



NEHSN SUMMARY PAPER

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The North East Higher Skills Network is a ground-breaking initiative that brings together all 28 of the region's universities and colleges. Our goal is to enable the North East's vocational learners and employers to have access to the most relevant, accessible, innovative and fully articulated higher level learning opportunities (Level 4 and above) in the country.

SUMMARY OF HIGHER EDUCATION AT WORK – HIGH SKILLS:HIGH VALUE

The Department for Innovation, Universities and Skills (DIUS) published *Higher Education at Work – High Skills:High Value* on 14 April 2008. It sets out the Government's aims for higher skills and is intended to prompt a wider consultation about how we can become excellent at developing the high skills of all those who can benefit.

The document is a companion to 'Innovation Nation' and 'Enterprise: Unlocking the UK's Talent' and has two key aims:

- more, and more employable, graduates
- to raise the skills and capacity for innovation and enterprise of those already in the workforce.

The approach outlined in the proposals for the next three years is deliberately experimental. This is to encourage innovative capacity. HEFCE (Higher Education Funding Council for England) will be encouraged to test and invest in a range of approaches.

Rationale for the Strategy

Achievement of Leitch targets will require a culture shift among HE providers and employers – the challenge is to achieve a dramatic increase in scale and pace to provide the 'thinking workforce, working intelligently' that employers need.

There is evidence suggests that higher skills are beneficial to the economy:

- Labour market projections suggest 18 million jobs will become vacant between 2004 and 2005 and 50% of them will be in occupations likely to employ graduates.
- The UK Innovation Survey shows that enterprises that are 'innovation active' have roughly twice the number of graduate employees than enterprises which do not innovate.
- Differences in management practices account for 10% to 15% of the productivity gap between the US and UK – 74% of US managers are graduates, compared with 49% in the UK.
- A one percentage point increase in the proportion of the workforce with a degree (instead of A levels or equivalent) leads to a 0.5% increase in productivity. Productivity is 30% higher if the entire workforce has a degree than if none have a degree.
- A 10% increase in the proportion of the local workforce educated to degree level increases business productivity by 13%. (The rationale for 'University Challenge'.)

Improving the progress of school leavers into HE will be necessary but not sufficient to meet skills needs. Projections suggest a drop of 16% in 18 year olds in England between 2009 and 2020 – a fall from 684,700 to 578,300.

Key Messages from Employers and Learners

Employers

A strong message from employers was that they particularly value broad 'employability' skills – communication, motivation, independence, analysis, confidence and problem solving.

81% of employers recruiting graduates thought them very well or well prepared for work, compared to 60% of employers recruiting 16 year old school leavers and 69% of those recruiting 17 and 18 year old school leavers.

But concerns were expressed about:

- Mismatch in some sectors between business needs and the HE courses provided.
- Graduate employability needs to improve, particularly for business awareness – 48% of CBI members are dissatisfied with this aspect.
- Insufficient graduates combine high level maths and science knowledge with capacity to work effectively in industry.

- Lack of appropriate information, advice and guidance leads young people making choices at 14, potential university students and undergraduates to sometimes damage their careers due to lack of information and advice about the economic consequences of course choices.

The CBI notes that three-fifths of companies agreed that universities see business as important customers but three-quarters of companies disagree that academics understand business needs.

Learners

Learners shared many of the concerns of employers – particularly around employability and the quality and availability of information, advice and guidance.

Learndirect research indicates that lack of confidence, perceived cost, lack of time and not knowing where to begin are key barriers to learning. Balancing commitments to work and family was the most frequently cited barrier.

Demand for Higher Skills

Research suggests nearly 4 million people are currently considering or are willing to consider acquiring a higher level skill.

Total annual employer training expenditure in England in 2005 was £33.3 billion and it is estimated that c.£5 billion was upon training potentially on offer from HE providers. HE income from employers for continuous professional development (CPD) in England in 2005-06 was estimated at £335 million – only c.6% of the potential revenue pool. Nearly 50% of this income was secured by 13 institutions. Research suggests that the market for higher skills amongst employers and employees exists on a much larger scale than at present.

Research suggests large firms are better engaged with the university sector, with 52% of firms with over 5,000 employees using university provision for some learning and development needs. For small firms with less than 50 employees, 71% used private provision, 20% used FE and 15% used HE.

Most large employers (over 80%) thought that Level 4 qualifications were a good proxy for skills, compared with 55% who thought that was true of Level 2 qualifications.

Investment in training varies by size and sector. Spend varies greatly in the private sector. Smaller firms are less likely to invest in training and much less likely to have training budgets. Some sectors have a levy grant system. For example, the construction sector spends £2,450 per employee compared to an average of £1,550 across all sectors.

The supply of graduates has risen steadily from 258,000 in 1997 to 319,000 in 2007. 40% of young people go to university. Postgraduate taught course have increased by 40% since 2000-01.

Employer demand for graduates remains high. Average graduate starting salaries are c.£18k and graduates earn on average 20% to 25% more than similar non-graduates. The rewards are higher for those with postgraduate qualifications.

Understanding Demand for Higher Skills

The role of the Higher Education Innovation Fund in solving skills gaps is less developed. Universities need to work more with RDAs (regional development agencies), SSCs (sector skills councils) and local employers to develop higher skills that a particular business (or business community) needs in a particular sector in a particular place. All regions need to develop a sophisticated understanding of demand for higher skills and its relationship to business strategies.

Promoting Employability

HEIs (higher education institutions) need to be concerned with promoting employability as well as good academic practice and needs to make this goal transparent to lecturers and students. Student employability should be a core part of HEIs' missions.

Enhanced work experience opportunities – including internships, shadowing schemes and sandwich courses – need to be offered. Knowledge Transfer Partnerships will be expanded and new shorter placements introduced. Entrepreneurial skills will be boosted through regionally based university enterprise networks.

HEFCE will look at ways to incentivise interchange with business in future plans for investing in institutional change. New short term placements through Knowledge Transfer Partnerships will be open to academic staff.

Barriers to New Ways of Working

Institutions wishing to adopt new ways of meeting employer-led demand face the following barriers:

Flexibility: HE is criticised for being too passive to the agenda with inflexible scheduling; lack of childcare facilities; and a business model based on full-time, campus-based students.

Marginal costs: course set-up involves considerable up-front risks and costs. The skills and attributes to meet employer needs have not always been widely found within HE. Securing these resources requires up-front investment, with the risk of being unable to recoup this from employer fees.

Cultural change: there must be high-level strategic leadership to drive the cultural change needed for a new and financially viable business model.

Recognition of excellence: there is fear that there is less recognition for excellence in employer engagement than for other HE business models.

Identifying Excellence in Employer Engagement

DIUS has asked HEFCE to develop thinking on illustrating performance across a range of areas – pure research, allowing businesses to innovate, high quality teaching, upskilling of workforces and widening participation.

HEFCE will consult with the Committee of University Chairmen on ways to enable governing bodies to benchmark performance against other institutions.

Co-funded Growth

Funding

Funding for co-funded growth will rise to at least £50 million in 2010-11. This will enable delivery of 5,000 co-funded entrants in 2008-09, rising to at least 10,000 co-funded entrants in 2009-10 and at least 20,000 co-funded entrants in 2010-11.

HEFCE Funding Model

HEFCE will establish a new funding model that is co-financed by employers, achieves sustained growth in employer-based student places and introduces the principle of employer demand-led funding. This will run alongside the existing funding model and will incentivise a rapid response to employer demand and the provision of accessible, tailored provision.

HEFCE is to test regional and sectoral approaches to employer co-funding, reviewing the lessons emerging from employer-led consortia supported by Foundation Degree Forward in major sectors.

Credit

By 2009-10, HEIs should have credit rated their main provision and have published details. This will create a more consistent and transparent approach to credit to encourage learners and assist progression.

Accreditation of In-house Training

Accreditation of in-house training by HEIs will add value by offering an HE award and providing a platform for employees to progress to further learning. Much of this activity is small scale but the concept is widespread in the sector.

HEFCE is to develop proposals to support expansion of accrediting employers' own training to higher levels. This will build upon Foundation Degree Forward's Employer Based Training Accreditation (EBTA) programme and current and proposed employer engagement projects funded by HEFCE. It is anticipated that this approach will be applied to SMEs as well as larger companies.

Progression

New progression routes will exist from 14-19 diplomas from 2010 and the LSC (Learning & Skills Council) will extend its current work with UCAS to map all Apprenticeship frameworks to UCAS tariff points.

Two Year Honours Degrees

There is a target of 1,000 learners to be enrolled on two-year honours degrees in 2008-09. Consideration will be given to setting further targets for subsequent years.

Foundation Degrees

There are currently 2,500 different foundation degrees (with 800 in development) and 70,000 students are enrolled on them. There is an ambition for 100,000 foundation degree enrolments by 2010.

Leadership & Management

HEFCE will be involved in piloting a new leadership and management offer to SMEs. There is evidence that such training within SMEs has a direct impact on the bottom-line and thereby grows demand for other higher level skills.

Brokerage for Higher Skills

An effective brokerage service for higher skills will be provided through:

- Enhancing the skills and knowledge of HE amongst brokers and ensuring that they understand the modern HE sector and its services.

- Making HEIs aware of the brokerage services available.
- Offering a comprehensive diagnostic service which identifies skill needs at all levels.
- HEFCE funding for a national 'clearing house' service for Train to Gain brokers that provides a single and reliable access point to a named coordinator in each HEI.

Sector Skills Councils

Sector Skills Councils (SSCs) will be given a role to incentivise demand for higher skills. Advice from SSCs and information from their Sector Skills Agreements (SSAs) will inform the DIUS annual grant letter to HEFCE.

A co-purchasing role will be tested with SSCs. SSCs can offer a strategic approach to organising employer demand for co-funding purposes. This might involve:

- SSCs working with HE subject centres to develop new approaches to delivery and development. Regional consortia of universities and businesses could develop approaches to practice-led teaching and learning. This would place emphasis upon shorter courses, modular delivery and accreditation of be-spoke programmes across sectors.
- SSCs could identify employer customers able to make a collective contribution to the costs of higher skills – HEFCE would then match this funding.

UK Commission for Employment & Skills (UKCES)

The new UK Commission for Employment & Skills (UKCES) will be a single, employer-led board that provides direct and independent advice to ministers. It will develop an independent view of how successful the UK's employment and skills systems are at meeting the competitive challenges to businesses and supporting changing employment trends. It will also fund and manage the performance and re-licensing of SSCs.

New Adult Advancement & Careers Service

A new adult advancement and careers service will offer support to people at every stage of their career with quick access to advice and support on skills. Aspects of the service will be available from Autumn 2008, with the full service operating from 2010-11.

Science, Technology, Engineering & Maths (STEM)

The supply of STEM graduates has increased but not sufficiently to meet employer demand. These are particular issues for STEM:

- Numbers of STEM A-level entries has been rising since 2004. Main STEM subjects entries have increased from 152,099 in 2004 to 166,333 in 2007.
- Independent schools account for disproportionate numbers of A-level STEM students, particularly those getting top grades.
- One-third of engineering graduates work as engineers three and a half years after graduation, one-third work in other scientific occupations and one-third work in non-scientific jobs. More needs to be done to encourage STEM graduates to work in their area of training.

Public Service Agreements (PSA)

Public Service Agreements (PSA) will include commitments for HE:

- The proportion of working age adults qualified to level 4 and above should reach 34% by 2011 and 36% by 2014
- Participation in HE should increase towards 50% of those aged 18 to 30, with growth of at least a percentage point every two years to 2010-11.

The UK now needs to commit to exceeding the Leitch target of 40% of the population aged 19 to state pension age being qualified to Level 4 or above by 2020 if it is to compete internationally.

Language Skills

The CBI, HEIs and DCFS will work together to promote the value of studying languages and study periods and work experience abroad.

The DIUS consultation document can be found at www.dius.gov.uk/consultations/. The consultation period ends on 7 July 2008.