



# Workforce Development and Higher Education

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Summary Document

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Workforce development is economic development; it raises the overall capability of all organisations. It is particularly vital for the UK's international competitiveness that we invest in increasing the level of knowledge, skills and capability across the whole workforce. The increasingly strong competition from emerging markets, such as countries like China and India, have potential to take away even more of our volume manufacturing and also some globally mobile services sector work, such as telecoms, call centres, banking, insurance and software processing, while the USA will continue to attract internationally mobile R&D intensive investment. The UK has to create more high value jobs. Yet skills shortages already limit the expansion of some businesses and their ability to invest in new value-adding strategies, products and processes; and a failure over many years to improve the available supply of intermediate and higher level vocational skills could lead to the UK being stuck in a low skill/low productivity trap.

One can look at some successful companies to see an alternative future based on investment in continuous skills upgrading. For example at BMW's plant in the West Midlands, the continual drive to technological progress has led the company to invest in developing employees at level 3 and conclude that more will need to be at level 4 in the future; equally in parts of our public services, improvements in skills and qualifications at levels 3 and 4 are key requirements to hitting service quality improvement targets. Investing in continuous workforce development is crucial if businesses are to drive inexorably forward through continuous innovation.

Higher education institutions (HEIs) in the UK will want to decide how far they wish to be part of this drive. To date, some have responded more than others by engaging with employers through the development of various kinds of work-based learning initiatives. But many, particularly pre-92 universities, have preferred to stay on the more traditional and arguably less risky territory of selecting young school-leavers and filling a fixed number of places on largely standard 3 or 4 year courses at fixed prices. Since the level of the price set by the Government has been inadequate (some institutions reportedly make a loss on most home full-time students they educate), they have, to varying extents, diversified their income sources by, for example: attracting overseas students (who pay at least the full economic costs), charging part-time and postgraduate students higher fees, and diversifying their commercial activities - while also sacrificing some of the investment needed to improve their infrastructure. Is this to miss an attractive income generating market for business development? Or are the risks and efforts needed too great for the likely return?

It is well recognised that further additional sources of income are needed in higher education. Higher fees within the £3,000 cap allowed by the Government in England will not radically alter the economics for many institutions and the political realities may make it doubtful whether they can rely on the cap being lifted around 2010. Equally the pressures on public expenditure make it unlikely that funds will be diverted from existing programmes to provide the financial support the sector needs. Many universities will have to develop additional sources of income if they are to improve their financial position.

Working closer with employers on workforce development offers one option for HEIs to further diversify their sources of funding by competing for a greater share of the corporate workforce development market, and in particular increasing the few per cent the sector currently has of the total spend on external learning providers by employers on continuing professional development (or CDP, estimated at

£4billion plus, though this figure is not a precise one and needs researching). Further Education Colleges have an increasing presence in the workforce development market, and there are opportunities for HE to work more with them, rather than in direct competition.

Engaging more with employers can also help institutions achieve widening participation objectives. While major short-term improvements to participation rates of young people, especially those from the lower socio-economic groups, are looking unlikely, there is significant potential for those in work by raising the 'educational glass ceiling'. Opportunities can be given to individuals to take HE qualifications relating to their work or have learning at work accredited towards future qualifications, and to see the benefits from doing so (some of the recent experience of Foundation Degrees and other work-based learning (WBL) programmes show this). Involving such staff in higher levels of learning can also have significant retention as well as productivity benefits for employers.

Higher education could also take a lead in helping the workforce development market to grow. Universities and colleges are in the knowledge business and in the high quality end of the market. The UK has some of the best universities in the world and an overall reputational range that is probably higher than any other national system. The sector has an increasing focus on the development of employability skills and work-related learning (e.g. through work placements, sandwich years) and links are growing with businesses and business led organisations, in particular Sector Skills Councils (SSCs). The SSCs, and also the Regional Development Agencies (RDAs) in England and the development and skills agencies in Wales, Scotland and Northern Ireland, can help universities reach the difficult market of SMEs (small and medium sized enterprises) in ways that can produce acceptable financial returns. Building long-term strategic relationships with major supply chains (for example in the automotive industry, or aerospace sector) could lead to additional business opportunities including through consultancy, knowledge transfer and R&D contacts.

Challenges remain and we note in the paper the main problem areas where resolution is needed from both business and education – on issues to do with relevance, funding, different cultures, resourcing, flexibility - though arguably these are not major ones. More positively, there are many examples of good and evolving practice and successful relationships between HEIs and a range of businesses. This paper highlights just a few. In addition, there is a range of good experience of working with employers to learn from the FE sector.

But upgrading the skills of the workforce at higher levels and helping organisations to identify their needs and find appropriate provision, is too important and urgent a task to be left to a number of uncoordinated initiatives from a few, albeit growing number of, HEIs and FE colleges and programmes. The issue should be at the heart of the Government's economic competitiveness strategy. That does not imply establishing another agency, or a centrally driven initiative with time-limited funding to spur a few more institutions into taking action. Rather we consider that all parties including the Government, funding councils, quality agencies, development bodies, employers and employer bodies plus universities and colleges should agree a set of interlocking and reinforcing actions that will bring this issue centre stage. Even then not all HEIs will choose to diversify significantly into this market. That must be their choice.

Accordingly we propose:

**1) A shift in perspectives.**

Workforce development should be seen in a more comprehensive way than it has been in the past. It is more than job or skills training. It applies to all levels and all kinds of learning. We need

a broader concept of what constitutes workforce development, including at higher levels, so that its components all contribute to a system which is responsive to the needs of the economy.

**2) Wider HE target.**

The Government should consider subsuming its current target for participation in HE by young people within a broader-based HE/level 4 target for the whole workforce, so as to give greater recognition of the contribution that workforce development can make. The UK will need a majority of its workforce to be at level 4 if we are to be a truly knowledge based and knowledge driven economy, competing successfully in the global marketplace.

**3) Benefits for all in participation.**

Employees of all ages and employers from a wide range of backgrounds will only respond to the challenge of engaging with HE in work-based learning if they see the business benefits, if the learning is relevant to their needs and in language they recognise, and if it is delivered in forms, at times and in places that suit them rather than the suppliers of that learning. Also, individuals will want to see the benefits in terms of career progress and access to higher paid jobs; and if they study as part-time students they will want a fairer funding deal. Hence:

**4) Sound business case.**

The business benefits of upgrading the skills of the workforce and engaging with HEIs need to be clearly articulated in ways that businesses recognise. We offer an initial set of suggestions in this paper but businesses and business organisations must themselves engage in that process of articulation and then dissemination. The pathfinder SSCs are already starting down this road and their arguments could usefully be coordinated and inform other sectors.

**5) New learning solutions.**

There needs to be a greater recognition by HEIs of the various learning channels that are being effectively used by business, and their potential contribution to the mix or 'blend' in finding an effective learning solution, be it e-learning, work-based assignments, reflective practice, mentoring, etc. The various factors which can determine a specific solution, will vary from business to business. This has staff development and skill mix/resourcing implications for higher education. There also needs to be a better alignment of language used by HE and business is needed so as to maximise the effectiveness of learning.

**6) A credit based system.**

A credit based approach to learning, and its funding, is needed in England, one which is more inclusive of HE than the proposed new Framework for Achievement. This should enable employees to build up credit over time and to move seamlessly between levels. It thus should be comprehensive in including qualifications at all levels, including HE qualifications and also some larger employers' or industry's own certification or validation systems. Such a credit based system will have to be phased in and may involve initially larger units of learning than some employers, small firms in particular, would want. Agreement on targets for the longer term will be needed and the quality agencies will want to consult and reflect business feedback. The experiences in Wales and Scotland in developing qualification and credit frameworks inclusive of HE will need to be taken into account, and also developments under the Bologna process towards an EU system of

credits (ECTS), so as to facilitate the transferability of the workforce across Europe.

#### 7) Valuing accreditation of work-based learning.

The assessment and accreditation of work based learning needs to be on terms which employers recognise, value and will embrace. Academic assessment by itself may not meet employer needs where a change in individual behaviour performance is being sought, or industry quality standards or professional qualifications preferred; equally academic assessment offers the added benefit of rigour and depth, just as the academic process ensures a reflective element, important in ensuring an individual's understanding has been assimilated and can be replicated in different circumstances. New approaches need to be encouraged, including, we suggest, via DfES and funding council demonstration and pilot projects. National occupational standards (NOS) might offer one form of common language and reflect what many sectors and some professional bodies recognise, and have been successfully used in some HE programmes. Specific sector or individual business criteria may also be appropriate to include but workplace assessors will need to be trained to verify practical achievement in consistent ways (with academics assessing the academic achievement). The results of different approaches must then be effectively disseminated. Ways need to be found to simplify the portfolio approaches to accrediting prior experience and learning (APEL). Experience from new Foundation Degrees and other new work-focused programmes, some of which have attracted new types of adult learners, should be built upon.

#### 8) Co-financing.

The co-sponsorship of learning between the state, employer and individual should be encouraged. Different models should be considered. For example one model could be: employers paying (as they largely do at present) for the learning and development that will bring added value to their businesses; staff making their contribution through the time they give (an opportunity cost) and sometimes through part-payments; and the state paying for diagnostics and assessment to accredit the learning in a national credit and qualifications framework. This seems fairer as the benefits of paying for assessment and accreditation to a national framework are less obvious to many employers, yet there are benefits to individuals in having their achievements recognised and also wider benefits to industry sectors and the economy in the greater recognition of the learning that individuals possess, especially where this encourages further learning to occur. Hence we propose a major pilot of co-funding models (perhaps with an SSC and also involving a funding council) so the costs and benefits to the different parties can be better understood. There could be potential in the new HEIF-3 for some piloting of innovative workforce development as part of a knowledge transfer initiative, and involving RDAs.

#### 9) Small firms.

The SSCs have an important role to play in encouraging, identifying and coordinating demand from small as well as larger firms for HEI delivered or assessed learning. At present, many universities struggle to address the skill needs of the large and diverse small business market in ways that make financial sense. Regional Skills Partnerships (RSPs) in England (with similar regional bodies in Scotland and Wales) and also the emerging Lifelong Learning Networks (LLNs) have an important role here too, as do large firms through their supply chains. Value-adding SMEs have to be brought into the drive for workforce development if a more knowledge intensive economy is to be developed. Growing that market represents a major challenge but also a largely untapped opportunity for most HEIs.

**10) Joined up action.**

As we highlight in the paper, there is much that is happening, many apparent obstacles being overcome and many lessons being learned; it is now important that the positive achievements are more widely disseminated. This document, which is part of a developing agenda and illustrates work in progress, can be only a start. We consider that the relevant departments in the Governments in England, Scotland, Wales and Northern Ireland should consider how this dissemination can best be achieved; this might involve linked websites with organisations such as SSCs, Foundation Degree Forward, Funding Councils and SQA contributing case studies or a central site with a range of links; the CIHE is willing to play its part in this process.

We reiterate that the continuous development of the workforce is vital for the economic future of the UK. The HE sector should play a key role in that process as our universities are world class in the development, dissemination and application of the knowledge that must support a more knowledge based economy and society. We hope this document helps establish a more common language between business and education for describing learning and its benefits, through identifying a range of positive achievements and suggesting a framework for future action.

## **OTHER MAJOR CIHE PROJECTS**

### **Reviewing the Competitiveness of UK Higher Education**

With the support of all the UK funding councils, the DTI / OST, DfES and HM Treasury, we are embarking on a major project to seek business views on the international competitiveness of UK higher education. Such an analysis has never been done before and the CIHE is uniquely able to undertake this given the wide range and high level international perspective of our business members. Equally we are convinced we need views that are based on actual investment decisions made and we will gather this information at working level. Our work will also identify the various ways businesses relate to higher education whether strategically from the centre or tactically from the business units and identify issues that businesses may want to consider.

### **Developing a Framework on Ethics for Higher Education**

With funding from HEFCE, we have coordinated a broad range of organisations to work with the Institute of Business Ethics to develop a framework guide from within which universities and colleges can develop their own comprehensive guides on ethical behaviour. The final document will be launched at the **October 5<sup>th</sup> 2005** council meeting. We have identified good practice and have consulted widely on the draft framework. Around 100 universities and colleges responded to the original request from UUK and SCOP for examples of what they are doing. A national conference was held on June 28<sup>th</sup> to discuss the draft framework and we are most grateful to Anglo-American for hosting this. Further information is available from our website at [www.cihe-uk.com/ethics](http://www.cihe-uk.com/ethics).

### **Entrepreneurship in the Curriculum**

The CIHE will be undertaking a project with the [National Council on Graduate Entrepreneurship](http://www.ncge.org.uk), and others to identify good practice in the development of entrepreneurship in the curriculum. This will involve partners in the USA and the Far East and compare experiences on an international basis. The first meeting of the project advisory group will be at the NCGE office in Birmingham on **3rd October 2005**.

### **Student Employability Profiles**

Following the successful completion of both 22 profiles across 12 subject centres at the beginning of 2005, and a very well received Employer's Guide published in March, the Student Employability Profiles project is now entering its second phase. We hope to develop a further 29 profiles to the original series to cover the remaining subject disciplines. These will be published in spring 2006, giving us a complete set of profiles across all disciplines and the remaining subject centres.

A full list of CIHE current activities can be found on our website:

[www.cihe-uk.com](http://www.cihe-uk.com)

# CIHE PUBLICATIONS

## **International Competitiveness: Setting the Scene**

Introductory paper to the CIHE's extensive project investigating the international competitiveness of UK higher education institutions. This report summaries the May 2005 Council meeting that detailed the need and agenda for this project. (CIHE) (£5) (July 2005) ISBN 1 874223 52 1

## **Fishing for Talent from a Wider Pool**

The CIHE and IES have together produced this report that investigates trends and dilemmas in corporate graduate recruitment. The executive summary and the report of the web audit are available for download from our website, but the full report can be ordered from the IES website at £35. (£35) (March 2005) ISBN 1 851843 50 7

## **Student Employability Profiles: An Employer's Guide**

THE CIHE with Graduate Prospects has commissioned this guide to raise awareness amongst employers of the employability skills that are developed through the study of a wide range of academic subjects. We hope this information will help employers better to understand the skills that should be developed during the learning process in specific disciplines and in turn help recruit from a wider range of academic backgrounds. (CIHE & Graduate Prospects) (£3) (March 2005) ISBN 1 874223 49 1

## **The Value of Higher Education**

A guide for students and their advisers on the value of higher education and what businesses look for in the graduates they recruit. This document was written with support from CIHE and UCAS, in association with Prospects. Available electronically from UCAS and CIHE websites and in hard copy from UCAS. *Vikki Pickering* (Free – website) (CIHE & UCAS) (March 2005)

## **Higher Education: More Than a Degree**

This consultation at St George's House in January 2005 follows on from our successful consultation in March 2004 and focused on the student experience of higher education. (£5) (CIHE March 2005) ISBN 1 874223 50 5

## **The Business of Knowledge Transfer**

With reference to US Institutions, this report stresses the wide range of university knowledge transfer relationships and the need for appropriately wide metrics against which to evaluate performance. *Phillip Ternouth* (£5) (CIHE October 2004) ISBN: 1 874223 47 5

## **Higher Education Leadership and Fundraising**

Summarises the Council discussion with the US fundraising guru John Glier on how US institutions have secured funding. (Free) (CIHE June 2004) ISBN 1 874223 46 7

## **Higher Education and the Public Good**

Summary of a consultation on how the fundamental values of HE can be better asserted. Supported by CIHE, SRHE and St George's House Windsor (Free – website only) (CIHE June 2004) ISBN 1 874223 45 9

## **Universities of Applied Sciences: The German experience**

The third in the series on how other countries are meeting employer needs notes how the German Universities of Applied Science (Fachhochschule) that are "equal but different from traditional universities" are the success story of modern Germany in meeting the skills gap. *Professor Helga Meyer* (£5) (CIHE January 2004) ISBN 1 874223 44 0

## **The Value of Higher Education**

The UK economy and society rely on the development of more well-educated people and on the dissemination and application of knowledge. This document sets out the arguments for this expansion. (£5) (CIHE October 2003) ISBN 1 87 4223 42 4

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