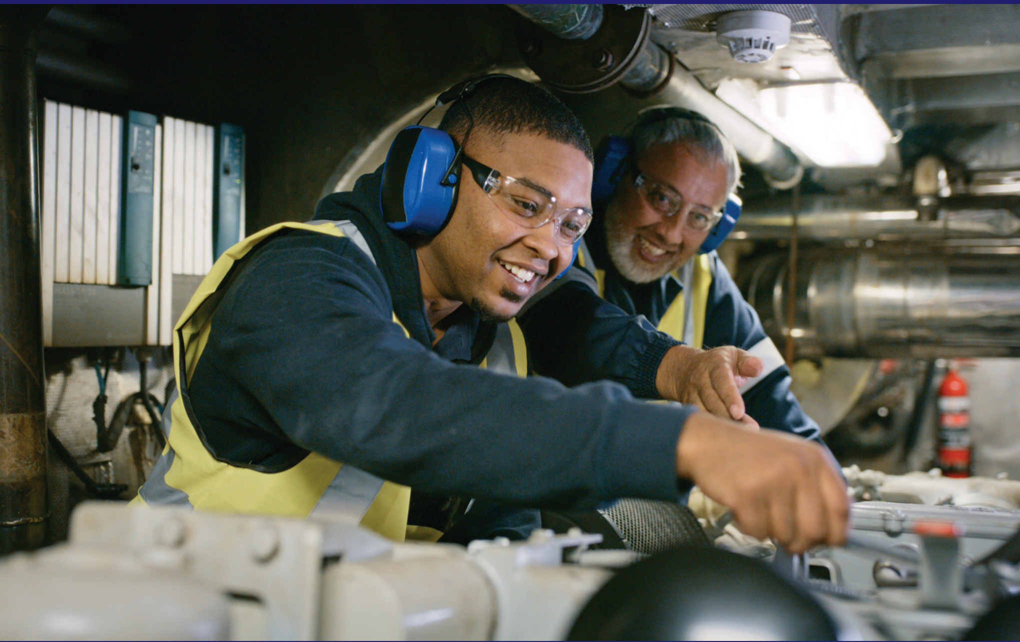
Increasing Employer Support for the Tertiary Skills System in England

Professor David Phoenix



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Foreword

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One of the few constants across education and training policy in the developed world is the critical role played by employers. This encompasses initial education and training (including work placements and apprenticeships), the funding and delivery of adult learning / upskilling and the development and maintenance of the workplace as a site of learning in and through work. It also includes the oft-forgotten (in the UK) mission to deploy skills as effectively as possible within the productive process through forms of workplace innovation, work organisation and job design that encourage both learning and effective skills deployment.

As this report explores, in the UK we have a major problem. Too many employers are disengaged from or disinclined and / or incapable of delivering on the roles set out briefly above. Successive governments have talked about employer-led skills policy, but the reality is that this leadership has mainly meant asking employers to help design new qualifications and construct ever-more detailed 'skills shopping lists' of what they want from providers. Employers have essentially become relatively passive customers of an education and training system rather than an integral partner in and component of that system. If English education and training is led by anyone at the moment, it is government and / or education and training providers.

This report makes a strong and cogent case for change. The current settlement is untenable in the medium term – the Government cannot pay for all the reskilling and upskilling that the adult workforce will require in the face of digitalisation and the green transition, and improved initial education and training requires a much greater input from more employers than is currently the case. Most importantly, a lot of learning is best delivered in and through work and the workplace, rather than delivered off-site by external providers.

As a result, one of the key challenges, perhaps the key challenge facing both Skills England and Mayoral Combined Authorities is how to engage better with and mobilise employer involvement in the delivery of skills. This report offers a helpful analysis of the issues and a set of recommendations that can help get a policy debate started. It is an extremely timely intervention and deserves to be widely read and discussed.

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Executive Summary

A central component of universities' provision has always been to provide skills and expertise applicable to the workplace. However, despite being one of the main beneficiaries of our tertiary skills system, many employers have never made a significant specific financial contribution to educating their employees nor have they, in general, facilitated workplace-based training in any significant numbers.

Initiatives by governments over the last 60 years to involve employers in training, such as Industrial Training Boards and youth training schemes, have generally ended in failure. The most resilient of these initiatives – apprenticeships – continues to face widespread disengagement from employers, with under a quarter of businesses offering them.[1] The system also gives neither national nor local government any strategic oversight over how Apprenticeship Levy funds are spent.

While employers' skills needs continue to increase (with skills shortages now accounting for more than one-third of job vacancies), the protracted financial crisis facing the university sector means government must now reconsider if employers should make a more direct financial contribution to our tertiary skills system.[2]

The failures of the past suggest initiatives which merely attempt to incentivise employers to contribute to education and training are doomed to failure. In examining those failures, this paper seeks to make recommendations about how we might increase employer involvement in the tertiary skills system, including by taking advantage of proposals by the Labour Government at Westminster to: create a Skills England body; expand the Apprenticeship Levy into a Skills and Growth Levy; and further devolve skills provision to Mayoral Combined Authorities and planned Strategic Authorities.

This paper therefore proposes ensuring employers make an equitable financial contribution to a system they directly benefit from through the introduction of a graduate levy alongside steps to incentivise individuals and education providers to engage in more work-based education.

Introduction

From their earliest origins, universities have not simply provided knowledge for knowledge's sake but have also existed to deliver skills.

In England, the original faculties at the University of Oxford were Theology, Law and Medicine – training priests, barristers and doctors for their respective professions.[3] As the Industrial Revolution created demand for a trained workforce at a much greater scale, the redbrick universities began to spring up within manufacturing centres across England. These civic institutions were founded with a technical or scientific focus. They taught practical and professional subjects, often in the evening to be accessible to working professionals, and consequently drew their student bodies predominantly from local residents.[4] The redbricks were joined by Mechanics' Institutes, which were conceived to provide basic technical education as well as numeracy and literary skills, and the early Polytechnic Institutes, which were typically founded to offer 'courses, reaching a high standard of technical excellence, which were deliberately arranged for local industry'.[5]

In the early 1960s, in assessing the case for a further expansion of the higher education system, the Robbins report listed four objectives which it considered 'essential to any properly balanced' higher education system, the first of which was 'instruction in skills suitable to play a part in the general division of labour'.[6] As a result, the Government conferred university status on Colleges of Advanced Technology, which specialised in teaching and research in the fields of applied science and technology while also working closely with employers to meet industry needs.[7]

Despite higher education's historic orientation to meet the needs of industry, employers have not by and large been predisposed to provide direct financial support to the system of which they are a beneficiary along with graduates and the state; nor generally do they contribute to curriculum or pedagogical development.

The initial income of the redbricks was made up of fees paid by individual students, gifts from benefactors and funding from local and national government, with the latter becoming increasingly important as the twentieth century progressed. By 1961, over 90 per cent of university income came from the Treasury via the University Grants Committee and Local Education Authorities.[8]

The 1997 Dearing report, which paved the way for the reintroduction of tuition fees, sought the creation of a 'new compact' for higher education between individuals, employers and the state which included an 'enhanced contribution' from companies through direct investment in lifelong learning of their staff. Ultimately, however, the cost burden has shifted to an ever-greater extent from the public purse to students and graduates.[9] Tuition fees and education contracts now make up 54.4 per cent of total income for the higher education sector while funding body grants, research grants and contracts make up a further 23.4 per cent. The remainder is made up of investment income, donations and endowments and 'other income'.[10]

In other words, employer contributions do not and have never featured prominently within universities' funding. Yet the world where university teaching is predominantly funded through the tax system has long since vanished, with government focusing on removing financial barriers to access and a repayment scheme that enables writing off debt for those in lower paid roles. Students have taken on increased levels of burden through the fee system and universities are now reporting a loss on publicly-funded teaching which is driving a range of course closures.[11] This funding model also provides little incentive for universities to differentiate and pursue closer working with employers.

In tandem with this rebalancing of the funding risk between state and students, employer demand for skills has only continued to increase. UK skills shortages doubled to more than half a million between 2017 and 2022, now accounting for 36 per cent of job vacancies, and 80 per cent of organisations are reporting a struggle to recruit skilled talent.[12] The Government predicts an extra 11 million graduates will be required by 2035, while analysis by Universities UK shows the eight sectors identified in the Industrial Strategy as key to economic growth have, on average, a 64 per cent proportion of graduates in their workforces.[13]

The previous Government made a concerted effort to increase employer involvement in skills provision. The 2021 *Skills for Jobs* White Paper articulated this vision as:

> *Putting employers at the heart of the system so that education and training leads to jobs that can improve productivity and fill skills gaps.*[14]

This ambition has seen the rollout of the Apprenticeship Levy and the introduction of employer-created occupational standards to which a suite of new qualifications – T Levels, Higher Technical Qualifications and Apprenticeships – must adhere. While these initiatives (some of which are still being rolled out) have had some successes in engaging both universities and employers in training, the overall picture of their efficacy has been decidedly mixed. In reviewing the *Skills for Jobs* White Paper for the Department for Education (DfE), the National Audit Office put it thus:

> *Extending the employer-led approach beyond apprenticeships to the skills system more widely will rely on employers having the capacity and willingness to become much more involved in developing local plans, designing training content and engaging their employees in that training. From the evidence DfE shared with us, it is unclear what assurance it has that the conditions are in place for the broader employer-led approach to be implemented successfully.*[15]

The Labour Government has already begun the process of tackling England's skills challenge by amending many of the previous Government's reforms, including pausing the defunding of Level 3 qualifications that overlap with T Levels, transferring the responsibilities of the Institute for Apprenticeships and Technical Education (IfATE) into a new Skills England body and the expansion of the Apprenticeship Levy into a Skills and Growth Levy.[16]

This is a pattern that was repeated again and again through the twentieth century and beyond: governments have introduced initiatives designed to increase employer involvement in the skills system; employers have not engaged in significant numbers; and those initiatives have then been scrapped.

There is a pressing need to look at the funding environment and the contributions made by the beneficiaries of higher education and new skills-based qualifications such as Higher Technical Qualifications, which is coupled to debates around skills mismatches and skills gaps. This provides a platform to reinvigorate discussions about what a tertiary education system might look like in England; how all stakeholders are engaged; and what balance of funding should be generated from students, government, employers and other key stakeholders.

Overcoming the current challenges that tertiary education delivery faces will require greater systems-based thinking – building on the examples of good practice that exist to shape tertiary education as a whole.

This paper examines the failures of the past, as well as some of the rare successes, and in doing so, seeks to make recommendations for how we can truly put employers at the heart of the system as partners within skills development.

Historic Attempts to Involve Employers in the Skills Agenda

Governments have launched various policy initiatives over the last 60 years in an attempt to counter employer reluctance to invest directly in and support the provision of training.

In 1964, the Government passed the Industrial Training Act, which sought to address concerns that the market would disincentivise employers to pay for training out of fear that the employees they upskilled would subsequently be poached by rival companies (free rider market failure). To overcome this, the Act established (at its peak) 27 sector-based Industrial Training Boards to raise a levy from all companies within their given sector, which was then redistributed to facilitate and fund training. The Boards also made recommendations regarding the nature and length of training and the standards that should be attained through it. Within 10 years, however, a proportion of the Industrial Training Boards' functions were moved to the Manpower Services Commission (discussed below). The Industrial Training Act 1982 subsequently led to the dissolution of the majority of the Industrial Training Boards with the exception of the construction and the construction engineering industries, which argued that the significant amount of project and contract-based work created particular market failure with regards to training.[17]

A 2016 review of the construction labour market by Mark Farmer – entitled *Modernise or Die* – found fears around 'free-riding' were still persistent within the industry and that small businesses, which do not have the resources of their larger competitors to dedicate to pursuing grant payments from the Construction Industry Training Board, felt they 'bear the brunt of an ever increasing reskilling and recruitment challenge in an upturn without others shouldering the burden equally'. As a result, the Training Board Levy was frequently viewed as a cost rather than an investment.[18]

A follow-up review conducted by the Government in 2017 determined that while the Construction Industry and Engineering Construction Industry Training Boards and their Levy-raising powers should be retained, a number of reforms in the way they operate should be instigated to address continuing dysfunction in skills development within these industries.[19]

As of 2023, the Engineering Construction Industry Training Board has 89 staff and raises around £28 million per year. The Construction Industry Training Board employs 715 staff and raises approximately £190 million in Levy income each year.[20] In the 2022/23 financial year, it supported 26,200 apprentices, trained more than 10,000 learners at the National Construction College and a further 3,400 learners through their employer network.[21]

While these figures may sound substantial, it should be noted that construction is one of the UK's largest industries – employing more than 3.1 million people (9 per cent of the country's workforce).[22] A 2019 survey of employers by the Department for Education found the construction industry (alongside manufacturing) had the highest rate of skill-shortage vacancies (36 per cent) of any sector.[23]

A further review led by Mark Farmer and published by the Government in January 2025 concluded that:

> *The current [Industrial Training Body] model, whilst enabling worthwhile training is not delivering the level of strategic forward thinking, scale and pace of influence or tangible bottom line impact that the industry now requires to future proof it.*[24]

This acknowledges that issues first identified in the early 1960s around a lack of investment persist within the construction industry despite the continuous existence of Industrial Training Boards for 60 years. Of the 2025 review's 63 recommendations, the Government accepted 35 without amendment and partially accepted or accepted in principle a further 25. This includes committing to undertaking a scoping exercise potentially to merge the two training boards.[25]

Those industries that saw their Industrial Training Boards dissolved in 1982 were put under the purview of the Manpower Services Commission. The Commission was given wide-ranging responsibilities for skills and employment. One of their most high-profile initiatives was setting up a Youth Training Scheme in 1983 in response to a significant increase in youth unemployment. Although this scheme trained around 2.7 million young people between 1983 and 1990, it ultimately failed to meet its goal of creating a permanent training programme for young entrants to the workforce and young unemployed people. This was due to employers being resistant to quality inspections of on-the-job training, insufficiently clear standards for the training and its learning outcomes and a widely held view by employers that the Youth Training Scheme was simply a short-term government initiative to tackle a temporary issue and therefore not worth their commitment despite the significant public investment.

The outcome, according to Professor Ewart Keep, was that:

> *[The Youth Training Scheme] offered firms the opportunity and significant public funding to design and deliver an employer-based training system for the mass of young people. It was an opportunity they chose not to grasp.*[26]

The Manpower Services Commission was replaced with the Training and Enterprise Council in 1990, which was then abolished in 2001.[27]

In 2006, the Government published the *Leitch Review of Skills*, which was commissioned to 'examine the UK's optimal skills mix in order to maximise economic growth, productivity and social justice'. Lord Leitch argued for the principle of shared responsibility where 'employers and individuals should contribute most where they derive the greatest private returns'. His recommendations included:

- routing much of the public funding for adult vocational skills in England through a 'Train to Gain' scheme;
- creating a new Commission for Employment and Skills, reporting to central government and the devolved administrations, to rationalise and strengthen the employer voice in skills discussions; and
- launching a 'Pledge' for employers to voluntarily commit to train all eligible employers up to Level 2 in the workplace.[28]

Despite its laudable ambitions, the *Leitch Review* also ultimately represented a missed opportunity although it could be questioned whether this focus on gateway work is where employers should be expected to contribute or whether this is a key function of the state. By April 2008, only 1,300 employers had signed the Skills Pledge, which failed to gain much national traction.[29] The Train to Gain scheme was closed in 2010 after the National Audit Office assessed that its £1.47 billion cost had not provided good value for money for taxpayers. This was in part due to the evidence that half of employers who had arranged training through it would have provided comparable training for their employees if the scheme had not existed.[30] The UK Commission for Employment and Skills was closed by the Government in 2017 'in order to prioritise funding to allow the core adult skills participation budgets to be protected in cash terms'.[31]

Apprenticeships

The most prominent initiative for encouraging employers to invest in training is apprenticeships and the Apprenticeship Levy. Throughout the first half of the twentieth century, apprenticeship provision grew continually, peaking with a third of male school leavers entering into apprenticeships by the 1960s. By the end of that decade however, apprenticeships began to come under criticism from employers for being too restrictive and unresponsive to the needs of industry, and their numbers entered into a slow but continuous decline.

In 1993, the Government launched 'Modern Apprenticeships', which required apprentices to work towards an NVQ (National Vocational Qualification) at Level 3 as part of their programme. These were supported by the creation of Level 2 'National Traineeships' – designed to provide progression routes into apprenticeship programmes for young people. By 1998, a substantial 250,000 young people were enrolled on a Modern Apprenticeship despite the Government undertaking continual rebrands, revisions and amendments to the system, including the addition of National Apprenticeship Frameworks and the removal of an upper age limit of 25. In 2010, the Coalition Government introduced Higher Apprenticeships at Levels 4 and 5 that, coupled with a rise of mature apprentices, saw apprenticeships starts grow to half a million between 2009/10 and 2011/12.[32]

In 2012, the Government published the *Richard Review of Apprenticeships*. The review highlighted a number of issues with the modern apprenticeships system including:

- an overstretching of the purpose of apprenticeships to make them a 'cure-all solution for work-related skills';
- quality issues including numerous frameworks with low numbers of guided learning hours and poor linkages to specific jobs;
- a disconnect between assessment and testing actual competency within a role and the lack of employer involvement in this process; and
- a tendency for training providers to deliver more profitable frameworks (attracting larger numbers of learners and / or being cheaper to deliver) rather than being guided by industry skills needs.[33]

In response to the *Richard Review*, the Government created the apprenticeship system as it is currently constituted, with apprenticeship standards from Levels 2 to 8 set up by employer groups (known as 'trailblazers'), and a Levy for all those UK employers with a pay bill of over £3 million per year (set at 0.5 per cent of a company's annual wage bill), which can be recouped on apprenticeship training costs.[34]

The change from Frameworks to Standards led to a decline in apprenticeship starts from 494,900 in 2016/17 to 337,100 in 2022/23. In part, this is due to the more rigorous criteria of the new system making some intermediate Framework-based programmes – typically offering the fewest hours of training and where at least 30 per cent of apprentices were unaware they were taking an apprenticeship – ill-suited to convert to Standards-based programmes. It is also worth noting that the COVID-19 pandemic is estimated to have led to the loss of 70,000 apprenticeship starts. Retail apprenticeships in particular saw notable declines, as did Level 2 starts in Business & Law and Health & Social Care while Level 4 starts in these areas increased. Level 4+ starts overall increased during this period from 20,000 to 113,000.[35]

A further reason for the decline in Level 2 programmes may be attributable to demand for these programmes being dampened by the 12-month minimum duration for apprenticeships introduced under the Standards system. The Department for Education announced in February 2025 that the minimum duration of apprenticeships will be reduced to eight months, which should help to boost the demand for intermediate programmes. The 12-month minimum duration also makes Level 2 apprenticeships unattractive for employers that *are* committed to training their staff, as shown by Halfords' decision to end their in-house Level 2 apprenticeship provision (comprising 750+ apprentices).[36] The Government's decision to therefore consider the development of shorter Foundation Apprenticeships as feeders into Level 3 apprenticeships is a positive step forward and could provide a more cost and pedagogically effective route into Level 3 and above.

The Standards system has come in for other negative assessments. At the time of writing, there are 705 Occupational Standards approved for delivery by the Institute for Apprenticeships and Technical Education (a further 113 have been withdrawn or retired). These Standards range from the very broad (Level 6 Chartered Manager) to the highly specific (Level 3 Advanced Sports Turf Technician, Level 3 Assistant Puppet Maker).[37]

The large number of Standards – more than double the equivalent in Germany and Switzerland – has led to criticism from the Federation of Awarding Bodies, Lord Sainsbury and the EDSK think tank, among others, who have questioned whether the Institute for Apprenticeships and Technical Education scrutinised employers' proposals sufficiently. Standards may have ended up too job-specific, lacking sufficient technical content, or else suited for unskilled roles.[38]

As EDSK put it in a 2022 paper:

> *In the hospitality sector, learners can end up heating and serving precooked meals and pushing around a drinks and snacks trolley as a 'Food and Drink Apprentice', or washing, drying and ironing clothes as an 'Apprentice Housekeeper' … None of these roles represent skilled occupations.*[39]

Furthermore, despite being forced to pay into the apprenticeship system, the majority of employers remain uninterested in hiring apprentices. Between 2017 and 2021, 23 per cent of Levy funds were unspent – constituting £2 billion in total.[40] Only 23 per cent of employers were offering apprenticeships in 2021.

In an Employer Pulse Survey conducted by the Department for Education, the reasons given by employers for not engaging with the apprenticeship system included:

- a perception that apprenticeships are not appropriate for a company of their size (particularly prevalent among smaller businesses with under 25 staff);
- a lack of time or resources to provide on-the-job training;
- all staff being 'fully skilled' and no new staff being required;
- a preference for recruiting experienced staff;
- training providers lacking flexibility in the delivery of training or not offering the right skills areas / levels required; and
- a lack of awareness about the apprenticeship system.[41]

In 2023, four major trade bodies – the British Retail Consortium, UKHospitality, techUK and the Recruitment & Employment Confederation – wrote an open letter to the Government calling the Apprenticeship Levy a '£3.5 billion mistake' which was holding back investment in training by being too restrictive.[42]

Although the apprenticeship system is far from perfect, the reasons given by employers for their lack of engagement do not point to a plethora of companies that would be taking on a large number of apprentices if only the system were more fit for purpose. There is also evidence that not all employers who have engaged with the apprenticeship system are doing so in order to provide substantial and high-quality training for their employees:

- over half (54 per cent) of apprentices claim not to receive the mandated one-day-a-week off-the-job-training;
- 30 per cent report receiving zero training from their training provider during the working week; and
- 19 per cent of apprentices claim to receive no on-the-job training from their employer.[43]

In response to a survey by the Chartered Institute of Personnel and Development (CIPD), 22 per cent of employers said they had used their Apprenticeship Levy to fund training that would have taken place anyway and 15 per cent claimed to have used their Levy money to accredit skills that existing employees already possessed.[44]

One final weakness of the Apprenticeship Levy is that it provides no means for the Government to apply strategic decisions to skills provision, as it is entirely driven by the decisions of individual employers. The *English Devolution White Paper* offers an opportunity to ameliorate this and is discussed later.

In response to the perceived failures of the apprenticeship system and the Levy underspend, the Labour Government intends to change the Apprenticeship Levy into a Skills and Growth Levy, which will enable companies to use a proportion of their Levy contributions on non-apprenticeship-based training approved by the Government. As the

Institute for Fiscal Studies has pointed out, however, determining high-value courses is difficult in practice and loosening the Levy creates a risk that employers will simply use the Levy to fund training they would have otherwise paid for – as occurred with the Train to Gain programme.[45] Arguably, this risk will increase if Skills England gives non-prescribed qualifications access to the Lifelong Learning Entitlement via a proposed 'Technical Gateway', thus effectively conferring upon them equal status to those qualifications within the higher education quality framework.[46]

The Government has also announced that it is intending to remove Levy funding for many Level 7 programmes, despite these being popular with employers, in order to free up funding for proposed Foundation Apprenticeships. A blanket approach to Level 7 apprentices could prove counterproductive, particularly if it does not differentiate between standalone Level 7 (such as the Senior Leadership apprenticeship) and those which are part of an articulated outcome of undergraduate provision (such as Architecture, Engineering or Town Planning), which may also be linked to economic needs.

Workplace Training and Curriculum Involvement

A 2021 survey by the Institute of Student Employers found that graduates generally displayed the behaviours and attitudes that employers hoped of them, reporting that more than 70 per cent of new hires demonstrated soft skills such as self-awareness, resilience, creativity and self-motivation, as well as transferable skills such as time management, problem solving and good writing and numeracy. Where employers reported them falling down was in job-specific technical skills, which they claimed less than 40 per cent of graduates possessed.[47]

This would suggest there is an incentive for employers to involve themselves in curriculum design – beyond the scope of the employer standards for Apprenticeships and Higher Technical Qualifications – as well as offering industry placements to ensure an acceptable level of technical expertise for potential future employees. However, the evidence of this, as explored in the below examples, shows employers either have limited appetite for undertaking such work or that the existing structures for enabling work-based education do not meet the needs of the modern workplace. Universities are also undoubtedly hampered by the lack of regulatory and funding incentives for them to differentiate and to engage with work-based education.

Placements and work-based learning

Work-based learning continuum[48]				
Live work-based projects	Assessed work experience	Work placements	Work-integrated higher education	Higher education apprenticeships
Least integrated → Most integrated				

The Quality Assurance Agency describes work-based learning as a continuum in terms of how integrated it is with a given course. A live work-based project, where an employer sets an industry-related task for students to solve (perhaps as part of an assessment) is the least integrated, while an apprenticeship, where the apprentice spends 80 per cent of their time in their employer's workplace, is the most integrated. Work placements and work-integrated learning sit between the two.

In 2021/22, 9 per cent of first-degree students were enrolled on sandwich courses. These take the form of a 'thick sandwich', which is a year-long placement typically undertaken between the second and final year of study, or a 'thin sandwich', which is two or three shorter placements with different employers taken during the course of the degree.[49] Nine per cent of undergraduate courses included a compulsory sandwich component in 2023/24 and 25 per cent included the option to add one.[50]

In 2012, the *Review of Business-University Collaborations* undertaken by Professor Sir Tim Wilson for the Department for Business, Innovation and Skills argued that the majority of this type of provision was confined to a small group of former polytechnics and Colleges of Advanced Technology, namely: Loughborough University, the University of Surrey, the University of Bath, Brunel University, Aston University, Bournemouth University and Ulster University.[51]

This claim seems borne out when looking at recent student cohorts at these institutions. At the University of Bath, 67 per cent of graduating students in 2022/23 undertook either a placement or study abroad year; around 70 per cent of students at Aston University undertake a placement each year; and at Loughborough University, 65 per cent of full-time undergraduates were registered on placement programmes in 2023/24.[52]

Professor Wilson argued that history and institutional culture, embedded from the industry-focus of their foundations, had caused these institutions to offer placement courses while other universities have been put off developing such an offer because of the challenges and cost of developing and maintaining relationships with employers. Professor Wilson also identified challenges for industry – including the costs and time required for supervision, setting up student projects and developing links with universities – and recommended government should support employers that host placement students through a tax credit or grant mechanism.[53]

The more recent Department for Education *Employer Pulse Survey* from 2021 identified similar challenges for employers. Reasons for not offering work experience opportunities included:

- a lack of suitable roles (29 per cent);
- not having the time / resources to manage (23 per cent); and
- placements not being suitable due to the size of the establishment (7 per cent).

Some (15 per cent) took an active choice not to offer placements while a further 15 per cent blamed a lack of awareness.[54]

The Lifelong Learning Entitlement's (LLE) switching of the basis of funding from academic year to credits may potentially make it easier for students to interrupt their programmes, thus facilitating the take-up of a greater number of short placements and block delivery and, indeed, this could be the key incentive for the LLE in the short term. Universities should certainly explore the opportunities afforded by greater flexibility, in order to make their provision more attractive to employer training needs. (Although the University of Bath has recently raised concerns via the HEPI Blog that the 480 credits available via the LLE will be insufficient to fund their five-year integrated Master's programmes with a year on placement, which is currently covered by the existing undergraduate fee system.)[55]

While there is a clear benefit to employers in hosting placements, in terms of developing the skills of potential future employees and of raising the skills base of their industry more generally, implementing such initiatives is undeniably labour intensive. Professor Wilson's suggestion of a tax credit to incentivise such behaviour therefore merits further exploration – not only for use in higher and degree programmes but also potentially for T Levels (the challenges for which are not dwelled upon on in this paper but have been explored thoroughly elsewhere).

Further along the Quality Assurance Agency's work-based learning continuum, another way to integrate employer content into a higher education programme is through a shell module and qualifications. Shell modules are defined in the Higher Education Credit Framework for England as 'pre-validated template modules that enable workplace learning to be built into a learner's studies'.[56]

One example of this is the Professional Practice in Sport Awards Framework at Northumbria University, which supports the development of bespoke qualifications (such as BA [Hons] Sports Coaching and MSc [Hons] Professional Practice in Sport Coaching), which are designed around the needs of the student and the provision of their employer, with the overarching aim of reducing time away from the workplace.[57]

Another example can be found in the University of Derby's tailored company programmes, such as a credited year-long Global Ready Mix Concrete Management Programme, designed for sustainable building solutions manufacturer Holcim to apply academic theory to various elements of their business, including operations management, finance and strategy.[58]

The lack of information about such approaches across the sector as a whole, however, suggests they are not very common and likely only exist when an institution has strong links with a particular industry.

Regulated, chartered and accredited professions

A far more widespread example of industry involvement in curricula is through the role played by Professional, Statutory and Regulatory Bodies (PSRBs), particularly regarding programmes for regulated, chartered and accredited professions such as doctors, engineers and barristers.

Professional, Statutory and Regulatory Bodies comprise a diverse collection of organisations which range from the Nursing and Midwifery Council, which has statutory powers and maintains the official UK register of nurses and midwives, to the Chartered Institute of Marketing which has no association with a regulated profession but exists to promote the interests and professional development of those working in the marketing industry.[59]

At the time of writing there are 159 PSRBs working with universities to accredit programmes and through their oversight role these bodies can deliver significant benefits by helping ensure the currency and relevance of the programmes they accredit.[60] Typically, this involves PSRBs specifying professional competencies that need embedding into courses so that students have the skills and expertise necessary to achieve chartership or registration in their chosen profession. (In the case of many degree apprenticeships, achieving chartership is a mandatory part of passing the end-point assessment.) Reaccreditation of courses takes place on average every five years.[61]

As an example, accreditation from the Royal Institute of Chartered Surveyors requires higher education providers to demonstrate that: a course meets 11 mandatory competencies – ranging from accounting principles and procedures to diversity, inclusion and teamworking – and a number of core and optional competencies related to their pathway. In the case of Building Surveying, this comprises seven core competencies – covering skills such as building pathology and fire safety – and three optional competencies. Institutions must also prove that students have access to services such as academic support, pastoral care and placements; that they have robust internal quality assurance mechanisms; and that they have rigorous and varied assessment methods. The university must have a research active faculty with Chartered Surveyors involved in the development and delivery of the programme and be able to demonstrate that course content meets industry expectations.[62]

There are numerous benefits for institutions in submitting to such requirements, such as: supporting recruitment, student experience and graduate outcomes by providing learners with industry-relevant course content; links to industry and employers; and a fast-track into chartership or a professional title. External assurance also enhances the credibility of an institution's courses.[63]

However, PSRB engagement comes with challenges of its own. Universities with a technical or professional focus, such as the University of Greenwich, the University of East London, Kingston University and London South Bank University, each have relationships with more than 30 PSRBs at undergraduate level, accrediting dozens of courses. The stringency with which many PSRBs enforce standards has caused David Kernohan of Wonkhe to refer to them as higher education's 'shadow regulators'.[64]

The lack of a framework to guide PSRB engagement with higher education arguably creates additional burden for both types of organisation given the variability of approach. Universities must meet a diverse array of monitoring, reporting and external examiner inspections while PSRBs must effectively 'start from scratch' with each new institution they engage with in terms of setting out their requirements and expectations.

Additionally, although high standards are rightly required for many professions, the rigidity with which many PSRBs uphold those standards can actually stifle universities' ability to make changes in response to industrial developments or to introduce pedagogical innovations. Many PSRBs, for example, were slow or reluctant to change their criteria for apprenticeship end-point assessments in the face of COVID-19 lockdowns.[65] PSRBs can also create additional barriers for disadvantaged students, as demonstrated by the lack of diversity in many professions (only 9 per cent of workers in the architecture industry are classed as working class, for example).[66] A failure to set out clear competence standards – and guidance about whether adjustments can be made to the methods by which they are assessed – can additionally exclude disabled students.[67]

This is not to criticise PSRBs, which play a crucial role in bridging the gap between industry and higher education. But given how important that role is, there is a clear argument to be made that PSRB relationships with higher education should be harmonised. The two types of organisation need each other. They should therefore find a way to work more closely together. One possible way forward could be to create best practice guides. This would:

- help spread and encode good co-working practices;
- harmonise expectations on both sides to reduce bureaucracy and streamline processes;
- encourage universities to explore how they might make delivery more flexible to fit with employer need; and
- increase collaboration between PSRBs to support pedological innovations and interventions to support diversity within professions.

Meeting Place-Based Need

Certain industries have a strong geographical presence in the UK and there are some notable examples of co-location of industries on university campuses. The Warwick Manufacturing Group and the University of Sheffield Advanced Manufacturing Research Centre, for example, both undertake collaborative research with manufacturing companies as well as providing training through degree apprenticeships and short courses or Continuing Professional Development (CPD) programmes that are designed to meet particular employer and industry needs.[68] Warwick Manufacturing Group estimates that they have boosted the West Midlands Economy by £450 million, returning £22 to the local economy for every £1 invested.[69]

Policymakers have made numerous attempts to spread this kind of practice and link education provision in a locality to the industry and skills needs in that area as a way of promoting regional economic growth. The New Labour Government, for example, established nine Regional Development Agencies across England between 1999 and 2000 to, among other priorities, develop regional Skills Action Plans which would ensure that local training provision matched the needs of the labour market.[70]

Despite being largely successful in promoting growth, a 2007 review of the Regional Development Agencies noted their achievement of outputs was often affected by factors outside the Agencies' control and that all of the six targets missed in 2005/06 were related to skills – an area where the Agencies had less influence than other regional actors such as colleges and training providers.[71]

A more recent policy intervention in this space is Local Skills Improvement Plans. Introduced by the previous Conservative Government, the Plans are designed to involve employers more prominently in local skills systems via collaboration with education providers and other local stakeholders. There are currently 36 Local Skills Improvement Plans, each of which has been developed by an Employer Representative Body (typically a local Chamber of Commerce), working with employers and technical education providers to:

> *set out the key changes needed in a local area to make technical education and training more responsive to employer and local labour market needs.*[72]

Rather than creating a mechanism to make employers more involved in the courses and training delivered by their local training providers, this wording suggests Local Skills Improvement Plans are another example of education providers working to meet the needs of employers without employers themselves making any significant financial or time commitment as partners in learning.

Among the priorities laid out in the West Midlands and Warwickshire Plan, for example, is an instruction for Solihull College and University Centre to lead a Local Skills Improvement Fund bid to support investment for new facilities and the development of courses in Engineering and Manufacturing, Construction, ICT & Digital and Logistics and Distribution. It also proposes that further education providers in the region consider other funding routes potentially available to them, such as T Level capital funding. There is no suggestion that employers might provide sponsorship for new equipment or support the development of new courses.[73]

As part of the *English Devolution White Paper*, the Government is proposing to give Strategic Authorities (groups of councils working together) joint ownership of Local Skills Improvement Plans alongside Employer Representative Bodies.[74] This should enable the plans to evolve over time to ensure they are reflective of a region's – rather than individual employer's - skills needs and to facilitate the development of local skills systems.

The Devolution White Paper proposals would provide new Strategic Authorities with integrated funding settlements, allowing them to deploy budgets more flexibly, with individual funding pots (such as skills bootcamps being un-ringfenced as part of Adult Skills Fund allocations).

One area that is not being devolved is Apprenticeship Levy funded courses, however. It will be up to Skills England to determine what non-apprenticeship training will be eligible alongside apprenticeships when the Apprenticeship Levy is replaced by the Skills and Growth Levy.[75]

One way to get employers to make a clear investment in tackling regional skills shortages via Local Skills Improvement Plans would be for Skills England to determine that the non-apprenticeship element of Levy funding could only be used for accredited courses that are clearly linked to addressing local shortages. Funding could then be devolved to Strategic

Authorities for incentivising education providers and employers to collaborate on delivering these courses.

For example, if a Local Skills Improvement Plan identified a lack of qualified retrofit technicians in a region, the Strategic Authority could assign part of the non-Levy funds for construction and built environment to courses in that area. Where such courses are not available in the region, the Strategic Authority could support education providers to develop them.

In the medium-term, Local Skills Improvement plans could be developed into regional skills and innovation strategies that sit within a wider national framework.

This would recognise that creating demand for highly skilled jobs in a locality is dependent upon local businesses growing, which in turn requires them to innovate and develop new products, services and processes. Local strategies that clearly link innovation and skills would generate a more joined up approach to future needs and promote greater stakeholder accountability.

Conclusions

This paper has examined some of the attempts by various governments over the last 60 years to increase employer support for the tertiary skills system in England. What is clear is that an effective tertiary education system requires greater joined-up thinking than it has received, as well as active participation between providers, employers and government at both a national and regional level.

One of the most enduring initiatives of the past is apprenticeships, though they continue to present a mixed picture in terms of their efficacy.

In their current form, apprenticeships appear to be encouraging employer investment into higher level skills at the expense of entry level skills. The evidence suggests, however, that many Level 2 apprenticeships have not offered high-quality education and training, nor been sufficiently accessible to potential learners. There is also an open question on whether employers should be expected to support the acquisition of basic skills or if this responsibility should lie fully with the state.

The Government's decision to introduce Foundation Apprenticeships presents an opportunity to address the situation. If Foundation Apprenticeships were to become a publicly-funded replacement of Level 2 apprenticeships, they could potentially offer a high-quality and accessible route for learners to achieve essential qualifications alongside work experience. This would also free up funding to make the defunding of Level 7 apprenticeships unnecessary and enable a more strategic and nuanced approach to funding priorities.

In terms of the cost to the public purse, £421 million of Apprentice Levy funds were spent on the Level 2 apprenticeships in 2021, a comparably small amount compared to the £99 billion of public funds spent on education that year.[76] While a swap to public funding may see the numbers of learners on these programmes increase, the cost of this could be offset by designing shorter and more focused programmes. The Government has already taken a step in the right direction in this regard by reducing the minimum length of apprenticeships from 12 months to eight months.

A further shortcoming of the Apprenticeship Levy is its lack of strategic direction, with spending being directed according to the individual priorities of 100,000+ employers spread across the country. With the reshaping of the Apprenticeship Levy into a Skills and Growth Levy, the Government could address this – through Skills England – by mandating that Levy-funding for non-apprenticeship provision can only be used for courses that align with needs as identified by regional skills and innovation strategies.

The main issue with the Levy, however, is that the funding it raises is simply insufficient to meet the nation's skills needs. Around £3.5 billion is raised by the Levy each year, although due to the Treasury's 'use it or lose it' rule, significant proportions of this, ranging from £493 million in 2018/19 to £96 million in 2022/23, is spent on other areas.[77]

In 2021/22, £888 million of the Levy was spent on apprenticeships at Levels 4 to 7.[78] By comparison, a combination of individuals and the state spend £20 billion annually on higher education via the student loans system.[79] Given that publicly-funded education is no longer solely a key function of the tax system, it seems unreasonable that employers continue to make such a small direct contribution to a system of which they, along with graduates and the state, are a principal beneficiary.

Employers may assert their contribution to the system is through the salary premium they pay for the graduates they hire or more widely through corporation tax. While it is true that, at 25 per cent, the UK's corporate income tax rates are above the European average (21 per cent), an argument that they should not, as a result, be expected to make a 'double contribution' is not necessarily convincing given the way higher education is now funded.[80] Government (rightly) funds school-age education and essential skills provision via income tax and there is a strong case this should apply to gateway qualifications (up to Level 2) for all ages. Contributions to these payments come from individuals via taxation yet those who go on to higher levels of study are also expected to make a second direct financial contribution to it, through loan repayments, in recognition of the personal and professional benefits they accrue.

Employers also benefit from the higher-level skills possessed by their employees. Is it so unreasonable, then, to ask that they make a similar contribution if they access these skills? Studies have, in fact, demonstrated that the benefits associated with publicly-funded training are shared *more or less equally* between the employer and the employee. A 2016 report by

London Economics for the Department for Business, Innovation and Skills found a 1 per cent increase of intensity for any form of employer training resulted in a 0.74 per cent increase in productivity compared to a 0.36 per cent increase in wages.[81] A 2006 analysis by Lorraine Dearden, Howard Reed and John Van Reenen similarly found that a 1 per cent increase in training was associated with productivity increases of 0.6 to 0.7 per cent and wage increases of 0.3 per cent.[82]

In any case, tinkering at the edges of our existing funding model with incremental loan increases, efficiency drives and mergers will not enable us to maintain a world-leading tertiary skills system – and the Government have made it clear that the upcoming spending review will not deliver a 'large injection of public money' into higher education.[83] If we accept the focus for government funding should be pre-16 and gateway qualifications, with the focus on higher education around ensuring (through the loan system) there is no financial barrier at the point of study, then we need to look elsewhere to cover the costs of delivery. While there is an onus on universities to continue to look for efficiencies in delivery there is a limit to how much students should be asked to contribute and it therefore seems clear, that – while acknowledging rising salary costs and the need to boost economic growth – the only remaining solution is to ask employers to make a direct and substantial investment.

One equitable way of determining an appropriate additional level of employer contribution could therefore be to consider how this aligns with the financial contribution made by the graduates that employers hire.

In 2023/24, around £3.6 billion in student loan repayments was collected by HMRC.[84] This amount is comparable to the funds raised by the Apprenticeship Levy each year. Why then not ask employers to increase their contribution by financially matching the repayments made by the graduates they employ?

How this funding could best be used – for example, by reintroducing maintenance grants, uplifting course-based funding grants for high-cost subjects and enlarging the student access and success premium – would be for the Government to determine. But a substantial employer contribution would go a long way towards shoring up the financial sustainability of our tertiary system while also ensuring that businesses finally make an equitable contribution to a system of which they are a prime beneficiary.

Recommendations

To increase employer support for the tertiary skills system in England, the Government should:

1. Mandate, as part of regional skills and innovation strategies, that **the non-apprenticeship element of the Skills and Growth Levy can only be used for *credit-bearing* courses related to regional skills needs**.
2. **Replace Level 2 Levy-funded apprenticeships with publicly-funded Foundation Apprenticeships**, which provide an accessible means for individuals to receive high-quality education and training alongside work experience, that supports educational progression.
3. **Support the creation of best practice guides** for curriculum development to promote more consistent and productive relationships between Professional, Statutory and Regulatory Bodies on the one hand and universities on the other.
4. **Introduce a tax credit mechanism for employers** that take on placement students (at Level 3 and above) and use the flexibility of the Lifelong Learning Entitlement **to help encourage education providers to engage with employers on delivery of work-based provision** at Levels 4 to 6.
5. **Recognise that employers are one of the main beneficiaries of higher education by having them match fund graduate tuition fee repayments** when they access these skills and reinvest this money back into provision.

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Providing skills and expertise applicable to the workplace has always been a central component of universities' provision. However, repeated government initiatives to involve employers more actively in the skills system over the past 60 years have shown few lasting successes.

In this paper, Professor David Phoenix reflects on past initiatives and makes recommendations for how employers can be incentivised to engage in more work-based education, while also proposing the introduction of a graduate levy to ensure that they make an equitable financial contribution to a system from which they directly benefit.

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