

The UK Futures Programme. The latest measure, the UK Futures Programme, was announced by the UKCES in April 2014 and aims to 'address persistent skill challenges' through 'innovative solutions to tackling market/system failures' (UKCES 2014a, p9). Unlike the other schemes, it is a UK-wide rather than purely English offer of funding, albeit on a much smaller scale than the GIF or the EOPs. Some aspects of sector-based activity funded under the Futures Programme are addressing skills utilisation issues. For further details, see UKCES 2014b.

In addition, there is a range of other, more narrowly focused packages of government funding that try to join up employer action on skills with other issues. One example would be the Advanced Manufacturing Supply Chain Initiative (AMSCI), which provides

‘Of particular importance was the Conservatives’ manifesto promise to boost the number of apprenticeship starts to 3 million by 2020. They now have to deliver this high-profile commitment.’

integrated support for research and development, skills and capital investment, with the aim of creating world-class supply chains and encouraging major new suppliers to move production to the UK (see HM Government 2015a).

Overview. A common theme running through all these different programmes has been a belief in the need to enable employers to better work together to tackle skills issues on a collective basis. In some cases (most notably the SSAs and the EIF) the focus for support and action has been on existing sectoral bodies (the Sector Skills Councils), but in other instances it has been new, one-off coalitions of employers convened to perform a specific task or deliver a specific project (for example, redesigning national occupational standards), sub-sectoral bodies, ‘industrial partnerships’ for the Government’s industrial strategy’s priority industries, supply chain groupings, or geographical clusters of firms.

A central issue for many of these groupings or organisations is their long-term sustainability when the time-limited government ‘seed corn/pump priming funding’ for their activities comes to an end (see UKCES 2013e, Diamond et al 2015, Mackay et al 2015). The collapse into insolvency of the SSC for the logistics sector, which nominally covered 1 in 12 of the UK workforce, is yet another sign that the SSCs are struggling since the Government removed their core funding, and it is an open question whether the one-off coalitions that have led many of the EOP and GIF projects will prove to be durable groupings.

That said, recent evidence produced by the UKCES’s Employer Perspectives Survey (Shury et al 2014) indicates that the volume

of formal and informal inter-firm co-operation on skills and training may be more extensive than many might have imagined, with 17% of employers in the sample having worked with other employers to access, develop or share expertise on skills and training. This suggests that there is a base of interest in collaborative arrangements upon which to build further developments, and the initial evaluation of the EOPs stresses the importance of their ability to create opportunities for firms to act in concert:

‘...pilot funds created opportunities for businesses to work together, either directly or through an intermediary, which would be an unlikely consequence of traditional funding models. In these cases collaboration delivered collective impacts’ (Diamond et al 2015, p12).

Apprenticeship reform

Apprenticeship reform has been the most publicly visible aspect of attempts to increase employer involvement in skills policies. In part, this is because apprenticeships are a form of training that politicians of all parties believe voters recognise and value, and as a result, great expectations have been heaped upon the idea of apprenticeship reform. Mathew Hancock, while still Minister for Skills and Enterprise, went so far as to suggest that, ‘Our goal is for it to become the norm for young people to go into an Apprenticeship or to university or – in the case of some Higher Apprenticeships – both’ (DBIS 2013, p3). And Michael Gove, while still Secretary of State for Education, opined that the Government’s apprenticeship reforms ‘means there is now no excuse for employers not to offer apprenticeships’ (Gove 2014, p6). Whether all employers would agree with this sentiment is a moot point.

As a result, during the general election campaign the parties vied with one another on pledges to reform and improve apprenticeship quality and to boost numbers. Of particular importance was the Conservatives' manifesto promise to boost the number of apprenticeship starts to 3 million by 2020. They now have to deliver this high-profile commitment.

Apprenticeships is also a hugely complex and fast-changing area, and what follows does not attempt to investigate every facet or twist and turn in the ongoing debate about how best to deliver a larger and higher-quality apprenticeship system. The aim is to highlight some of the major challenges as they relate to the Government's aim that employers should take control of, and make a greater financial contribution towards, apprenticeships at all levels.

Provider led, not employer led.

With the cessation of the adult worker-focused Train to Gain (T2G) scheme, apprenticeships have represented by far and away the largest government-funded programme for the delivery of workplace learning. The model of apprenticeship that has evolved over the years has been one where employers are usually the more or less passive recipients of externally provided training services, rather than the actors who lead on design and delivery. In other words, as Fuller and Unwin argued as long ago as 2003, apprenticeships became a government scheme delivered by private contractors. The pattern of provision that has resulted is complex, but is generally led by private training providers (PTPs) rather than employers.

In 2009–10 the bulk (67%) of publicly funded apprenticeship starts were organised by private sector training providers, with a

further 21% in the hands of FE colleges, and 11% being covered by a range of other providers (voluntary bodies, local authorities and public sector bodies) (Nield 2012, p15). Just 8% of apprenticeship starts were directly organised by 68 large employers who had direct contracts with the National Apprenticeship Service (NAS), although many of these in reality outsource the management of their apprenticeships to outside providers (Fuller et al 2015). This picture is complicated by a large amount of sub-contracting by providers, with them treating apprenticeship places (and their associated public funding) as a form of tradable commodity. This approach has been further compounded by merger and acquisition activity by large training providers as they buy up smaller competitors (see Nield 2012).

Apprenticeship policy has also been driven, in large measure, by government targets. As Nield observes, *'there have been occasions where the alignment of employers' interests, providers' commercial interests and the Government's interests in achieving targets have led to a less than optimal outcome'* (2012, p52).

Over the years (see contributors to Dolphin and Lanning 2011) a variety of problems with the structure, management and quality of a substantial proportion of apprenticeships have emerged:

- They are sometimes a conduit for delivering government subsidy for narrow, low-level vocational training designed to equip trainees only with the skills/competences immediately necessary to fill an entry-level position within a specific firm or trade.
- In some instances, particularly where they cover existing adult

employees, they have primarily become a vehicle for the accreditation of prior learning among adult employees, or a generalised government subsidy for supporting the accreditation of employers' training of their adult workforce.

- Too many English apprenticeships are at Level 2 – that is, they are operating at lower secondary qualification level, rather than Level 3 (intermediate or upper secondary level), as would be the case in many overseas apprenticeship systems. They also contain no substantive element of broader general education (which in many other countries might extend to cover maths, native language, science, a foreign language and modern history).
- They are often far too short in duration, often reflecting their lack of substantive learning content. The National Audit Office noted (2012, p3) that in 2011 more than half of apprenticeships for the under-19s lasted less than a year. The European norm is for apprenticeships that last for between two and four years.

Having belatedly acknowledged that these issues would not be resolved without intervention, the Government came to the view that they represent an opportunity to test the concept of EO.

A new employer-centric model.

Following the Government's Richard Review of Apprenticeships (2012), a new, employer-led model has developed and is currently being piloted in a set of trailblazer sectors and sub-sectors before being rolled out more widely. In essence, the reforms were originally made up of the following measures (see DBIS 2013 for details), some of which are changing and evolving as the trailblazer pilots test out the various approaches:

‘There are reasons to question whether enough employers will support trying to boost the quality of training, or accept the new and additional learning requirements specified by the Richard Review.’

- redefining apprenticeships as only for those new to the job or are transferring to a role that requires sustained and substantial training
- apprenticeships to last for a minimum of 12 months
- employers in each sector/ occupation to establish new apprenticeship standards, which will replace existing (Sector Skills Council designed) apprenticeship frameworks. There will be a single standard for each occupation
- maths and English to be mandatory components of all apprenticeships, with the ambition that once GCSEs are reformed, they rather than functional skills qualifications will be used
- assessment to be largely undertaken towards the end of the apprenticeship (rather than through continual assessment) and be conducted by a body independent of either the employer or the training provider
- apprenticeship assessments should be graded rather than provide a simple competent/not competent judgement
- a minimum of 20% of training time to be off-the-job (that is, one day per week)
- the Government to route funding for apprenticeships directly to employers (instead of largely through private training providers [PTPs] as at present)
- for the first time, employers to make a mandatory cash contribution towards the training costs of the apprenticeship (contributions covering wage costs and contributions in kind were not expected to count towards this). In the past, many apprenticeships have cost employers very little, with the full training and assessment costs being met by the training

provider who sold them the scheme (see below). Under the pilot trailblazer apprenticeship funding model proposed by the Government, employers are expected to pay 33% of the cost and the Government the remainder. The Government stated that *‘co-investment is at the heart of the government’s objective of enabling employers to drive up Apprenticeship quality and demand value for money in future’* (HM Government 2014, p9).

In overall terms, the then Minister for Skills and Enterprise (Mathew Hancock) claimed, in the foreword to the Government’s apprenticeship reform implementation plan (DBIS 2013):

‘What we are planning will fundamentally change the relationship between employers, the government, and those who educate and train apprentices. It will also provide a blueprint for wider reform of vocational education’ (DBIS 2013, p3).

And Steve Radley, Director of Policy at the Engineering Employers Federation, argued that:

‘Businesses have long been calling for a revolution in how apprenticeships are funded, and today their calls have been heard. Placing funding in the hands of the employer will create a truly responsive, relevant skills system that delivers high quality apprenticeships’ (quoted in Allen and Ainley 2014, p9).

Before exploring how employers individually and collectively have reacted to this re-orientation of the apprenticeship system, it is important to acknowledge that although the Government’s rhetoric appears to be clear that in future employers will design and be

more heavily involved in delivering apprenticeships, in reality there is a sub-current in the policy debate that acknowledges that although the new system might be a more vibrant marketplace because public funding will be in the hands of employers who will hopefully shop around, in many instances employers will probably continue to choose to delegate responsibility for design, delivery, administration and reporting, and the delivery of much of the training and assessment to private training providers (see HM Government 2014, Hancock 2014).

How have employers reacted to these proposed changes? As ever, the answer depends on who one believes ‘speaks’ for employers on these matters, and also on the fact that employers are, as previously noted, an extremely heterogeneous group (Unwin 2010) who will come to the notion of moves towards a more employer-led apprenticeship system from very different starting points.

First, there are reasons to question whether enough employers will support trying to boost the quality of training, or accept the new and additional learning requirements specified by the Richard Review (more maths and English, longer periods of genuine off-the-job training, and so on). In the past, when the Government has tried to raise the bar in terms of learning content, there has been significant resistance. In 2009 the DBIS ran a consultation on the contents of apprenticeships. There were 357 responses from a range of stakeholders, including trade unions, employers and training providers. As the Government’s response to the consultation reports (DBIS 2010a) makes clear, only 30% of respondents agreed that functional skills in English and maths should be required in

all apprenticeship frameworks, a substantial majority (68%) did not want an ICT qualification to be mandatory for all apprenticeships, and only 53% of respondents agreed that all six of the personal learning and thinking skills are actually necessary in all apprenticeships. In terms of the Government’s original proposal that there be a minimum of 250 hours off-the-job/workstation training, only 35% of respondents agreed that this is an acceptable minimum. The rest want greater ‘flexibility’ – that is, fewer hours – to which the Government agreed, setting the minimum at just 100 hours.

More recent data from UKCES surveys confirms that for some employers, the new standards proposed by the Richard Review may prove demanding, to say the least. The Employer Perspectives survey (Shury et al 2014) shows that 12% of employers in the sample were still offering apprenticeships which last less than 12 months, and 26% of employers acknowledged that their apprentices spent less than three hours per week on activities that were not part of their job role (training, studying, meeting with supervisor, and so on). One in five employers also admitted that their apprentices did not receive any formal training (UKCES 2015, p19). These are disappointing figures and, as the UKCES note in their recent report *Catch 16–24*, ‘the fact that the majority of employers report that their apprentices receive little or no off the job training makes it challenging to convince young people and their parents that these are viable alternatives to traditional academic pathways’ (UKCES 2015a, p21).

These long-standing problems with the quality of many apprenticeships reflect deeper structural issues in our labour and training markets.

We lack the strong sense of occupational identity in many areas of employment that underpin successful apprenticeship systems elsewhere (Brockmann et al 2011, Fuller and Unwin 2013). In addition, the relative absence of extensive licence to practise regulations, which underpin European models of apprenticeship, means that we have hitherto struggled to create the underpinnings for a mass, high-quality work-based route for initial vocational education and training. There are also major problems with the quality of many of the jobs that young people enter (Unwin 2014). As the UKCES has observed (2015, p6), ‘in the job roles to which many employers recruit young people – elementary staff and sales staff – 31% and 25% of employers respectively offer no training’. It is interesting to note in this regard that as long ago as 1989 the CBI said their member firms would abolish jobs with no training for young workers (CBI 1989). Scroll forward 26 years and the problem seems to still be with us.

The other big problem has been funding. There have been two key issues. The first concerns the seemingly rather technical question of how public funding might best be routed via the employer. The Government originally offered three options:

- 1 a new online system with payments made directly to employers from the system
- 2 via funding recovered by employers through the PAYE tax system
- 3 via reforms to the existing provider funding system.

Following a consultation exercise on the principles of reform, the Government announced that its preference was for option 2, despite the fact that a large majority of employer responses in

‘It is important to note that underlying these often rather technical debates is the fact that the fundamental model being adopted is one of a training market.’

the consultation were not in favour of this model (HM Government 2014, p30). There then followed a technical consultation on apprenticeship funding reform (see HM Government 2015b). This was supposed to be focused on whether employers preferred a PAYE-based model to a credit-based model to deliver option 2. In the event, far more employers responded to this consultation than to the earlier one on principles, and 75% of respondents raised concerns that the reforms could impact negatively on employer engagement with apprenticeships. In addition, no clear preference for either of the technical funding models emerged (HM Government 2015b).

As ever, groups claiming to represent employers disagreed on the best way to proceed. The UKCES was a vociferous champion of option 2, arguing that the funding of apprenticeships through tax credits would “‘hardwire” *Apprenticeships into business practice*’. The chair of the UKCES argued that, *‘using the tax system would also send a signal that the aim is for a long-term stable system that employers can rely upon’* (*FE Week*, 12 May 2014, p6). In relation to these claims, it has been unclear upon what evidence the UKCES is basing its belief that relatively minor changes in the tax system can and do incentivise major shifts in behaviour by businesses.

By contrast, the CBI argued that if employers currently providing apprenticeship places wanted to maintain existing funding arrangements (that is, via training providers), they should be granted ‘grandfathering’ rights for this model to continue (*FE Week*, 16 June 2014, p6). A CBI spokesperson suggested that, *‘During the reform period, firms and training providers should*

be allowed to retain existing relationships where apprenticeships are working well. This will allow the new apprenticeship system to be introduced gradually.’

In the event, the Government subsequently announced that it had heeded concerns by bodies such as the Association of Employment and Learning Providers (AELP), which is the trade body for private training providers, the CBI and the Federation of Small Businesses (FSB), and that from 2017 it intends to route funding through employers via a ‘digital apprenticeship voucher’ (*FE Week*, 23 March 2015, p4). This will give employers ‘purchasing power’ via their choice of with whom to spend the voucher, but not actual cash, which will continue as before to flow directly from government to training providers in the vast majority of cases. In some senses this decision could be seen as a retreat from the original aspirations of the Richard Review.

It is important to note that underlying these often rather technical debates is the fact that the fundamental model being adopted is one of a training market – a market wherein employers, having been handed government money (in the event, in the shape of a voucher) and made their own financial contribution or co-investment, are expected to seek out the highest-quality training providers they can find and negotiate a keen price for the delivery of an apprenticeship that closely meets their particular needs.

Interestingly, though somewhat predictably, the second issue, which has attracted most of the attention, has been the expectation that employers are going to have to contribute a third of the

cost of the apprenticeship in an upfront payment. From the outset, this proposal met with limited enthusiasm. For example, the AELP argued against mandatory cash contributions from firms (*FE Week*, AELP Annual Conference supplement, June 2014, p3). The CBI called for in-kind contributions from employers to count towards the proportion of apprenticeship costs that they are expected to cover, a suggestion which the Government rejected (*FE Week*, AELP Annual Conference supplement, June 2014, p4).

Jason Holt, SME director and author of a 2012 government review of SMEs and the apprenticeship system, noted:

'On the one hand, as a business owner ... the word on the street is that businesses will need to do more. They will need to do some of the heavy lifting previously left entirely to providers. Even for those businesses like mine who are already vested advocates of apprenticeships, this extra burden is unwelcome' (Holt 2014, p14).

While Neil Carberry, Director of Employment and Skills Policy at the CBI, suggested that:

'When setting the level of co-investment there are two things the government must keep in mind: firstly, many firms already struggle to afford the initial costs of employing an apprentice, so any reforms should not deter them from taking part. Secondly, businesses already invest significant resources into apprenticeships through internal mentoring, wages, and work foregone. Co-investment is the correct approach, but it must be fair and encourage the growth of the apprenticeship system, not narrow its horizons' (Carberry 2014, p15).

And John Allan, the National Chair at the Federation of Small Businesses, observed:

'We welcome the move to create an apprenticeship system that puts employers in the driving seat. However, as BIS research has found, there is a risk that setting the employers' contribution too high will put some businesses off hiring an apprentice' (*FE Week*, 2 June 2014, p8).

The reasons why increased employer contributions were such a sticking point are not hard to find. Put simply, as noted above, many employers have not been used to making any direct contribution to the costs of apprenticeships, as PTPs have sold apprenticeships to firms as 'training for free' (Fuller et al 2015, Winterbotham et al 2012). The Skills Funding Agency's *Employer Satisfaction Survey 2013-14* (SFA 2015a), using a sample of 52,000 firms, showed that just 23% of employers made any direct (that is, non-wage) contribution to the cost of any training being funded for them by the SFA.

Interestingly, the DBIS's own research on employer responses to increased employer funding to support apprenticeship revealed a mixed picture, but overall there were relatively limited signs of uniformly widespread enthusiasm, both for the idea of co-investment and for the broader concept of greater employer control.

One piece of research published in 2012 (Winterbotham et al 2012) reported on the results of a survey of just over 4,000 employers who were offering apprenticeships. The firms were offered two hypothetical options for the funding of post-19 apprenticeships – having to fully fund the training costs or having to fund half the

costs – and asked how they thought these would alter their willingness to continue to offer apprenticeship places. A potential decrease of 61% in apprenticeship numbers was generated by full fees and a prospective fall of 53% by having to contribute half the costs.

A second piece of work (Johnson et al 2014) probed the views of SMEs on greater employer control of apprenticeships. Three segments or groupings emerged:

- 1 those who did not want control of funding and were happy with the status quo
- 2 those who were positive about gaining funding control, but ambivalent about their desire or ability to exert much influence over apprenticeship provision
- 3 and those who wanted funding control and felt this would help them to have the greater influence they desired.

Many SMEs had become involved in apprenticeships because a training provider had sold the idea to them and organised the training for them. The researchers noted that:

'When asked about the potential impact if employers had to make a greater cash contribution to the cost of Apprenticeships, most of the SMEs we interviewed felt that this would encourage them to be more vocal with their training provider if they were dissatisfied. At the same time, almost all of them said that having to pay more would mean they would have to recruit fewer apprentices or stop recruiting them altogether' (Johnson et al 2014, p10).

A third research project for the DBIS (Hogarth et al 2014) focused specifically on firms' attitudes towards employer-routed funding for apprenticeships. It found that:

'Most employers had become accustomed to an Apprenticeship model where they paid nothing, or relatively little, to the training provider. Although the role of the training provider figured prominently in the delivery of Apprenticeships to employers, their costs were seldom the responsibility of the employer. ... In general, employers were unaware of the amount of public funding their providers received. ... When asked about how much they would be willing to pay for the training their provider delivered, most employers were unable to suggest a price because this was something they had never really considered before. Where they were able to provide a price, it tended to be much lower than the current level of funding provided by Government' (Hogarth et al 2014, ppvii–viii).

Overall, the researchers reached the conclusion that:

'Employers in general were satisfied with the amount of influence they had over the content, structure, and assessment of the training which comprised the Apprenticeship and were not actively looking to increase the amount of influence they had over these features. Many employers, especially those which had a relatively high degree of engagement with the Apprenticeship system, had achieved, over the years, a good fit between the strictures of the Apprenticeship framework and the needs of their own businesses' (Hogarth et al 2014, pvi).

What all this suggests is that while some employers may be keen, willing and able to engage with the Government's apprenticeship reform agenda, many others may be significantly less enthusiastic

about taking charge, designing new standards and abandoning existing apprenticeship frameworks, and making a greater financial contribution to the costs of provision, with the result that apprenticeship volumes might fall.

In the run up to the general election in May 2015, the relevant minister (Nick Boles) continued to suggest the Government would hold the line on employer co-investment:

'Under the trail model, Government pays £2 for every £1 the employer invests in their apprentice's training. I know that some of the respondents to the consultation raised concerns about the inclusion of compulsory cash co-investment in the funding model. The principle that employers should make a cash contribution towards the cost of their apprentices' training remains a significant part of our reform of apprenticeships. ... It is only by enacting these reforms as a whole package that we will realise our ultimate goal.' (Boles 2015).

However, the Government had in fact already started to recognise that persuading employers to volunteer an upfront cash contribution equal to a third of the cost of the apprenticeship place was liable to prove impossible in many cases, and had started working on alternative funding models. One solution, advanced by Professor Alison Wolf (2015) was an apprenticeship tax or levy. Her proposals noted that in addition to the challenges of securing sufficient buy-in from employers on a voluntary basis, the proposed upgrade in apprenticeship quality set out by the Richard Review would mean that costs would outstrip the sums of money that the Government had allocated for this purpose.

After the election, the Chancellor announced in his Emergency Budget that he would be introducing an apprenticeship levy on all large firms. At the time of writing, exact details of how this will work are not available, but it has been indicated that it will be applied to firms across the UK (despite only funding apprenticeships in England), that it may take the form of a tax on overall employee payrolls, and that the threshold for 'large firm' will probably fall somewhere between 200 and 250 workers. It is expected to raise at least £2 billion per annum. The Government has stated that they believe that having paid the levy, firms will want to recoup this by providing apprenticeship places and that this will drive employer ownership and the achievement of the Government's target of 3 million apprenticeship starts before 2020.

This is a major change in policy, the full implications of which are unclear. As is discussed at greater length below, the decision to abandon the long-held principle of voluntarism may, in part, reflect not just the immediate problems of funding upgraded and expanded apprenticeship provision, but also wider issues about employer commitment to investment in skills and wider trends in their provision of training.

What is clear is that by moving to a compulsory levy, the Government is tacitly admitting that its ambitions for a larger and higher-quality apprenticeship system cannot be met by relying on voluntary employer action. Employers will be forced to 'own' apprenticeships, and to contribute to their costs for their own good. In effect, the Government's aim is to bribe them to participate with their own money.

Outlook for the future

The Richard Review identified a number of significant weaknesses with the apprenticeship system as it has evolved since the mid-1990s, and established some extremely sensible long-term objectives for reform, not the least of which is that employers need to feel greater ownership of apprenticeship provision. Many of these proposed changes are long overdue if the creation of a sustainable, high-quality apprenticeship route is ever to be achieved outside of a few sectors such as engineering.

In some sectors and occupational areas there are encouraging signs, not least the rapid growth, albeit from a very low base, of higher-level (degree and sub-degree level) apprenticeships. On the other hand, as outlined above, there are major issues about the strength and consistency of employers' appetite for fundamental reform of apprenticeship quality, governance and funding. Moreover, the stakes are being made higher by two factors. First, the fact that funding for all non-apprenticeship-based forms of post-19 non-university learning are being cut very sharply. The Skills Funding Agency has calculated that within next academic year's Adult Skills Budget, funding that is not allocated to supporting apprenticeships and maths and English provision will fall by 24% (SFA 2015a). In these circumstances, if employers do not up their game, initial vocational education and training will simply not be available to many young people. Second, the Conservative Party election manifesto contained a pledge to further expand apprenticeships and to deliver 3 million apprenticeship starts by 2020. They are now pursuing this policy objective and legislation on this topic is liable to be forthcoming.

The problem is thus whether government is willing and able to allow the necessary length of time, and provide the level of support, to enable transitions from the current model to something better, especially in sectors where apprenticeship traditions and standards are relatively weak. The apprenticeship reforms proposed by Richard recommended that development started with trailblazers in sectors where employers cannot easily obtain the intermediate skills they need in other ways and will therefore make an effort to develop something that works that they will adopt. However, the overall proposed timetable for change is extremely ambitious. After the trailblazers have done their job, the current aim is that *'we move towards full implementation of the reforms during 2015/16 and 2016/17. Our aim is that, from 2017/18, all new Apprenticeship starts will be based on the new standards'* (DBIS 2013, p5).

The problem, as the minister (Nick Boles) has admitted, is that the firms involved in the trailblazers may not be entirely representative of the broad mass of employers. *'I think we should all be honest,'* he said, *'and observe that the employers involved in delivering apprenticeships under that pilot are employers of a particular kind, a particular depth of resource and the apprenticeships involved are a particular kind of apprenticeship, they're not necessarily absolutely typical'* (quoted in *FE Week*, 20 October 2014, p10).

In reality, once the trailblazers have completed, problems are likely to emerge, mainly within low-wage sectors that employ large numbers of young people, but whose demand for skills is narrow and limited and whose record on training quality is patchy at best.

'In some sectors and occupational areas there are encouraging signs, not least the rapid growth, albeit from a very low base, of higher-level (degree and sub-degree level) apprenticeships.'

‘Small employers that have not paid the levy will not be affected by its leverage and larger employers may decide to simply write the money off.’

Examples would include hospitality, catering, retail and social care. Here there are two dangers: the first is that a significant proportion of employers will balk at the notion of increased financial contributions, minimum 12-month-duration apprenticeships and enforcement of a 20% (one day a week) off-the-job training component. Many employers have become accustomed to hosting ‘apprenticeships-lite’ delivered by training providers, on a low-cost/no-cost basis and may be exceedingly reluctant to change, especially if it is going to demand greater investments of time, energy, effort and money during a period when profit margins are squeezed (Wolf 2015).

Small employers that have not paid the levy will not be affected by its leverage and larger employers may decide to simply write the money off. If this happens, the Government might struggle to meet its 3 million starts target.

The second danger is that private training providers will offer larger firms the chance to recoup their levy by enrolling large volumes of existing adult employees in Level 2 ‘apprenticeships’ in much the same way as was seen during the rapid expansion of apprenticeship volumes in the early years of the Coalition Government. If employers are taking part only to reclaim their money, rather than because of any active commitment to the concept of apprenticeships, improving the real quality of learning in apprenticeships may be extremely difficult and the danger has to be that the Government’s need for volume will trump any other consideration.

Furthermore, it is fundamentally unclear if politicians really understand the underlying, long-term implications of a genuinely

employer-led apprenticeship system. In the run up to the general election, the major parties made a succession of policy pronouncements on the future of apprenticeships, many of which centre on ‘guarantees’ of places or new and ambitious targets for expanding provision. These have been set, including the new Conservative Government’s target of 3 million apprenticeship starts, without any meaningful consultation with the vast bulk of employers, yet it is ultimately firms rather than government that will determine who gets an apprenticeship place and how many places there are, rather than politicians. Yet again, policy-makers are in danger of confusing apprenticeships with a ‘government scheme’ that they can directly control (Fuller and Unwin 2003, 2011), thereby undermining the central point of EO as it relates to apprenticeships.

Reform of vocational qualifications

The final strand of work that has been billed as part of the EO concept has been a round of reforms (current and impending) to vocational qualifications (VQs) and the standards that underpin them. As with the other areas of policy reviewed in this paper, these simply represent the latest wave in a succession of attempts to design and deliver a VQ system wherein, *‘the “products” on offer fit the requirements of the employer’* (Stanfield et al 2009, p11). Besides the initial reforms that led to the creation of the National Vocational Qualifications (NVQs), the National Council for Vocational Qualifications (NCVQ) and the National Qualifications Framework (NQF) (see Raggatt and Williams 1999 for further details), the Sector Skills Councils were early on charged with responsibility for creating Sector Qualifications Strategies that

would inform the UK Vocational Qualification Reform Programme.

Much of the recent activity on VQ reform has been driven by a belated official acknowledgement that all was not well with the state of VQs, a realisation provoked by the review undertaken by Professor Alison Wolf (Wolf 2011) into the qualifications being taken by young people on the vocational route in schools, FE and apprenticeships. It suggested that a major shake-up was required, and the Richard Review of Apprenticeships (2013) made a number of detailed recommendations concerning the need for change in the way learning within apprenticeships was assessed and certified. A subsequent review undertaken under the aegis of the UKCES into VQs for adults (the Whitehead Review 2013) suggested further reforms.

There are now several elements to this area of work:

- 1 Tech Levels – reforms to Level 3 VQs to generate new ‘gold-standard’ qualifications have required the backing of five or more employers for whatever the VQ awarding bodies have proposed; to date, more than 200 new Tech Level qualifications have been approved by government
- 2 reform of the National Occupational Standards (NOSs) via the UKCES’s Standards and Frameworks programme
- 3 reform of apprenticeship qualifications (currently being piloted by the apprenticeship trailblazer sectors and sub-sectors)
- 4 reform of adult VQs (currently being piloted by the trailblazer sectors and sub-sectors).

To date, no evaluation of these new programmes of activity,

which effectively supersede the UKCES’s earlier work in this field (for details of which, see Howat et al 2013b), is yet available, and all are developing and evolving as the work progresses.

That said, there are reasons to doubt that all aspects of the reform process will prove an easy ride. Unfortunately, the Whitehead Review did not adequately engage with the reasons for the failure of previous attempts to reform VQs in England. For example, Whitehead argues, correctly, that many VQs are too narrow, and do not support progression and/or a return to learning. This he attributed to a simple failure to give employers enough of a say in qualification design, despite the fact that all previous reforms of VQs over the last 30 years have ostensibly been based on what employers (or at least some employers, and/or their representatives) said they wanted. A better appreciation of the history, not least the serious problems encountered in establishing meaningful engagement with employers in some sectors over the design of NVQs (Raggatt and Williams 1999), might have helped the review to understand that while it is easy to say that VQs should be designed by employers, experience suggests it is very hard indeed to contrive this in ways that deliver the intended outcomes. For instance, UKCES data from its Employer Perspectives survey (Shury et al 2014) suggests that employers’ knowledge of the VQ system and of its underpinnings is sometimes rudimentary. No less than 61% of employers had not heard of NOSs, only 5% expressed a ‘good knowledge’ of them, and overall, only 10% used NOSs to develop training plans (7%), support staff appraisals (6%), develop job descriptions or guide recruitment criteria (6%), or help create competency frameworks (5%). An

alternative interpretation which the UKCES have advanced in response to seeing an earlier draft of this paper is that these figures could be the result of reforms that have successfully ‘hidden the wiring’ and that employers are using frameworks based on the NOSs without having direct awareness of the NOSs themselves. Without further research it is impossible to know exactly what underlies the Employer Perspectives survey figures, but doubtless subsequent evaluations of the VQ reform process will provide a fuller understanding of the breadth and depth of employer understanding.

Moreover, the review and its calls for greater employer ownership also arguably failed to take sufficient account of how and why our distinctive approach to VQ design reflects deeper structural features, for example, the lack of well-developed notions of occupation, and very narrow conceptions of skill (see Raggatt and Williams 1999, Brockmann et al 2011, Young and Allais 2013). In many instances the weakness of current VQs can be traced back to the limited ambitions of many employers and to their influence over what has been deemed an acceptable minimum level of skill. All too often, VQs have ended up reflecting the ‘low road’ competitive strategies and skill needs of many employers, and have thus ended up as a lowest common denominator around employers’ skill needs, rather than embodying leading-edge practice and requirements. As comparative research has demonstrated, the roots of the UK’s impoverished model of vocational learning and of VQs are exceedingly deep-rooted within national culture, labour market structures and regulation, and the manner in which many firms choose to compete (on price rather than quality) – see Brockmann et al (2011).

‘What is important to note is that in the last two years, ‘devolution’ of skills funding has become a more prominent component of public policy.’

As a result, there are a number of question marks over what is being attempted. First, there are doubts about whether employers who invested time and energy in the UKCES’s earlier attempts at VQ reform and reviewing the NOS (see Howat et al 2013b) are necessarily going to be willing to go through the whole exercise again, this time using an entirely new design template as demanded by the Whitehead Review (2013). Moreover, the desired outcome – NOSs that are much shorter and simpler than those that have previously been designed by employers and consultants working for employers – is an easy outcome to specify, but may prove quite a difficult one to deliver (Raggatt and Williams 1999, Young and Alais 2013).

Another danger is that the Government’s choice of trailblazer sectors has, to date, avoided some of the large, weakly organised sectors where we know that the wage *premia* attached to some of the existing lower-level VQs are poor (in some cases close to nil). In areas such as cleaning, hospitality and catering, transport and retail, there are major issues about the ability of employers to organise themselves to undertake the design of new NOSs and VQs, and, more importantly, the strong possibility that, given the wage structures and relative absence of progression opportunities in the occupational labour markets that these sectors cover, no matter how good the design of any new qualifications they will continue to show weak wage returns to learners (Keep and James 2012). As a result, the proposed principles and a broad direction of travel for VQ reform policy are hard to argue with, but are probably going to be quite difficult to implement outside of a certain limited number of sectors and occupations.

The emerging local dimension

Attempts in England to make the skills system more responsive to employer needs have for the last quarter of a century or so often had some kind of local/spatial dimension. This strand of activity cannot be reviewed in detail here – it would require a (lengthy) separate paper. What is important to note is that in the last two years, ‘devolution’ of skills funding has become a more prominent component of public policy, in part fuelled by wider debates about national and regional devolution and the rising importance of economic theories about city regions as the driver of economic growth and regeneration (Hildreth and Bailey 2013, Gravatt 2014), and this has increasingly been linked to notions of employer ownership and/or leadership.

As mentioned at the outset of this paper, in the 1990s Conservative governments set up the Training and Enterprise Councils (TECs) to control government-funded training and job-creation activities (see Jones 1999 for a detailed assessment of their strengths and weaknesses). New Labour axed the TECs and replaced them with a new national funding mechanism – the Learning and Skills Council – which developed local and then regional tiers. At the same time, the economic development aspects of TECs were transferred to the regional level via the new Regional Development Agencies (RDAs), which over time developed an increasing interest in and influence over skills policy. The Coalition Government abolished RDAs and introduced the Local Enterprise Partnerships (LEPs), which covered smaller geographical areas than the RDAs and had far more limited resources and responsibilities. Some commentators have noted that in many ways the LEPs resemble a partial re-invention of the TECs (see Jones 2013).

When established, the LEPs were given small budgets and had extremely limited powers. Gradually, there has been a limited move to transfer elements of skills funding to them, including the FE sector's capital budget, a development given some added momentum by Lord Heseltine's (2012) *No Stone Unturned* review of growth policies. More recently still, the emergence of City Deals has seen moves by the Government to transfer large parts of the education and training budget to individual cities – the most far-reaching of which to date is the Manchester City Deal. The latest development is an announcement from the Skills Funding Agency that in future further education colleges and other learning providers who failed to demonstrate that they had a working relationship with their LEP and that they were shaping their provision in line with the LEP's strategic skills priorities would be penalised (SFA 2015b). In making these changes the Coalition Government described LEPs as *'the principal articulation of the business voice in the local area'* (DBIS 2015, p71).

This approach will only work, however, if the LEPs' skills priorities actually reflect real employer demand, and this in turn requires LEPs to be effective representatives of the local business community and to have robust intelligence on their current and future skill needs. Early research on the functioning of the LEPs suggests that in some localities neither requirement is being fully met (Pike et al 2013, Ward and Hardy 2013, Ofsted 2014). More broadly, it is as yet profoundly unclear how local and city regions' systems of planning and funding for E&T can mesh with national policy priorities and systems of inspection, or how well they will be able to gather

and articulate employers' views (see Gravatt 2014 for a very useful overview of the issues raised by moves towards greater localism).

Overview

At a practical level, the current manifestations of EO operate at several levels:

- Sector Skills Council
- individual employers
- consortia of employers developed for an EOP bid or an apprenticeship trailblazer (some sectoral, some locally based)
- Group Training Associations (GTA)
- supply chains
- LEPs and city regions.

The Whitehead (VQ) and Richard (apprenticeship) reforms appear to rely quite heavily upon one-off collaborations or groupings between employers in a sector or sub-sector to deliver new VQs and apprenticeship standards. For sectors dominated by SMEs, the resource implications of delivering trailblazer activity are often considerable – see Hall (2015) for an account of the issues in hairdressing – and there are also questions about how these kinds of one-off employer representation structures can deliver longer-term continuity in the oversight of the reform process (*FE Week*, 23 March 2015, p3). For example, if the original trailblazer group for a sector or occupation has dissolved, who will review the trailblazer apprenticeship standards when they require updating?

Across all three areas of activity – the EOPs, VQ reform and apprenticeships – it is generally too early to be able to offer firm judgements as to how successful the initiatives are, or what their long-term impacts will be, though some problems are already visible. It is to these that we now turn.

Implications and issues

The section above has outlined what EO is and what is being done to enact the concept within English VET policy. As has been noted, across all three strands of policy activity there are questions about how employers understand and are reacting to the policies. Beyond these immediate concerns, there are a range of other issues that need to be analysed and addressed if we are to understand the full implications of EO.

Different interests at play

The first concerns the recognition that the emergence of EO does not simply affect employers – it has major consequences for other stakeholders within the E&T system – and that these parties may have a view on EO, both as a concept, but also in terms of the concrete changes to specific areas of training (for example apprenticeships) that are associated with it. These other stakeholders include:

- government and politicians
- the government agencies that have to deliver EO – chiefly the Skills Funding Agency (SFA) and, within the SFA, those elements that deal with apprenticeships, and the UK Commission for Employment and Skills (UKCES)
- private training providers (PTPs) and their ‘trade body’ the Association of Employment and Learning Providers (AELP)
- further education colleges and the Association of Colleges (AoC)
- learners, employees and their representatives (including bodies such as trade unions

and the National Institute for Adult and Continuing Education [NIACE]).

Some stakeholders are more enthusiastic about EO than others. For example, the Association of Employment and Learning Providers (AELP) has made it plain that they are concerned at changes to apprenticeships that might disrupt the current business models and modes of operation that many of their member private training providers (PTPs) have evolved over the years (AELP 2014).

Employer ownership or employer dominance?

Other parties, not least NIACE, AoC and the trade unions (see NIACE 2014, TUC 2012, Unionlearn 2013) have urged caution about putting employers in the driving seat. Insofar as there is a potential conflict of interest between what types/levels/modes of training individuals and employers want, the mainstream E&T system has traditionally tended to respond to the needs/demand for learning of individuals, and to government targets and priorities (Keep 2006), rather than those established by employers. As some see it, the problem with what the UKCES has proposed with regard to EO is that with the bulk of funding going to employers, the interests of individuals might lose out in future. The needs and aspirations of individual learners, not least in terms of supporting their desire to progress within the labour market (often through changes of employer and occupation), have traditionally been viewed as a

legitimate interest that the publicly funded system needs to cater for. If in future employers increasingly own the post-compulsory E&T system and also a significant proportion of whatever public resources remain available to support it, who represents and safeguards the interests of the individual? A key concern is that it is often argued that employers are keen on narrow, employer-specific (non-transferable) and uncertified (or credit unit rather than whole qualifications) training, rather than the broader and more portable learning that individuals might favour. Insofar as spillovers are generated by publicly funded training, such a development might be expected to reduce their strength/scale.

The UKCES would argue that they are a social partnership body and that as such their aim is to see collaboration and partnership between employers, trade unions and other stakeholders within the E&T system (see, for example, UKCES 2014b). The problem is that at levels below the Commission, the infrastructure and relationships to support social partnership approaches are patchy at best, and in some sectors and many firms, trade unions and employer representation are almost wholly absent.

In many other OECD countries these problems are moderated through relatively strong social partnership arrangements and structures, which mean that trade unions and employee representatives act as a counterbalance to employers’

interests (Unionlearn 2013). They also help keep employers 'honest' by minimising deadweight (employers using public funds to support training they would have undertaken anyway) and keeping training broad. Successful national E&T systems tend to be ones in which the system's architecture helps ensure that institutional and governance structures operate in ways that help balance and mediate conflicting stakeholder interests and claims on finite resources. As things currently stand, such arrangements are unlikely to become the norm across all parts of our economy and labour market.

Employers as consumers of E&T?

Another question centres on exactly what the intended overall role of employers within the training system is meant to be. The problem is that neither employers and those who represent them nor government are as clear on this point as might be hoped. Two opposing visions of where we should be heading seem to have emerged. One sees the employer as a more powerful consumer of the outputs of the E&T system; the other sees them as an actor/stakeholder within the system.

On the consumer side of the argument, the CBI's Director of Employment and Skills Policy, Neil Carberry, has suggested in relation to apprenticeship reform that, '*businesses want to be an empowered consumer, not training providers themselves*' (Carberry 2014). The Government has echoed this sentiment, noting in their second consultation on the funding of apprenticeships that '*the employer is the customer*' (HM Government 2014a, p6, see also Johnson et al 2014, pp9 and 10). The notion of a detached customer, who simply purchases 'training'

from an external supplier, much as they might purchase office cleaning or catering services from a sub-contracted provider, is one that has developed within official policy over the last 30 years. In many ways the starting point for this development was the arrival of the Youth Training Scheme (YTS) for the young unemployed in the early 1980s. As a result, as Unwin (2010) observes:

'The new breed of target-driven providers took to the streets to persuade employers to give placements to YTS trainees. Despite the rhetoric that the new qualifications were "employer-led", employers were able and willing to hand over responsibility for assessment and, in some cases, training itself to the providers (see Raggatt and Williams 1999). ... As Fuller and Unwin (2009) explain, "The major impact of YTS was to establish the state as the purchaser and driver of vocational training rather than employers"' (Unwin 2010, p54).

This approach was reinforced over time because until now government training funding has been routed via the private training provider (PTP) rather than through the employer. Indeed, in some Train to Gain (T2G) provision and a great deal of apprenticeship provision, the PTP has gone out and 'sold' the scheme to individual employers (Nield 2012).

The problem for government is that this mode of delivery has enabled employers to see training as a government scheme that is provided for them, rather than as something within which they need to be actively engaged. EO is a belated attempt to try and reverse this, and as such represents a massive culture change programme with all the difficulties that such endeavours face.

Given the enthusiasm on the part of some employer representatives for the status quo, there are two somewhat divergent ways in which the concept of EO could now be developed and enacted:

- 1 Government funding is routed through employers, and they then use this money, combined with their own contributions (on whatever scale), to purchase the training that best suits their needs from PTPs via a cost-based training market. The Government's original plans for apprenticeship reform seemed to favour this model, and expended most of their effort on trying to determine the best means by which public money should be channelled to employers, with, as previously noted, some expectation that many employers would continue to delegate practical responsibility for the delivery and management of apprenticeships to the training provider (Hancock 2014).
- 2 EO could be seen as the moment at which employers start to move from being passive recipients of externally provided training support and start to develop and enhance their internal (individual or collective) capacity to train. In many ways, the UK Commission for Employment and Skills' work on the Employer Investment Fund (EIF), the Growth and Innovation Fund (GIF), the Employer Ownership of Skills Pilots, and now the UK Futures Programme have all tried to place a greater stress on both individual and collective employer endeavour and training capacity-building rather than simply the buying in of services from external sources (UKCES 2014b).

‘It is relatively unlikely that a German or Swiss employer involved in apprenticeships would see themselves primarily as a ‘customer’ of the system.’

Although the first option would undoubtedly be easier to deliver, the danger is that it would perpetuate employers’ often passive role within some forms of E&T delivery. Michael Woodgate, an independent consultant on skills, has argued that: *‘A move to genuine partnership working between providers and employers, where employers see themselves as part of the skills system rather than just articulate customers, is essential if progress is to be made’* (Woodgate 2013, p12). Certainly, the current model of relative employer detachment is one of the distinctive features of our training system. It is relatively unlikely that a German or Swiss employer involved in apprenticeships would see themselves primarily as a ‘customer’ of the system. They would normally tend to think of themselves as providers of apprenticeships and partners working within a national apprenticeship system, not least in ensuring that the on-the-job training is of high quality.

Beneath what might be termed these surface tensions lie a number of more structural issues that raise questions about how EO, both as a concept, but also as a suite of evolving streams of policy activity, is likely to play out. It is to these that we now turn.

Government funding cuts

The birth of the concept of EO occurred at a propitious moment for policy-makers, seen in Charlie Mayfield’s observation that:

‘The key shift is to secure a much greater commitment from business to invest in skills to drive enterprise, jobs and growth. ... Investing in developing skills should be a defining characteristic of a responsible and enterprising business – it is perhaps the “inconvenient truth” of this decade’

(Mayfield, foreword to UKCES 2011b, emphasis added. For a full version of the original text, see DBIS/UKCES/SFA 2011).

This emerged against a backdrop of an impending massive and sustained public spending squeeze covering all non-higher education forms of post-compulsory E&T. The BIS Skills Funding Statement 2013–16 (DBIS/SFA 2014) reflects the reality that between 2010 and 2018, on pre-election projections, the overall BIS departmental budget was set to diminish by 42.5%, and that given that large elements of this are ring-fenced (innovation, science spend, economic development) and the vast bulk of the teaching and student support costs of HE are no longer on the Government’s balance sheet, the FE and Skills Budget is highly likely to take a serious hit. As noted earlier, the Adult Skills Budget’s non-apprenticeship elements have just sustained a 24% cut (SFA 2015a), and the cumulative decline by 2018 is liable to reduce levels of state-funded non-apprenticeship activity to much lower levels than previously. It is also the case that a very significant proportion of the much-vaunted and oft-quoted figure of a £40.5 billion employer annual training spend (UKCES 2013c) is also under threat from broader government retrenchment, as it covers the massive investment in E&T made by public sector employers – the NHS (the largest organisational investor in E&T in the UK), the armed forces, the civil service, local government, fire brigades, police forces, and so on.

This dramatic overall reduction in government investment in E&T may have more than a little to do with policy-makers’ current enthusiasm for EO. As government can no longer foot the bill, it is assumed that employers might

now like to take the lead (DBIS 2010b). In other words, what was presented as an ‘inconvenient truth’ for employers is now actually a very convenient belief for policy-makers. The problem is that it may be a belief that is at variance with reality. Why might this be the case?

Skills policy and EO as a ‘national project’ in a globalised age

As the author pointed out many years ago (Keep and Mayhew 1996), the UK Government’s skills policies have consistently fallen into the trap of framing the role of employers within what is arguably a backward-looking and somewhat out-of-date ‘national interest’ model, wherein employers can be co-opted to deliver training to meet societal and economic objectives that go beyond the immediate needs of the firm. In many policy pronouncements over the last three decades, there has been a strong underlying presumption that firms operating in the UK will see their futures as bound up with the overall success of the UK economy and the smooth operation of its labour market and skills supply system. From this has flowed a consequent belief that employers will therefore be strongly motivated to support the Government’s skills policy by getting involved in initiatives and the work of the bodies within the E&T system, and by supporting E&T schemes that deliver both social and wider economic objectives.

These assumptions have a slightly old-fashioned ring to them, particularly in the UK context, which has, at another level of official government rhetoric, enthusiastically embraced globalisation, a free and unrestrained market in the ownership of firms, and acknowledged the ability of firms to offshore and outsource their

work across the globe (DBERR 2009, DBERR/DIUS 2009, DBIS 2009, Brummer 2013). For example, as Peter Ellwood, former chair of ICI, relates regarding the takeover of ICI:

‘I did float the idea, many, many months before we even had an offer, to the civil service whether anyone in the government or the upper reaches of Whitehall had any kind of policy on protecting British companies. The answer came back: “Absolutely not. We don’t feel in any way that it is part of government’s job to protect ICI or anybody else from a foreign takeover. We’re interested in jobs, but we’re not interested in who owns the company”’ (quoted in Brummer 2013, pp95–6).

Yet despite this ‘big picture’ free market outlook, within the narrower frame of government skills policy, thinking seems inexorably drawn to constantly hark back to an early-1970s model of ‘big British firms’ that had a major stake in a mass apprenticeship system, and a strong commitment to large in-company training systems (for example those provided by the likes of Pilkingtons, British Steel, GEC, ICI, Courtaulds, Vickers and British Leyland). As Sisson and Purcell outline (2010, p92), these firms have either gone out of business, been taken over by overseas interests, or have globalised their operations to the extent that the UK-based component of employment, turnover and profit is now quite small (see Keep and Mayhew 1996, p326, for an overview of the position among the top 100 UK companies in the mid-1990s). Thus, between 1990 and 2007, UK-owned firms’ investment in overseas operations and the purchase of foreign firms increased six-fold, from \$230 billion to \$1,486 billion (Sisson and Purcell 2010).

Moreover, the nationalised industries, many of which provided large amounts of craft, technical and managerial training (often in excess of their own immediate needs), have either been shut down or privatised and often fragmented, and in many cases – the British Airports Authority, the water companies and the electrical generation and distribution system, British Steel, and parts of what were British Leyland and British Railways – sold to foreign owners (Brummer 2013, Meek 2014). Within what remains, for example the BBC, new public management models have meant that large sections of productive capacity and the workforce have been outsourced to a fragmented array of often relatively small production and service companies, often staffed by freelancers or sub-contract labour, and training scaled back massively.

Besides the relative decline of the big British firm (as traditionally conceived) as an engine for training policy, there has also been a massive growth of overseas ownership, via foreign direct investment (FDI), mainly, as noted by Sisson and Purcell (2010), through the acquisition of existing UK-based firms by overseas companies rather than the setting up of new ventures. Takeover victims include: Chloride, Logica, EMI, Psion, ICI, Pilkingtons, Rolls-Royce cars, Bentley, Jaguar Land Rover, Thames Water, Harrods, Hamleys, Fortnum & Mason, Thomas Cook, Terry’s, Rowntree, Cadbury, Corus, RMC (ready mix cement), Boots, Body Shop, Selfridges, Harvey Nichols, British Oxygen Company, British Airports Authority, Arriva, O2, Orange, Scottish Power, Tomkins, the National Lottery operator Camelot, the High Speed 1 rail line, Manchester United, Manchester City, Liverpool FC, Scottish & Newcastle, British Energy, Bmi,

‘In many instances the bulk of the organisations’ employees, turnover and profit exist outside the UK, and the best prospects for growth may also be a long way from our shores.’

Forth Ports, and Thames Water. Marginson and Meardi (2010) offer an overview of these developments, which indicated that the stock of FDI in the UK stood at \$1,348 billion in 2007, covering the activities of 13,500 overseas-owned companies. In the manufacturing sector, these foreign-owned organisations saw their share of employment rise from 19% in 2000 to 27% in 2005 (Marginson and Meardi 2010, p209). In 2009, UK companies spent £22 billion buying overseas companies, while overseas companies spent £30 billion buying UK firms, and a year later the figures were £24 billion versus £54.5 billion (Brummer 2013, p121). Since 2004, UK companies worth no less than £440 billion have been sold to overseas interests (Hutton 2015). Moreover, the UK is the target of a disproportionate amount of cross-border takeover activity. As Brummer points out (2013, p205), in the years 2005–08, cross-border mergers in the UK represented nearly 50% of those across the whole EU.

In 2009 the impact of foreign ownership in the UK was assessed by Oxford Innovation (2009) for the ERA Foundation. Their research suggests that in 2006 no less than 40% of all UK manufacturing sales were generated by foreign-owned organisations, and that the proportion of UK manufacturing’s gross value added (GVA) being produced by foreign-owned firms rose from 25% in 2000 to 38% by 2007. This level of increase was not confined to manufacturing. Over the same period foreign-owned entities’ share of mining and quarrying GVA rose from 50% to 70%; and in electricity, gas and water supply the proportion leapt from 13% to 46%. Oxford Innovation also calculated that foreign interests held 43% of the total shares in UK manufacturing companies, 42% of non-

manufacturing and 34% of financial companies. To bring the overall figures up to date, Hutton (2015) notes that whereas in 1989 just 13% of shares in major UK companies were held by foreign institutions, by 2015 the figure had climbed to 40%. The ERA Foundation has argued that much of this sale of UK productive capacity to overseas owners has been occasioned by the need to service our balance of trade deficit.

In many instances the bulk of the organisations’ employees, turnover and profit exist outside the UK, and the best prospects for growth may also be a long way from our shores. In a world where skill shortages can be met by offshoring the activity, or through migrant labour (not least from elsewhere within the EU), employers may be inclined to feel that government either provides them with what they need or see employment and/or training volumes decline.

Plainly the impact of these trends is not universal. There remain large organisations, UK and foreign-owned, which continue to invest relatively heavily in their own workforce, and in some instances in that of their supply chain, and these have often formed the backbone of EOP bids in the aerospace, defence and automotive sectors. Firms such as Jaguar Land Rover, Nissan, Toyota, BMW, BAE Systems, Airbus, Network Rail and BT are all exemplars of this. However, the loss of many other large firms, or the significant reduction of their UK operations and training spend, have implications for policies based around employers’ commitment to a ‘national project’ around E&T and skills. Cumulatively they suggest that such a project may meet with sometimes patchy support in terms of what many employers are willing to do and to invest in.

Models of firm ownership and their implications for time horizons

These issues are arguably exacerbated by broader forces created by the dominant notion of shareholder value as the key driver for strategic decision-making (see Williamson et al 2014, Hutton 2015). However bad the problems with short-termism that our economy has experienced in the past, current models of strategic management are making this worse, as shareholder commitment to the enterprise dwindles, and various forms of financialisation of the firm and its assets mean that already attenuated time horizons often dwindle even further (Applebaum et al 2013, Clark 2009, 2011). These tendencies have in some instances been accelerated by new forms of ownership, such as private equity, and international consortiums of investors (such as those who now own Boots, BAA, and Thames Water), which tend to detach and 'de-nationalise' firms from their native business environments (Clark 2009, 2011). Moreover, 72% of UK stock market trading is undertaken by hedge funds, high-frequency traders or investment banks trading on their own account (Hutton 2015). These are probably not generally investors who are in it for the long haul.

The Government has sometimes chosen to describe EO as a 'something for something' deal, but in a world of shareholder value maximisation and short time horizons for investment payback, such deals may be hard to broker and close. It is an open question why any senior private sector manager worth their annual bonus in a shareholder-value-maximising organisation would want a something for something deal if they believe that they can broker a something (from government or the individual) for nothing

(from their organisation) deal. Some employers and the bodies that represent them are now well used to and socialised into a pattern of behaviour wherein they demand more skills and expect the Government to respond by a further round of expansion of post-compulsory education at taxpayers' and/or students' expense (Gleeson and Keep 2004, Keep 2006, CBI 2009). Moreover, skills are a long-term form of investment, and increasingly for many UK firms the concept of long term is either measured in months or has simply lost its meaning. All this suggests that EO may be swimming against a powerful current.

Employer 'retreat' from training?

Some of the issues and forces touched upon above may help explain the phenomenon that this section discusses – the apparent retreat in levels of employer-provided training in the UK. As previously noted, the Government and the UKCES have both crafted policy on the assumption that employers will now be willing to or will need to invest more in the skills that they want (DBIS 2010b). Unfortunately, there is now good and reasonably hard data that suggests that across the board employer investment in skills reached its apogee a long while before the recession struck, and is currently set on a gradual, long-term downward trend. We know that in terms of the incidence of training across the whole workforce, this peaked in about 2000 and by 2010 was back to levels last seen in 1993 (Mason and Bishop 2010).

Work by researchers at the ESRC Centre for Learning and Life Chances in Knowledge Economies and Societies (LLAKES), which analyses a wide range of survey data, both confirms the Mason and

'However bad the problems with short-termism that our economy has experienced in the past, current models of strategic management are making this worse.'

Bishop findings on the incidence of training and also suggests that there has been a much sharper reduction in the average number of hours of training per worker, with the level having fallen by perhaps as much as half between 1997 and 2012 (Green et al 2013). Green et al (2013, p3) suggest that this development represents a 'sea change' in employers' training activity, and one that is reflected in the fact that since 2005 employer funding for training has declined – with recent government figures suggesting that training spend per employee trained has fallen by 17% since 2011 (DBIS 2015, p15). In thinking about these trends, it is important to note that training volumes per worker, the incidence of training across the workforce and employer investment all started to decline before the recession struck. These appear to be long-term developments that are not tied to the immediate health of the economy, with the decline setting in long before the recession struck.

Given the enormous effort expended by government on ceaselessly exhorting employers to do more, and the public resources invested in subsidy-led schemes such as Train to Gain (T2G) in the hopes of transforming firms' attitudes towards adult training, this is a very disappointing and unexpected outcome. It is also one that does not bode well for a future where the state is stepping back and where the private sector will need to be doing more rather than less if overall training levels are not to fall even further.

Green et al (2013, pp28–32) offer a range of reasons why the volume of training may have been falling:

1 Managers are 'becoming less optimistic about the value of skills for their business' (2013, p28).

- 2 The workforce is becoming better educated with each successive cohort, and therefore needs less remedial training, and what training is required builds on a higher level of prior skills and knowledge.
- 3 There has been a rapid improvement in the efficiency and efficacy of the training function, so that more learning can be delivered in a shorter time.
- 4 Learning is now embedded within work processes, and less overt training is required.

In addition, it could be argued that there are broader forces at play, not least gradual but deep-seated shifts in how some employers view the employment relationship and their responsibilities for training within this. In 2009 the CBI produced a document that outlined their longer-term vision for how the labour market and employment relations would evolve. It argued that there would be more freelancers and zero-hours contracts (both predictions that have subsequently been proved correct), and that:

'As a result of the drive towards flexibility, a significant number of businesses will move to a new employment model where the core of permanent workers is smaller and a greater number of freelancers, consultants and temporary workers are used ... the skills of these individuals around the periphery of the organisation will be just as vital to business success as permanent employees [sic]. A challenge will be to ensure their training is up to date and that they have the relevant experience to drop straight into the role as required – responsibility for this will shift increasingly to the individual and/or agencies and away from the employer' (CBI 2009, p22).

An interesting example of this approach is a quote from the chair of the Management Board of the Local Economic Partnership Network, Alex Pratt, who argued that, *'my staff are assets being leased by my business, they are not assets that belong to my business. Their value stays with them as an individual [if they move companies]'* (Offord 2014, p9).

In the case of workers employed in what are termed networked organisations (where more than one organisation collaborates in the production of goods and services), such as are associated with many forms of outsourcing and agency work, the question of who pays for the training of workers is already becoming a serious issue (see Rubery et al 2010 for a detailed exploration of this topic). Echoes of these sentiments of disassociation and disavowal of employer responsibility find expression in the UKCES's findings (2014b) concerning the training on offer to workers on temporary or zero-hours contracts. These indicated that only 58% of workers on temporary contracts who had received training in the last three months had it paid for by their employer, compared with 74% of permanent workers. Seventeen per cent of those on zero-hours contracts had to pay for their own training, and 5% relied on their family to meet the cost. One of the UKCES's commissioners (Jeremy Anderson from KPMG) observed:

'...we need to ensure that people ... can still access opportunities to develop skills and progress in their careers, particularly young people ... if flexible workers are receiving less training, and having to pay for their own, this poses a risk to the long term future talent pipeline: employers may not be able to get the skills they need and people

on flexible contracts may find it harder to progress in their careers – an issue particularly concerning for young people who have taken flexible contracts as a first step into work’ (UKCES 2014b).

Moreover, at a broader level the CBI (2009) report forecast that the oft-heralded era of just-in-time-just-enough training was finally dawning:

‘Across the board, funding for non-essential training and general career development training not directly aligned with corporate goals will be scaled down substantially or even stopped. Increased return on investment will also come from lowering the cost of training: the balance will also shift so that the majority of training is delivered online, or through other virtual learning environments, and in-house, rather than being provided face to face and outside the workplace. Mentoring and apprenticeship-type schemes (though not necessarily formal apprenticeships) will also be used more extensively...’ (CBI 2009, p21).

There is thus the possibility that EO is running against a conceptual tide whereby at least some employers are gradually disengaging themselves from traditional models of the employment relationship and the obligations (for example, providing training to ‘employees’) that this entails. In this new world, training anyone who is not part of a small core workforce may appear to be a form of outdated paternalism. The rise of casualised forms of employment, agency working and some forms of self-employment seem ideally designed to help shift the responsibility and cost of training onto other parties. For those who remain inside an attenuated core workforce, training may be becoming much more tightly focused on immediate

corporate needs and objectives. These trends, in turn, may partially reflect the pressures generated by short-termism, and new forms of corporate ownership (not least private equity). Given this less than propitious backdrop, many of the assumptions that government have chosen to make about EO look like a big ask.

Business models and wider skills policy problems – the importance of skills to employers

All of the above issues suggest that there may be a gap between the importance that policy-makers believe employers should ascribe to skills, and the importance that employers in reality do or do not attach to the creation of skills. There are also possible misalignments between the kinds of training activity that employers think are important and those that government prioritises. In many ways these tensions are central to any understanding of why national E&T policies (and associated institutional reforms and initiatives) often tend not to function as expected.

To begin with, a major problem with the role played by employers in the E&T system is caused by a general assumption on the part of the state (or at least those elements thereof directly concerned with the supply of E&T) that employers have a universally strong interest in creating skills and becoming involved in government schemes. This is a fundamental misapprehension from which much pain, confusion and further misapprehension flows (Gleeson and Keep 2004). In reality, organisations exist to supply goods and services, in the private sector in order to earn a profit, in the public sector in order to meet public needs. Varying levels of skill may be required to meet these

‘For those who remain inside an attenuated core workforce, training may be becoming much more tightly focused on immediate corporate needs and objectives.’

‘Employers will train either because they are mandated to do so (health and safety, food hygiene, supply-chain requirements, and so on), or because the skills are needed to support the productive process.’

ends, but creating them is not the primary goal of the employer. Employers will train either because they are mandated to do so (health and safety, food hygiene, supply-chain requirements, and so on), or because the skills are needed to support the productive process. In other words, as the Cabinet Office PIU project on workforce development underlined, skill is a derived demand; it springs from business need rather than existing in its own right (Cabinet Office 2002). This point was reiterated by the UKCES in their report *Towards Ambition 2020* (2009). To put it another way, employers are not necessarily interested in skills *per se*; they are interested in what skills might contribute to meeting organisational objectives – often in the relatively short term (see Sisson and Purcell 2010).

Moreover, as the UKCES (2014c) note:

‘The UKES [UK Employers Skills Survey] has consistently shown that there is a long tail of businesses with “low road” strategies. These businesses provide little opportunity for training, have low demands for skills and operate strategies that do not require significant skills usage. Improving the skills of UK workers, including young workers, is important but unless the demand for these skills moves in parallel there is a risk that skills are underused and do not make an impact on productivity’ (UKCES 2014c, p13).

If substantial parts of the UK economy are trapped in a (relatively) low skills equilibrium, or at the very least, have limited short- to medium-term needs for substantial upskilling, putting employers in charge of the E&T system is unlikely to produce the step change in skill levels and skills investment to which

all policy-makers have ostensibly long aspired. The gap between what policy-makers want and what employers acting rationally may be willing to deliver has long been noted as a key issue across the developed world (Streeck 1989). The first report of the National Skills Task Force (NSTF) framed the problem thus:

‘We think it would be a mistake to treat the current demands of employers and individuals as coterminous with the needs of the economy ... the demand from individuals and employers is conditioned by the current structure of incentives they face and the information they have about education and training opportunities and their economic benefits. It cannot be assumed that these necessarily reflect the wider needs of the economy for economic growth and stability’ (NSTF 1998, p33).

The key question then becomes how to devise forms of policy, institutions and understandings that can underpin a settlement that tackles this problem. In many sectors low-value-added, low-skilled product strategies are firmly entrenched and a sizeable proportion of UK-based enterprises may be resistant to any encouragement to change (Hogarth and Wilson 2003, Mason 2004, UKCES 2009). On its own, it is hard to see how EO will necessarily address these underlying problems, unless it becomes linked to a more expansive and ambitious model of industrial strategy (see Keep and Mayhew 2014, UKCES 2014b, 2015b).

Hitherto, what has been lacking has been the willingness by policy-makers to engage in an honest and sustained conversation with employers and their representatives

about what they are really willing to contribute to any serious national agenda for upskilling the workforce, and about their ambitions (or in some cases the lack thereof) in relation to product market strategies, product quality and specification, models for securing competitive advantage, and work organisation and job design, since these are what ultimately dictate the levels and shape of demand for skill.

Thinking through the role of employers in the national E&T system

The kind of conversation being suggested above would be much easier to hold if we were clearer exactly what it is we are expecting employers to do. One of the central problems with the English education and training system has long been the failure to define what the rights, roles and responsibilities of the various parties within the system really are, and those pertaining to employers have been particularly ill thought through (Huddleston and Keep 1999, Gleeson and Keep 2004, Keep 2012). The result is that policy expects employers to play an increasing number of different roles within the publicly funded E&T system. For example, these duties include:

- offering work experience to the long-term adult unemployed
- offering work experience to the young unemployed
- offering more apprenticeship places, particularly to people aged under 24
- offering more work experience placements to students in schools, colleges and universities
- helping redesign national occupational standards (NOSs) and vocational qualifications
- helping design various aspects of the curriculum, not least in the STEM subjects,

across schools, colleges and universities

- sitting on the governing bodies of educational institutions
- helping design and manage the E&T system through participation in the work of the Sector Skills Councils and other bodies and agencies
- forecasting future skill requirements (in quantitative and qualitative terms)
- tackling adult literacy and numeracy problems
- providing the adult workforce with 'employability' skills
- working in partnership with recognised unions and their union learning representatives (ULRs).

This is all in addition to the expectation that employers are making the right decisions with respect to retraining and upskilling their workforces through company-provided formal training or informal learning on the job. In a world of finite and potentially dwindling resources, greater clarity over what the real priorities are would be very helpful. Dialogue with employers about where they want to place their efforts, and where this activity might fit within wider skills policies, seems an essential component of making EO a success.

Final thoughts, issues and questions

‘The model continues to be that for the bulk of apprenticeship training, the expertise to design and run them will be bought in from external training providers.’

England only

Different parts of the UK are approaching how to deliver skills policies within tight public spending limits in very different ways. EO is an English policy concept. It does not have any traction in either Scotland or Wales. In Wales, the mantra is a simple and direct one – ‘co-investment’ (Welsh Government 2014). In future, for post-19 provision, employers will either pay for the training themselves, or access government schemes that require co-investment, at levels of 50% of cost or above (depending on firm size). The state of government resources in Wales leaves no alternative to this approach.

In Scotland, a variety of devices are being deployed to try to involve employers in planning future skill requirements and, within the context of those plans, in committing their own resources to tackling certain aspects of future training and development needs (see Keep 2014 for details). These include: Skills Investment Plans (SIPs) for the Government’s economic policy priority sectors; regional SIPs for some areas (the Highlands and Islands, for example); regional skills assessments that try to set out future skill needs and link what universities and colleges are meant to be doing to address these; and regional outcome agreements that bind colleges and universities to certain patterns of investment and activity to help meet projected future demand. These activities are, in turn, linked to economic development priorities (see Keep 2014).

Companies’ internal training expertise and capacity – a missing element?

Going back to the CIPD 2014 *Learning and Development* survey results, one of the reasons that EO may have limited resonance with and appeal to HRD professionals is because it is concerned with qualifications and certification, and with formalised forms of training and development, often delivered by external providers, rather than with the activities that company HRD/training departments spend much of their lives planning and undertaking. The survey showed that the three most used and regarded as most effective learning and development practices were (in order): on-the-job training, in-house development, and coaching by line managers. EO, in itself, is not really concerned with this kind of activity. Indeed, one of the most distinctive features of English debates about training and skills policy over the last quarter of a century has been its blindness to the actual conduct of the training process itself. The internal training capacity of firms has long been a ‘missing piece’ in the jigsaw of English skills policy.

For example, the Richard Review follows the long-established UK government tradition of focusing little or no attention on the actual capacity of employers to deliver their own training, on or off the job. The model continues to be that for the bulk of apprenticeship training; the expertise to design and run them will be bought in from external training providers. In part, this is because policy-makers have chosen to see the provision

of a market in external training providers as the answer to the need for more and better training. Training, like office cleaning, can be bought in as an outsourced service as and when needed. This model also reflects the longstanding aversion that policy-makers have to any form of intervention that seeks to directly influence what occurs within the 'black box' of the firm and workplace (Keep 2002, 2006, 2013, Keep and Mayhew 2014). Insofar as quality issues with workplace training have featured within policy debates, they have largely related to publicly funded provision (mainly training opportunities for the young), and the answer has been seen as outcome-related funding systems and tougher inspection regimes (Lewis and Ryan 2009).

The lack of interest in the underlying internal capacity of firms to train their own workers seems a bizarre omission in relation to workplace learning. We know very little about the current state of the training or human resource development function in organisations across the UK, but what we do know suggests it may be thinner than is required to support high-quality apprenticeship and adult workplace learning. For example, Ofsted recently awarded two very large employers inadequate ratings for their apprenticeship training on all criteria being inspected. There are also reasons to suspect that in some workplaces the pace and structure of work no longer offers the 'space' for effective on-the-job work learning to take place (Keep 2013).

As Unwin (2010) notes, *'Attention has been focused on raising aspirations and developing the skills levels of individuals seeking or already in work, and far too little attention has been paid to the capabilities of employers'* (Unwin 2010, p56). This indifference to

the capacity of the workplace to support learning, which is now so long embedded in policy thinking that it is rarely reflected upon, is unfortunate. If EO is to deliver the desired results, it can be argued that a central precondition for long-term success is employers' ability to design, deliver and manage high-quality skill acquisition within the workplace. The skills and capabilities of both external providers, but also and more importantly the organisation's own training/HRD function and its line managers, is critical to supporting this. It matters in terms of well-structured off-the-job learning, but it matters even more in terms of how work is organised and jobs designed to support informal learning through work, which is how the bulk of new adult skills are acquired (see Keep 2010, Felstead et al 2009, Keep 2013, Keep and Mayhew 2014, UKCES 2014b, 2015b).

To date, as has been noted above, the UKCES's work on EOPs and the GIF has contained a strand of activity and funding that targets the strengthening of collective provision of skills by groups of employers. This form of capacity-building is to be welcomed, but it leaves largely unaddressed the larger question of what the state of the nation's overall in-firm HRD function is and how it might be improved to support both initial and adult workplace skill acquisition.

How much of a fundamental shift in policy does EO represent?

Over the last three decades the English E&T system became far too government-centric, with insufficient voice allotted to employers and indeed to a range of other stakeholders (Keep 2006). Change has been long overdue. However, in moving

to a new dispensation, it is important to be realistic about what employers, in the short term, can and will do in terms of active engagement in design, governance or funding of the system. Shifting employers from a state of either disengagement or relatively passive welfare dependency to a position where far more of them are active partners is going to take time and a major investment of effort and political capital in institution-building. It will not happen overnight. Nor, in and of itself, will it necessarily lead to substantial improvement in the overall volume of training taking place, at least in the short to medium term.

Moreover, it leaves several central policy issues untouched. One of the problems with English skills policy is that anything that is new is represented as constituting a radical departure. Occasionally this is the case. Generally, the new turns out to be the old repacked and reheated at a fairly low temperature. Genuinely new approaches or re-framings of policy are very rare (Keep 2002, 2006, 2009). At one level EO represents a new stress on delivering on many earlier government promises and on trying to make the E&T system more responsive to employers' wishes rather than simply chasing government targets. At another, as conceived of by government, it is fundamentally grounded within a long-established tradition of policy development, so that, like the overwhelming majority of skills policy interventions over the last 30 years, it is based on boosting skills supply, assumes that demand for skills is high (and that some of this demand is currently unsatisfied), and that the productive mobilisation of skills within the workplace is entirely unproblematic. In other words, it yet again makes little or no direct contact with wider

‘If you want to increase the supply of training, you need first to boost the demand for it, and in order to do that policy has in many instances to try and impact on first- and second-order choices about competitive strategy and how production is organised.’

economic development/business improvement or innovation policies, and simply assumes that many firms are champing at the bit to hit the high road to competitive advantage, as opposed to the low-wage, low-skill low road that in fact we know many are taking. As both the author of this paper (Keep and Mayhew 2014) and the UKCES (2009, 2014b, 2015b) have argued, this limited approach is unlikely to succeed. It does, however, represent the relatively seamless development of a well-established line of policy thinking rather than a major discontinuity.

Policy-makers have been searching for many years for a means to catalyse an increase in employers’ investment in and provision of training activity. This catalyst has eluded them and the desired and oft-heralded ‘step change’ in training has never taken place (Keep 2002, 2006, 2009). What policy-makers are loathe to accept is that the reasons for this failure may very well reside, not in an inappropriate choice of policy intervention, or weaknesses of institutional or programmatic design, but rather in the fact that they are trying to tackle the symptom rather than the cause of the problem.

As noted above, as long ago as 2002 the Cabinet Office Performance and Innovation Unit (PIU) report on workplace development and training warned that employers’ skill needs were a ‘derived demand’, that is, they arose as a result of prior underlying choices about product market strategy, competitive stance, product or service specification, and the forms of work organisation, job design and employee relations policies needed to deliver these (Cabinet Office 2002). In other words, if you want to increase the supply of training, you need first

to boost the demand for it, and in order to do that policy has in many instances to try and impact on first- and second-order choices about competitive strategy and how production is organised, rather than the lower-order issue of how skills might best be supplied (Keep and Mayhew 1996, Keep et al 2006, UKCES 2014b, 2015b). In many senses, EO is a very traditional English skills policy because it sees the primary policy problem as one of supply.

Threats and dangers

Policy around EO faces a number of dangers, some of which represent a threat to government, others to employers. The first is that in relation to the EOPs and funding for collective measures/ employer networks more generally, as the Government’s own statements on these activities note, the EOPs will not be extended and there are problems of scalability. Thus, as noted above, it is unclear what the EOPs are actually pilots for. It is extremely difficult to see how they can represent a model for a national funding system of the kind called for by the British Chambers of Commerce when they asked that, *‘The principle behind the Employer Ownership of Skill pilots in England should be extended through a similar funding route based on competitive bidding to address particular sectoral and geographical skill needs’* (BCC 2014, p8).

More broadly, the general prospects for government funding for post-compulsory E&T provision look extremely bleak. As previously noted, there will now be further, deep cuts in the DBIS’s FE and Skills Budget, and this will mean that there will be very little money available for any form of support for collective employer action on skills, still less for other forms of post-compulsory skills

and training provision, and that at the same time the scale of employer financial contributions to the costs of apprenticeships will have to rise. With dwindling public resources, money spent on EO will mean even less money available for other forms of post-19 education and training. There is thus a clear danger that the current experiments with EO may become swamped by the broader impending crisis in post-compulsory funding. How might this occur? As noted earlier, the concept of EO has probably been partially boosted by its assumed ability to lever in greater employer co-contribution on the back of wider 'empowerment' of employers within the E&T system. EO emerged as a concept just as the long-term prospects for government funding of post-compulsory E&T started to enter a downturn, and in funding terms EO can be seen as a 'circle squaring device' that conveniently (for policy-makers) allowed them to believe they could maintain headline volumes of activity and trainee throughput by leveraging in increasing amounts of employer support. A small(er) state requires 'bigger' employers. Many policy-makers seem to have loaded very high short-term expectations onto what EO can deliver by way of co-investment and employers' willingness to reform the education and training system.

Unfortunately, as has been argued above, the rise of the EO concept ironically coincided with emerging evidence that employer investment in training activity and the volume of training it supports is on a long-term, structurally driven downward trend, and that this is being driven by incentives encoded within current ownership structures, corporate time horizons and resultant conceptions of the nature of the employment relationship. Unless there is action to address some of these issues and

to re-balance the incentives firms face in ways that stress a longer-term perspective, it is unlikely that progress can be made (Hutton 2015).

As a result, there are significant dangers that EO will be unable to bear the weight of all the expectations that are being heaped upon it. For employers, EO thus offers both promise and threat. The promise is that, if they want, they can compete for government funding to deliver new forms of collective training infrastructure and play an enhanced role in the design and delivery of enhanced apprenticeships, new qualifications and occupational standards. The opportunity to ostensibly assume much greater responsibility and control is on offer, in part, because government can no longer afford to lead. Plainly policy-makers are following this course in the expectation that the majority of employers will rise to the challenge and undertake more and better training once they are freed from the shackles of government direction and control that have smothered their initiative all these years. Many of those who purport to represent employers have endorsed the new policies and implicitly pledged that firms will indeed do what is required to make them fly.

The threat is that in the broader scheme of things the concept of EO sets up the conditions for the emergence of a movement, conscious or unconscious, to push policy in ways that force employers to 'put up or shut up' on issues to do with skills. This matters because policy has until now been able to skirt around weaknesses on the demand side as the state was able to pay for large rafts of certified post-19 (post-compulsory) provision. In other words, the state's supply-side push helped mask the lack of sufficient demand-

side pull (Keep et al 2006). Now that the expectation is that funding will have to come from individuals and/or employers, the underlying weakness of demand from some sections of the workforce and the organisations that employ them may become a great deal more obvious and far harder to ignore. The withdrawal of state funding will leave a large and very visible hole, which other parties may see limited need to try and fill. Thus, the combination of EO and the state's efforts at deficit reduction suggest that demand-side deficiencies will become far more apparent and important than has hitherto generally been the case.

This in turn may lead to a more critical approach to employers and their contribution to the skills system. One straw in the wind comes in the form of the annual report by Sir Michael Wilshaw (Chief Inspector of Education, Children Services and Skills) on further education and skills for 2013/14 (Ofsted 2014). The report makes some strong criticisms of employers and of the Local Enterprise Partnerships that are supposed to represent them at local level, particularly in terms of not articulating their skill needs clearly or in sufficient detail, and employers' failure to provide sufficient work experience and apprenticeship places or demand higher-quality provision from providers.

Back in 1992 Professor Frank Coffield suggested that employer-led Training and Enterprise Councils (TECs) were '*the last throw of voluntarism*' (Coffield 1992). In reality, there turned out to be many more 'last throws', but government spending cuts now mean that the forces to catalyse a moment of fundamental policy choice have been set in motion. The Government's decision to put in place a levy to fund apprenticeships is the clearest manifestation

of the tensions outlined above producing radical policy change. The New Labour administrations between 1997 and 2010 toyed with the idea of training levies several times, but ultimately decided the political costs of pursuing this were too high. The collapse in public funding has made a Conservative administration make some hard choices. The key question is whether the apprenticeship levy is a one-off development, or whether it might prove to be the thin end of the wedge and the start of a wider trend towards compelling employers to accept greater direct responsibility for skills formation. At the very least, the levy has altered the underlying terms of future debates about EO and about the roles that employers can and should be playing within the E&T system.

In addition, there are a considerable range of practical and conceptual questions to be answered concerning the broad concept of employer ownership and the EOPs. These include:

- 1 In what circumstances does government subsidy help drive fundamental change in employers' attitudes, behaviours and investment decisions, and how can funding best be targeted towards activities that are likely to deliver the largest returns for public investment?
- 2 Are some employers more deserving of support than others? For example, should scarce public resources be directed towards SMEs (and groupings of SMEs), or should it go to large companies who are often better placed to formulate bids, but who may well have considerable resources available to them to fund and arrange training for themselves?
- 3 How is deadweight (public funds paying for activities that would have happened anyway, but been funded by employers) to be avoided? In what circumstances is the risk of high levels of deadweight likely to be greatest?
- 4 How sustainable are the projects funded under the EOPs? What happens to the organisations, activities and facilities that are being supported under the EOPs once government monies cease to flow?
- 5 Some EOPs support capacity-building, others fund trainee places and throughput. Which offers better value for money/a higher return on investment in the long term?
- 6 In terms of EO, what constitutes success?
- 7 If the EOPs are not scalable, what general lessons can be learned from them, and what follows them?
- 8 What are the broader issues involved in any shifting of the use of public post-19 funds from a focus on individual need and entitlements to supporting employer investment in workplace learning? Who, for example, pays for training that might lead to a career change for a low-paid adult worker? More broadly, what is the future of adult and lifelong learning in a world where state funding for anyone aged over 24 (and increasingly over 19) may be worthless? What new co-funding mechanisms may be required?
- 9 How do the EOPs and the UK Futures Fund mesh with other areas of policy, such as innovation, the industrial strategy, priority sectors and new areas of technological innovation?
- 10 How do the EOPs interact with sectoral bodies and with the Local Enterprise Partnerships (LEPs)? What implications do the EOPs have for the functions and funding of Sector Skills Councils (SSCs)?
- 11 What are the implications for the stability and viability of the FE sector in any shift from funding college provision to giving the money to employers to spend with whomsoever they wish? What other systems governance issues might be important within a funding regime where the bulk of funding is routed via employers? For example, what kinds of audit systems might be needed, and which other stakeholders (besides employers and their representatives) might be expected to play any role in system oversight and management?
- 12 How might the EOP model operate in the context of large and sustained reductions in the overall size of public support for post-19 learning? Are there ways in which EOPs (or whatever might follow on from them) can be linked to other innovations within the E&T system – for example, co-investment mechanisms at firm or sectoral level?
- 13 How effective are the LEPs and City Deals in identifying and representing local employers' skill needs (current and future)? What more might be done to improve their ability to act in this capacity?
- 14 How can spatial, sectoral and sub-sectoral and occupational skills planning and provision be meshed together?
- 15 What happens (and to whom) if current plans for the concept of EO and the responsibilities that these entail are not fully realised by employers?

It is hoped that this paper will stimulate debate on these issues, and help employers and those who represent them to think through how they want EO and wider skills policy to evolve in the coming years.

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