



UK COMMISSION FOR
EMPLOYMENT AND SKILLS

Qualitative Evaluation of Demand-led Skills Solutions: Growth and Innovation Fund and Employer Investment Fund

Executive Summary 78
November 2013

Intelligence > Investment > Impact

[This page is intentionally left blank]

Qualitative Evaluation of Demand-Led Skills Solutions: Growth and Innovation Fund and Employer Investment Fund

Executive Summary

Colin Howat and Ali Zaidi

ICF GHK

UKCES Project manager

Zoey Breuer

UKCES Project Director

Caroline Berry

November 2013



[This page is intentionally left blank]

Executive Summary

Introduction

The UK Commission for Employment and Skills commissioned a qualitative evaluation across a range of investments, including projects funded under the first two rounds of the Growth and Innovation Fund (GIF) and the second phase of the Employer Investment Fund (EIF).

The evaluation was undertaken from November 2012 to April 2013. It was based primarily around a qualitative case study approach. There were 10 case studies looking at investment fund projects (five EIF 2 case studies; and five GIF projects, including three GIF 1 case studies and two GIF 2 case studies) and 10 case studies on standards and framework products. In addition to the case studies, the research also included interviews with organisations that were recipients of development funding and/ or support and advice introduced as part of the GIF 2 development phase.

There are two evidence reports: one presents the findings of the standards and frameworks case studies; and a separate report presents the findings from the research undertaken on the GIF and EIF investment programmes.

Background to the investment funds

- **The Growth and Innovation Fund (GIF):** GIF supports the development of skills solutions under three strands (Best Market Solutions; National Skills Academies; Joint Investment Programme). GIF was open to all licensed employer organisations to deliver services in England. The first two rounds of GIF (GIF 1 and GIF 2), covered 16 projects starting in 2011 and 2012. In these two funding rounds, a total of £13m of public investment was allocated to projects, and a further £12m will be invested by employers.
- **The Employer Investment Fund (EIF):** EIF was established by the UK Commission 'to encourage employers across the UK to invest more in raising the skills of their workforce'. It was open to Sector Skills Councils and UK-wide in scope. The second phase of EIF funding was launched in June 2011 and is set to provide £61m for 63 projects running from early 2012 to spring 2014. This is forecast to generate a further £42m of co-investment from employers and others, of which around £12m will be cash investment and around £30m will be in-kind investment.

Findings from the research

The Growth and Innovation Fund (GIF)

- In GIF 1 and 2 the majority of projects (13 out of the 16) were delivered by SSCs. Employers are projected to contribute over half (57%) of the project costs in GIF 1 and a higher proportion (72%) in GIF 2. The majority of this employer contribution will be cash rather than in-kind investment.
- The project ideas were generally developed by sector bodies, drawing from the feedback they receive from employers. Some of the clearest ideas were a response to an external stimulus or emerging sector challenge. There is evidence of a greater focus on skills solutions in terms of their economic value to employers.
- Employers were content to allow sector bodies to lead on the mechanics of bid writing, given their expertise in skills policy. However, there was widespread testing of project proposals with employers before they were finalised. This was most effective when pitched by the sector body, not just in terms of asking employers ‘will this work?’ but asking ‘how can we jointly make this work?’
- The development phase introduced in GIF 2 was particularly useful to organisations that had not previously accessed UK Commission investments. For example, the opportunity to get upfront feedback from the UK Commission about whether a project idea might be viable for GIF investment, made it easier for some organisations to justify investing in full bid development. Practical support in relation to areas such as how to articulate outcomes and benefits was also valued. This has helped to widen the pool of investees in more recent rounds of GIF investment. There was particular value in the role played Senior Investment Managers supporting bidders, who could then act as a critical friend and advocate for prospective projects, drawing on their own insight and experience.
- During the investment period, employers typically act a ‘sounding board’, offering feedback on different products that were being developed. Providing employers with the opportunity to contribute to the strategic direction of a project was increasingly being built into the design of the projects. There were also examples of employers playing a critical role in shaping the development of new tools and standards, particularly in GIF 2.

Qualitative Evaluation of Demand-led Skills Solutions: Growth and Innovation Fund and Employer Investment Fund

- Nearly all the projects believed that they were on track to achieve their contracted targets, although most have experienced delays in implementation. In most projects the delay in achieving targets for employer and individual engagement has meant that they were slightly behind target on leveraging employer investment.
- Some projects found it challenging to attract in-kind contributions. Where cash contributions were linked to purchasing a product, there was often a clear benefit to the employer. In-kind contributions were felt to be more difficult to broker as, for the employer, it may not immediately lead to a return on investment.
- Most sector bodies believed the approach the UK Commission took to managing the investments worked well. SSCs believed that the UK Commission employed a light touch approach. Organisations that were less familiar with administering public funds generally found the process more onerous.
- Some sector bodies believed that the UK Commission has been overly strict in withholding payment when a project is behind schedule. The achievement of outputs was not always considered to be the most important measure of sustainability by investees. This was not always explicit when the initial outputs were negotiated with the UK Commission. If a project underperforms on certain outputs then these factors need to be considered when negotiating changes to project plans. Fundamentally, though, it emphasises the importance of the quality and achievability of outputs proposed at the bidding stage.
- Some sector bodies also reported that during implementation the project had evolved and some of the original contracted outputs were not as relevant or well-defined as they could be. As projects are implemented, there is a need to review progress and make changes where appropriate.
- Most of the projects have made reasonable progress to achieve their expected outcomes and impact. New training infrastructure and products have been developed (such as guilds, ATAs and professional standards) and so far these have continued to be supported by a core group of employers and partners. However it is still not clear whether the projects will sign up a sufficient volume of employers to have the intended level of impact. All the projects are still in the early days of marketing their product to a wider audience of employers.

Qualitative Evaluation of Demand-led Skills Solutions: Growth and Innovation Fund and Employer Investment Fund

- In terms of sustainability, sector bodies generally employ one of two approaches. Some have clear initial plans in place and others define plans through a 'trial and error' approach. The development of qualification/provision 'products' appear to be less associated with planning for sustainability than other types of activity, reflecting that sustainability in this context is typically seen as simply being a question of 'take up'. The setting up of new employer networks, guilds, ATAs etc. appears to have future financial models much more hard-wired into the development and early implementation phase. This is because these projects do not generally provide immediate returns to employers, and as a result investees are required to think at an early stage about how the solution(s) and the opportunity benefits / risk of inaction will be 'sold'. In contrast, the development of qualification/provision 'products' appear to be less associated with planning for sustainability. This may reflect that sustainability in these cases is simply a question of 'take-up', where future engagement is based on a 'transactional model' of investment.
- GIF projects that rely on recruiting a high volume of learners generally experienced more difficulties in becoming sustainable. In contrast, projects that require the recruitment of a smaller number of employers, which many sector bodies can recruit from their existing networks, were generally easier to sustain.
- A reasonably strategic approach is evident in most of the projects. There is, however, variation in the ability of different projects/sector bodies to articulate the links to wider work (i.e. to make those links explicit). This relates to factors such as the level of previous experience with the investment fund approach, the nature of the project in question and the leadership approach within the organisation.
- In the case of the larger GIF projects (generally infrastructure projects), there is a sense that the original GIF investment is seen as a longer programme that is likely to continue to be supported through future investments or initiatives. The size of the investment is significant enough to most sector bodies that the GIF activity becomes the centrepiece of what they do (alongside other EIF investments). Many of the smaller GIF projects provided a targeted solution to a specific sector problem. These activities were delivered as relatively standalone projects and therefore were not coordinated with other initiatives. Sector bodies would argue that this was due to the nature of the project, and the level of strategic alignment reflected the characteristics of the project.

The Employer Investment Fund (EIF)

- EIF Phase 2 will invest £103m across the 63 projects. The UK Commission will provide 59% of the total funding (around £61m). Employers will provide the remainder, the majority of which (£30m out of £42m) will be in the form of in-kind contributions.
- EIF funding was accessed because it was considered to be the lowest risk way of developing and promoting relatively 'new' products. These products required time and targeted marketing before they could be sustained by employers. SSCs also believed that the two-year delivery period was felt by SSCs to provide "time to develop the right product".
- There is evidence that the need to leverage substantial employer contributions influenced the design of projects in some cases. Some SSCs appear to have plans for achieving a high level of in-kind contributions, for example by holding conferences and workshops, and these are often built into the project design. This was perceived to be a more straightforward method for leveraging employer support than, for example, asking an employer to release a member of staff to work on the project or committing the company to testing out a new approach. The latter examples imply a much more 'active' engagement on the part of the employer, even though the financial value of a large number of employers 'passively' attending a conference may be greater. This highlights the limitation of measuring employer contribution in crude financial terms.
- All the projects believed that they had received good support from the UK Commission during the bidding process. The guidance was felt to be clearer than in the previous phase and the FAQ page was also thought to be helpful. Perhaps the most valued support was the UK Commission providing informal feedback on project ideas and answering specific queries.
- In most projects, the employers were responsible for piloting tools, commenting on the design of aspects of the skills solution and feedback on suggestions. There were also examples of employers playing a key role in the development of new tools. Although this took place before, there is a sense that the demand for employer contributions has meant that employers are contributing more of their time, experience and knowledge to support these initiatives. In some instances, it is clear that employers now play a more active role in projects, rather than simply working in a consultative capacity.

Qualitative Evaluation of Demand-led Skills Solutions: Growth and Innovation Fund and Employer Investment Fund

- The EIF 2 case study projects are generally on track to achieve their outputs. Most have achieved all of their expected targets up to March 2013. Most of the projects were also on track to achieve targets for leveraging employer, which nearly all managed to do by maintaining interest among their existing networks of employers. Some had also been successful in recruiting employers they had not previously worked with. This had been achieved by leveraging existing employer networks, running local promotional events or by working in partnership with local intermediary organisations (such as national trade associations).
- The most significant challenge encountered by projects was a delayed start, resulting in slow initial take-up. A common issue for most projects was a delay in mobilising employer support. It can take time for an employer, once informed that the bid was successful, to make resources available to support the project. This can realistically take a few months, even though the employer is committed to support the project.
- In general, most SSCs believed the approach employed by the UK Commission was “entirely proportionate for the amount of public funding invested in the work”. Most acknowledged that there needs to be a certain level of accountability for public funding, and the approach employed by the UK Commission did not create an unnecessary burden. The contract management approach was also perceived to be ‘hands off’, which was believed to be appropriate.
- Although all the projects had strategic plans for sustainability, most were continuing to develop and maintain more detailed sustainability plans, which estimate the size of the market and the volume of employers that need to be engaged in order to sustain the project. In nearly all cases, the EIF project was part of a broader sector solution, providing a sense of overall scale to the work that goes beyond it being a single project. This can lead to significant interdependence with other initiatives, which makes it difficult to identify appropriate success indicators for a discrete EIF investment. Often it is a combination of different initiatives that create a demand for a product or lead to a lasting sector impact.

Conclusions

- **Competitive commissioning and investment culture:** Increasing competition for skills investment funding is having a positive impact in ensuring that proposed skills solutions and products are better-targeted at areas of identifiable demand. Programme design changes under GIF to actively encourage and support bids for investment beyond the traditional SSC cohort have been successful, increasing the potential for innovation.
- **The role of the UK Commission:** The overall feedback on support and management from the UK Commission across all programmes is largely positive, although it is clear that the support needs of investees varies considerably. 'New' investees / non- Sector Skills Councils require additional, on-going support. The view from organisations with extensive experience of working with the UK Commission is that the guidance, support and monitoring it has provided is generally clear, appropriate and proportionate.
- **Employer demand and involvement project design:** GIF and EIF bids highlight a stronger focus on generating active support among a group of employers as evidence of demand than perhaps would have been the case in the past. While the process for generating ideas remains extremely complex, it is clear that they are often generated 'bottom up' by SSC employer networks and boards.

However, there is a major difference between originating a skills solution idea and developing it into a substantial project. The latter requires time, effort and capacity and inevitably becomes the responsibility of the sector body – partly because they are best-placed for bid writing and partly because the process of bid development involves wider testing of the original idea with employers. There are also practical limitations to what can be achieved during the bidding phase to widen the base for 'active' employer support. This inevitably means that investment fund activities, in the first instance at least, are geared around working with larger employers that are already sold on the benefits of engagement. The evidence suggests that it is much more important to have active support, involvement and ownership from a range of employers (irrespective of how many), than it is to have a sector-wide notion of tacit support.

Qualitative Evaluation of Demand-led Skills Solutions: Growth and Innovation Fund and Employer Investment Fund

- **Innovation:** There are far more examples of the incremental development of existing ideas (a more continuous form of innovation) than of radically-different solutions. Innovation in this context is not so much about the product or skills solution itself; it is much more about the detail of product design providing an effective catalyst for employers to engage, buy and/or use the product over time. It is therefore dynamic in nature and hugely dependent on the critical activities of product testing, pricing, marketing and on-going refinement. There are examples of projects that have more obvious potential to be transformative in nature (using technology to transform access to training, some guild models), but it is far too early to comment on the viability of these approaches. The investment portfolio as a whole is quite balanced in terms of risk and inherent scale of ambition. There is also a more general 'process' innovation that is apparent in terms of how employers are engaged and consulted, which is partly a function of employers having a more explicit stake in many of the projects.
- **Leveraging the employer contribution and employer engagement in developing and purchasing products and services:** The requirement for an employer contribution is shifting the expectations of bidders and the employers they work with. It is the single most important factor contributing to greater employer ownership over skills solutions. However, that contribution takes many forms. The assumption that a 'cash' contribution from employers is more significant than an 'in-kind' contribution needs careful scrutiny. A much more important indicator of employer ownership over the skills solution (and therefore of future sustainability and impact) is whether the contribution is 'active' or 'passive' in nature. Where it works, employers are making targeted and value-added contributions to development – sharing their internal practices and 'on the ground' expertise to inform skills solution design.

There is also the growing model of employers as 'customers' for a product with the employer 'cash' investment taking the form of industry buying a service. This means that the true test of employer ownership comes quite far down the line. It is interesting in this context that the projects in EIF 2 in particular are working towards a relatively early launch of their skills solutions.

- **Progress, delivery and outlook:** There is evidence of effective and efficient approaches to managing the delivery of investment projects. This is underpinned by widespread use of project management techniques. Some of the earlier GIF 1 projects were over-optimistic about the timescale for implementation and level of outputs they would be able to deliver within a given timescale. The early indication is that EIF 2 and GIF 2 projects are more realistic in ambition, although no less ambitious in nature.

Qualitative Evaluation of Demand-led Skills Solutions: Growth and Innovation Fund and Employer Investment Fund

- **Planning for sustainability:** The crucial assumption that skills solutions will be self-sustaining is 'hard-wired' into both GIF and EIF. Solutions that develop infrastructure (such as guilds and employer networks) are particularly likely to begin planning for sustainability at an early stage of development. However, across all projects there are signs that sustainability plans were becoming more robust over time as sector bodies adapt to the requirements of the investment approach. Key components of sustainability planning include: early consideration and development of ways to articulate the benefits of action and/or risk of inaction to the audience; and, how to lever sufficient active involvement from at least a core of employers so that they are not just customers, but also champions of the solution that they shaped and developed.
- The GIF 1 projects, being further along the investment journey, are most likely to be able to provide answers about becoming sustainable; however, they are still tackling questions about how to make that transition. The path to sustainability is clearly one that is challenging and takes time; the earlier the planning starts the better. The true test for all investments (even the GIF 1 projects) will be in the coming years.
- **Strategic fit:** Owing to the size of the investment, GIF and EIF projects are well-aligned to the wider strategic plans of sector bodies. In many cases, these projects form the centrepiece of organisational strategy and there is clear complementarity between projects.

Executive Summaries present the key findings of the research produced by the UK Commission for Employment and Skills. More detailed analytical results are presented in Evidence Reports.

Produced by ICF GHK for the UK Commission for Employment and Skills

All of the outputs of the UK Commission can be accessed on our website at www.ukces.org.uk

UKCES
Renaissance House
Adwick Park
Wath-upon-Deerne
Rotherham
S63 5NB
T +44 (0)1709 774 800
F +44 (0)1709 774 801

UKCES
Sanctuary Buildings
Great Smith St.
Westminster
London
SW1P 3BT
T +44 (0)20 7227 7800

This document is available at
www.ukces.org.uk
under "Publications"

ISBN 978-1-908418-58-6
© UKCES 1st Ed/11.13