UK COMMISSION FOR
EMPLOYMENT AND SKILLS

Qualitative Evaluation of the Employer Investment Fund Phase 1

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Qualitative Evaluation of the Employer Investment Fund Phase 1

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Foreword

The UK Commission for Employment and Skills is a social partnership, led by Commissioners from large and small employers, trade unions and the voluntary sector. Our ambition is to transform the UK's approach to investing in the skills of people as an intrinsic part of securing jobs and growth. Our strategic objectives are to:

- Maximise the impact of employment and skills policies and employer behaviour to support jobs and growth and secure an internationally competitive skills base;

- Work with businesses to develop the best market solutions which leverage greater investment in skills;

- Provide outstanding labour market intelligence which helps businesses and people make the best choices for them.

The third objective, relating to intelligence, reflects an increasing outward focus to the UK Commission's research activities, as it seeks to facilitate a better informed labour market, in which decisions about careers and skills are based on sound and accessible evidence. Relatedly, impartial research evidence is used to underpin compelling messages that promote a call to action to increase employers' investment in the skills of their people.

Intelligence is also integral to the two other strategic objectives. In seeking to lever greater investment in skills, the intelligence function serves to identify opportunities where our investments can bring the greatest leverage and economic return. The UK Commission's third strategic objective, to maximise the impact of policy and employer behaviour to achieve an internationally competitive skills base, is supported by the development of an evidence base on best practice: "what works?" in a policy context.

Our research programme provides a robust evidence base for our insights and actions, drawing on good practice and the most innovative thinking. The research programme is underpinned by a number of core principles including the importance of: ensuring 'relevance' to our most pressing strategic priorities; 'salience' and effectively translating and sharing the key insights we find; international benchmarking and drawing insights from good practice abroad; high quality analysis which is leading edge, robust and action orientated; being responsive to immediate needs as well as taking a longer term perspective. We also work closely with key partners to ensure a co-ordinated approach to research.

To return the UK to sustained growth and global competitiveness, employers must support and develop their workforce through investment in skills to optimise the contribution that people make to their organisations. The UK Commission is now working with employers, who are best placed to know the skills their business requires, through our investment portfolio of contestable challenge funds. This investment encourages innovation and leadership from employers, in developing training and skills solutions. It started in April 2011, when the UK Commission launched Phase 1 of the Employer Investment Fund (EIF). EIF has enabled Sector Skills Councils to work closely with employers to develop and co-finance such solutions. This report provides early evidence of this new approach. Its findings will inform our decisions for the future management of employer led skills projects and will be of vital help to those who bid for future investments which are employer led, innovative and sustainable.

Sharing the findings of our research and engaging with our audience is important to further develop the evidence on which we base our work. Evidence Reports are our chief means of reporting our detailed analytical work. All of our outputs can be accessed on the UK Commission's website at www.ukces.org.uk

But these outputs are only the beginning of the process and we are engaged in other mechanisms to share our findings, debate the issues they raise and extend their reach and impact.

We hope you find this report useful and informative. If you would like to provide any feedback or comments, or have any queries please e-mail info@ukces.org.uk, quoting the report title or series number.

Lesley Giles

Deputy Director

UK Commission for Employment and Skills

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Glossary

BIS	Department for Business, Innovation and Skills
CC4G	Computer Club for Girls
EIF	Employer Investment Fund
IMI	Institute of the Motor Industry
IT	Information Technology
GIF	Growth and Innovation Fund
LMI	Labour Market Information
SSC	Sector Skills Council
TRS	Talent Retention Solution

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Executive Summary

Introduction

In April 2011, the UK Commission for Employment and Skills launched Phase 1 of the Employer Investment Fund, marking the start of a new employer-led approach to skills investment. EIF enabled Sector Skills Councils (SSCs) to work closely with employers to develop and co-finance relevant skills and training solutions. This report provides early evidence of the effectiveness of this new approach. Its findings will inform the UK Commission's decisions for the future management of employer-led skills projects and will be of help to those who bid for future investments that are employer led, innovative and sustainable.

In Phase 1 of the EIF programme, around £5 million of investment was awarded to support 14 projects. This included six pre-existing Women and Work projects and eight 'innovation' projects to build the capacity of sectors to address identified skill needs. The investment period ran from June 2011 to March 2012.

The commissioning model for the EIF Phase 1 innovation projects was based on SSCs bidding competitively for investment. The bid process required employers in each sector to make a substantial commitment (a cash or in-kind contribution) to evidence active support for the proposed skills solution. This model would go on to be used (with some adaptations) in subsequent EIF rounds and in the similar Growth and Innovation Fund (GIF) programme. By the end of 2012, the UK Commission had invested £94 million across 112 EIF and GIF projects, attracting £80 million of employer investment.

The qualitative evaluation of EIF Phase 1 provides an early insight into the operation of the UK Commission's investment model. It followed projects from the later stages of EIF delivery (in January to March 2012) to around 9-12 months beyond the investment phase (with follow-up from December 2012 to March 2013). As such, it provides important insight into the sustainability of UK Commission investments and lessons on how sector bodies and their partners can effectively prepare for the transition beyond EIF or GIF investment.

The research was based on four longitudinal case studies with a sample of EIF Phase 1 innovation projects, plus telephone interviews with staff in the other seven SSCs managing EIF Phase 1 projects. It also included programme-level interviews with the UK Commission and the Department for Business, Innovation and Skills (BIS).

Findings from the research

Understanding the EIF Phase 1 investments

- The 'innovation' aspect of the EIF Phase 1 programme funded a diverse set of activities (such as a skills passport, a voluntary form of occupational regulation, a quality kite mark, an online redeployment tool, a modern guild etc). Most of the EIF Phase 1 projects focused on a distinct tool or product.

- Taking a distinct focus enabled skill solutions to be clear, palpable and relatively easy for employers to understand. This was an important factor in engendering support for a project, as reported by both SSCs and employers. However, in some cases, the narrow product focus made it difficult to initially see how the projects would have widespread long-term impact within a sector.

- Crucially, there is evidence from the post-investment period that some of the narrower EIF Phase 1 products are evolving to become broader, more strategic skills solutions. This is not an accidental or coincidental development. The investment approach appears to be a strong driver for these changes: maintaining employer commitment is an important spur to continually refine and develop the products.

- The relatively short delivery period for EIF Phase 1 meant many SSCs put forward 'low risk' project proposals. EIF Phase 1 differs from some other investment rounds because it explicitly focused on 'ready to go' projects. The advantage of this was that most of the innovation projects (except for the two feasibility projects) were quite mature and had already gained a degree of sector support and awareness. In some cases, the approach had been applied to one sector and was now being rolled out to a new group of employers in a different sector.

The bidding, selection, support and delivery process

- The bidding for EIF Phase 1 took place when many SSCs were undergoing significant transition as a consequence of the removal of core funding. SSCs which were successful in bidding for EIF Phase 1 funding reported that the investment provided additional space for these changes to take place. Therefore, EIF Phase 1 may have helped to safeguard existing SSC capacity at a time of uncertainty.

- Even if the EIF Phase 1 project ideas were relatively mature, it does not mean previous development had been undertaken with the same market considerations in mind. This reflects one of the most powerful impacts of the EIF model: in the delivery phase it concentrated SSCs to focus on skill solutions which employers would ultimately pay for. This creates an environment that rewards innovation at all stages of the product development cycle.

- Most of the activities would have been unlikely to have taken place without the EIF investment. SSCs may have continued to pursue the work, but it is difficult to see how they would have been able to gather sufficient momentum to take the products to the next stage. In some instances, the development costs were high and would not have been met solely by employers or the products had not yet reached a level of maturity where the benefits to employers could be clearly understood (even though some of project ideas had been around for some time).
- Business development was, in most cases, led by the SSCs in consultation with their existing networks of employers. Given the short timescale for bid development, SSCs did not generally develop new employer relationships. However, for some SSCs, it was clear the nature of the dialogue with long-standing employer partners was changing. There was a much stronger focus on identifying the level of investment employers were willing to make, both now and in the future. This was driven by the requirement for bids to mobilise an employer contribution. In one case, post-bidding negotiation led to further increases in the level of employer investment in the project.
- A considerable weakness of most EIF Phase 1 applications was a lack of clarity in sustainability planning. This was a key learning point for almost all SSCs. However, most projects had developed more realistic sustainability plans as they approached the end of their investment period.
- Nearly all of the SSCs stated the UK Commission managed the projects effectively. However, due to the inherent difficulties in producing output metrics for capacity building projects, there was a challenge to balance the requirement for clear outputs to evidence payment, whilst also ensuring SSCs had sufficient freedom to further develop the projects during the delivery phase.
- Employers were primarily engaged in the projects in a consultative role. There was little evidence to suggest EIF Phase 1 projects increased strategic engagement with employers, although there were some exceptions. In one case, the EIF project was conceived, designed, managed and administered by a network of major employers working together in a new way to tackle both an immediate demand and long-term shared skills objectives. Overall, there is a need for greater employer engagement in the strategic leadership of investment projects. Where employers are engaged at a strategic level, there is evidence they show greater ownership of the product and are able to support projects to overcome challenges.

Moving into the post-investment phase

- By the end of the investment period, six out of the eight innovation projects had achieved all contract milestones. The two projects which had not, had made the progress expected in developing their products yet had underperformed in attracting the expected volume of employers. There was valuable learning here for the project partners in terms of setting realistic targets. There is also a tension between wanting to have ambitious targets for employer engagement, in order to secure investment, and this potentially becoming a millstone during delivery. The risk here is focusing on difficult-to-meet short-term targets to the detriment of planning for the long-term sustainability of the skills solution.
- Even though substantial progress had been made during the investment period, only a few projects were in a position to launch when the EIF investment ended. Most products still required further development or market testing. The process to full project roll-out has, in almost all cases, taken longer than expected. This, in part, reflects that the short investment period of EIF Phase 1. Some SSCs were also ambitious in estimating where they would be at the end of the investment period.
- However, by the end of the investment period, the key actors (be it employers, the SSC itself or a combination of the two) had generally reached a point where there had been sufficient investment to date or sufficient belief in the concept to continue to put resources in. This was in spite of the fact that none of the projects were sufficiently established to generate enough revenue to cover costs. Some interviewees suggested that getting to this position (i.e. the level of buy-in necessary to carry on) is directly related to the investment model itself.

Sustainability, outcomes and impact

- Nine months after the EIF Phase 1 investment ended, most projects were still not in a position to be sustained wholly through private investment. There is generally a three- to five-year timescale from initial launch to being commercially sustainable. This is in line with the timescales one would expect from a new product or service.
- In this context, it is significant that all of the innovation projects remained ‘live’ nearly a year after the EIF funding ended. A quarter of the innovation projects are being primarily sustained through employer investment, which suggests a level of commitment going far beyond employers just being skills solution ‘customers’. Others now have plausible plans in place to market their products to employers.
- Some SSCs have bridged the gap to sustainability by drawing on additional private investment (such is the confidence in the skills solution). All SSCs have continued to allocate internal resource to support further development (e.g. staff time). Five out of

the eight innovation projects secured additional EIF or GIF funding to support on-going or related development. For the two feasibility projects, this was always assumed to the likely next step. Another project was always considered to be a component of a much wider skills solution, with further elements expected to be funded in other investment rounds.

- Most projects have progressed significantly in the post-investment phase. Half of the innovation projects further evolved the scope or coverage of the product after the EIF investment ended. This is likely to be characteristic of future investment projects.

- The programme has enabled the development of infrastructure that could, in future, increase the breadth and quality of training. However, many of the projects are at an early stage of implementation and, understandably, most had not yet had a major impact on their sector.

Conclusions

- Irrespective of how employers were involved in delivery, it is clear the expectation of long-term sector ownership and upfront sector contributions can transform, to a significant degree, how the public investment is used.

- The investment model is also crucial to building and retaining engagement. It provides a platform for long-term commitment beyond the funding phase. Many of the EIF Phase 1 projects have gathered momentum in the post-investment phase and this can be directly connected to this upfront commitment.

- The investment model itself, therefore, supports sustainability and 'hard wires' a return on the public investment that is unlikely to have been mirrored if these projects had just been publicly-funded.

- The investment approach has also led to increased emphasis on leveraging employer contributions. The EIF funding priorities meant that most SSCs sought to increase employer contributions in order to secure investment. This may not have happened without the programme requirement to do so.

- The projects that have made the furthest progress to being sustained are those which built clear and realistic plans for marketing and pricing into the project design. One of the key lessons from EIF Phase 1 is the importance of sustainability plans being developed and tested prior to project commencement. While projects generally used labour market intelligence to identify the demand for the skill solution, market research on how the proposed solution could be 'sold' to employers in sufficient numbers was not always considered early enough.

- Even though the SSCs were generally not thinking about pricing strategies and product marketing early enough, the key point is that the EIF investment model inevitably and ultimately gears SSCs and their employers towards providing solutions which have the potential to meet market demand (i.e. that can be sufficiently financed by non-public sources to continue). This was not always the case when the development of sector skills solutions was based on core public funding.

1 Introduction

This report by ICF GHK presents the findings of a qualitative research study into the implementation and early operation of the Employer Investment Fund (EIF) managed by the UK Commission for Employment and Skills. The analysis is based on qualitative fieldwork with a sample of EIF Phase 1 project team members and stakeholders. The fieldwork was conducted in two stages: firstly, at the end of the investment period in early-2012; and one year on, between late-2012 and early-2013.

1.1 The strategic context for the Employer Investment Fund

The Coalition government's focus on deficit reduction in a context of challenging economic conditions means there is less public funding available for skills. For example, the 2010 Comprehensive Spending Review stated that the Further Education (FE) resource budget in England would be reduced by 25 per cent, or £1.1 billion per year, from £4.3 billion to £3.2 billion by 2014/15 (BIS, 2010).

One of the key aims of the Department for Business, Innovation and Skills' (BIS) Skills Strategy for England, published in November 2010, was to support a shift in the balance between public and private investment, with increased investment expected from the individuals and employers that directly benefit from training (BIS, 2010b). The greater purchasing power of individuals and employers was expected to drive developments on the supply side, improving the quality and relevance of training.

The increased emphasis on employer contributions to up-skilling the workforce led to a re-focused role for Sector Skills Councils (SSCs) as catalysts for generating and supporting greater employer leadership in skills, and increasing the level of employer investment in skills and qualifications. It has also led to 'transformational changes' to the UK Commission's funding approach and a move away from strategic (grant) funding of SSCs to targeted investments (for example, to support capacity building or to test innovative models of employer skills engagement).

1.2 The objectives of EIF and the investment approach

EIF was one of the UK Commission's first investment funds. It was established *"to encourage employers across the UK to invest more in raising the skills of their workforce"* (UKCES, 2011). The aim of the programme in its first phase was defined as being to:

- encourage a more employer-led approach to developing skills solutions;
- fund innovative solutions that require 'seed' funding to become self-sustaining;

- use public funding to leverage greater investment in skills from employers; and
- support one or more of the UK Commission's four key priorities for 2011/12[1].

As the EIF has progressed into later phases, its aims have been increasingly described in terms of having an impact on employer behaviour and commitment as corollaries of increased investment, described in terms of:

- stimulating leadership from the bottom up to significantly raise employer ambition;
- driving innovation, changing employer behaviours and developing new ways of working;
- securing momentum from employers to support sustainable increases in skill levels and better use of skills across sectors (UKCES, 2012).

EIF also marked a new approach for the **UK Commission: an investment model based on contestable funding.** The UK Commission's role in EIF was to invest in activities that demonstrated the strongest potential to increase enterprise, jobs and growth. It was also intended to provide for greater efficiency and effectiveness of the skills funding targeted at employers.

The contestable funding approach underpins another of the UK Commission's investment funds: the Growth and Innovation Fund (GIF) programme (UKCES, 2012b, p. 10). It also provides the basis for the commissioning model for other 'products' that previously fell in scope of SSC core funding: LMI and the development of standards and frameworks[2]. While EIF was, in part, envisaged to support SSCs in the transition from core funding, the GIF programme and the commissioning of some other products is open to all legally-constituted employer bodies. The scope of EIF is UK-wide, while the GIF programme focuses on activity in England only.

The subsequent Employer Ownership of Skills pilot also contains similar characteristics to EIF and GIF. It provides co-investment to employers *'to develop and deliver solutions which enable them to recruit and train staff with the skills they need for the future'* (UKCES, 2012b, p. 6) and to establish industry partnerships that take end-to-end responsibility for implementing skills solutions. Like the EIF, it is a contestable fund that invests in training activities and in infrastructure that has a strong potential to increase productivity and support job creation and growth.

[1] The UK Commission's four investment priorities are: 1) Make and win the economic argument for skills; 2) Enhance value and accessibility of training, especially apprenticeships; 3) Galvanise industries and sectors to improve the skills and productivity of their workforce; 4) Work with sectors to ensure the creation of more and better jobs, maximising opportunities for unemployed people.

[2] Standards and Frameworks include: National Occupational Standards (NOS); vocational qualifications; and apprenticeship frameworks

Round 1 of the Employer Ownership of Skills Pilot began in September 2012, with 34 projects launched. The tendering for Round 2 began in February 2013 with bids submitted in March 2013. Applications can be from employers based anywhere in the UK but the benefits must focus solely on England. In total, £340 million will be invested in the Employer Ownership of Skills programme over a four-year period.

Phase 1 of EIF was the first tranche of investment made by the UK Commission under its new investment model. Lasting 10 months, the investment period was also shorter than many of the other rounds of investment funding, which typically lasted 18 months to two years[3]. While there are specific characteristics of the EIF Phase 1 projects, relating to how and when the funding was launched (discussed in Chapter 2), it means that **EIF Phase 1, as the first investment phase to complete, provides a unique and early insight into the long-term sustainability of investments** under the new commissioning model.

1.3 EIF Phase 1 projects

Phase 1 of EIF provided £5 million of investment to 14 projects running from June 2011 to March 2012. This included eight 'innovation' projects developing a wide range of 'skills solutions' to build the capacity of sectors to address identified skill needs.

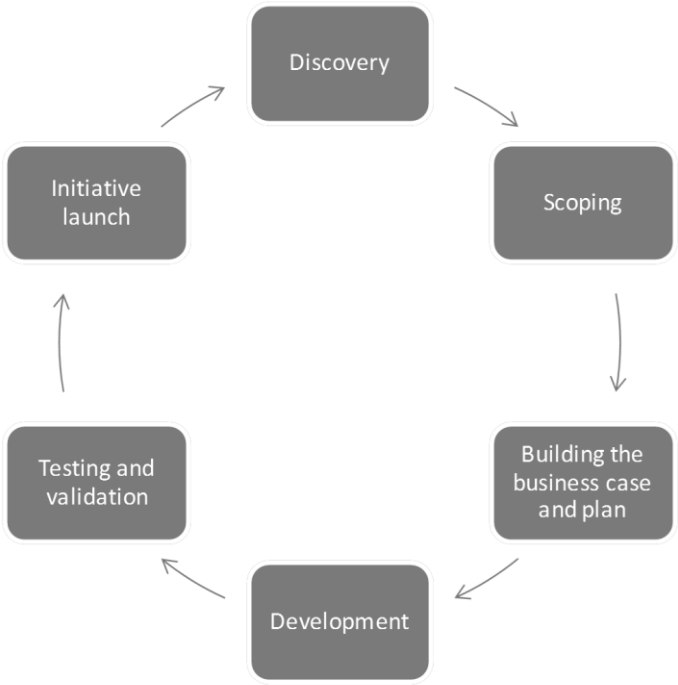
In the main, these projects followed the model that would go on to be used in subsequent programme rounds, as well under the GIF programme. The eight innovation projects provide the main focus for this evaluation. Six out of the eight innovation projects received sums between £400,000 and £500,000 in public investment. A further two projects received a smaller level of investment (£100,000) in order to undertake early-stage feasibility studies.

The important point to note with regard to the 'innovation' project investments is that the public funding intervention was at different points in what might be called the 'product development cycle'.

Figure 1.1 illustrates a simplified version of the stage gate model, a project management tool which outlines the stages in the development of a new product or initiative. After the initial concept (**discovery**) for the initiative has been formulated, there is a **scoping** stage in which initial market research takes place. This typically then extends into a more in-depth analysis of the feasibility of the initiative, which informs the **business case**. The **development** stage turns this business case into a full business plan, which provides full detail on the implementation of the initiative. Following this is a **testing and validation phase**, which ensures risk is minimised prior to the initiative being **launched**.

[3] An exception was EIF Phase 3, which was introduced in 2013 and ran over a shorter period.

Figure 2.1 Simplified stage gate model[4]



Source: ICF GHK (Adapted from Dr. Robert D. Cooper)

It generally takes much longer than the EIF Phase 1 investment period (which was up to a year including initial scoping/bid development) to bring a new sector solution to market. From an evaluation perspective, it is therefore important to understand the starting point and the expectations in terms of the EIF exit strategy in each case when considering key evaluation elements, particularly the sustainability of the EIF Phase 1 investments.

EIF Phase 1 was also used to continue funding Women and Work activities, which had been historically funded through discrete project funding. The Women and Work Sector Pathways Initiative was originally run by SSCs from October 2006 to address the pay and opportunity gap for women by providing support, such as technical and soft skills training and coaching/mentoring. When the funding for Women and Work ended in 2011, SSCs were invited to bid for one year continuation funding through EIF Phase 1. As a result, six out of the 14 EIF Phase 1 projects were, in effect, Women and Work continuation projects.

See Table 2.1 below for an overview of the EIF Phase 1 projects.

[4] Adapted from Cooper (1986).

Table 2.1 List of EIF Phase 1 projects

Project title and delivery SSC	Sector	Description	Funding
The Green Deal Competency Framework ConstructionSkills	Built Environment	The aim of the project was to develop and roll-out a competency framework and suite of units for the skills required to implement the Green Deal[5]. To do this, research was to be conducted with employers, the competency framework was to be produced, teaching materials were to be developed for training providers, and awareness-raising workshops were to be run for providers and employers.	**EIF** £500,000 **Employer** Cash: Nil In-kind: not recorded
Supporting the move to professional registration and voluntary licence to practise for the automotive sector IMI	Service	The project was made up of three activity strands. In strand 1, primary research was expected to be conducted with employers, to identify skills gaps in key roles in 12 sub-sectors, and develop accessible short training courses for employers. In strand 2, the project was to develop and deliver a new Automotive Technician Accreditation (ATA) accreditation approach for the Accident Repair and Light Vehicle sector. In strand 3, the project aimed to develop a higher-level Apprenticeship programme.	**EIF** £450,000 **Employer** Cash: Nil In-kind: £458,522
Skills Passport Skills for Health	Public Services	The aim of the project was to develop and test a beta version of the Skills Passport and initially launch the product to 60 organisations.	**EIF** £400,000 **Employer** Cash: Nil In-kind: not stated
AmbITion e-skills UK	Creative and Digital	The aim of the project was to launch the Computer Club for Girls programme under a self-sustaining business model, and a careers website in Scotland and Wales. It also aimed to develop a self-sustaining business model for e-skills UK internships.	**EIF** £499,630 **Employer** Cash: Nil In-kind: £534,500
Talent Retention Solution (TRS) Semta	Manufacturing	The aim of the project was to develop and launch an online tool to help place engineers displaced following the Strategic Defence Review in employment in the Advanced Manufacturing and Engineering	**EIF** £450,000 **Employer** Cash: Nil In-kind: £431,200

[5] The Green Deal is the UK Government's flagship initiative to reduce carbon emissions in the home. The Green Deal provides a loan to householders to implement energy efficacy measures, where the cost is recovered from the residents' energy bills. The cost of installing the energy efficiency measure is always less than the savings it provides to residents' energy bill (this is the 'golden rule' of the Green Deal). Unlike conventional loans, it is paid by the bill-payer and not a particular individual

		Sector.	
Extending the Tick – A Skills Sat Nav Creative Skillset	Creative and Digital	The project aimed to pilot the Creative Skillset accreditation 'Tick' with Apprenticeship providers and in the context of Continuing Professional Development (CPD) courses, as well as accelerating its roll out in HE.	**EIF** £450,000 **Employer** Cash: £100,000 In-kind: Nil
UK Modern Logistics Guild Skills for Logistics	Service	Skills for Logistics were funded to conduct research to test the potential of a UK Modern Logistics Guild.	**EIF** £100,000 **Employer** Nil
Life Sciences SMEs and Licence to Practise Cogent	Manufacturing	The aim of the study was to explore the applicability of the Cogent Gold Standard to Life Science SMEs, and develop job profiles for occupations in the sector.	**EIF** £100,000 **Employer** Nil
Women and Work Asset Skills	Built Environment	The project aimed to provide training in soft skills and leadership and management training to women.	**EIF** £386,250 **Employer** Cash £48,531 In-kind: £339,719
Women and Work Cogent	Manufacturing	The project aimed to fund a 50% contribution to the cost of training for women in the sector.	**EIF** £353,225 **Employer** Cash: £105,967 In-kind: £247,258
Women and Work ConstructionSkills	Built Environment	The project aimed to provide training on soft skills to enable women in the sector to progress in the sector.	**EIF** £116,800 **Employer** Cash: £7,520 In-kind: £99,280
Women and Work Lantra	Agriculture	The project aimed to provide leadership and management and technical skills training for women in the sector.	**EIF** £395,500 **Employer** Cash: £269,000 In-kind: £126,500
Women and Work People 1st	Service	The project aimed to provide leadership and management and technical training for women in the sector. It also aimed to establish a self-sustaining network of mentors.	**EIF** £422,251 **Employer** Cash: £75,000 In-kind: £340,000
Women and Work Semta	Manufacturing	The project aimed to provide technical and soft skills training to employers. It also funded Semta to undertake work with employers to embed equal opportunities policies and procedures.	**EIF** £422,251 **Employer** Cash: £75,000 In-kind: £340,000

1.4 Aims and objectives of the evaluation

The aim of the EIF Phase 1 evaluation was to:

- ascertain the extent to which the EIF Phase 1 programme has met its objectives (supporting innovative and sustainable skills solutions; leveraging greater investment from employers in skills solutions; and, tackling identified and evidenced skill needs);
- identify examples of good practice and key barriers to achieving successful outcomes;
- assess additional business and skills impacts (including new partnerships, as well as the wider impact of the programme on business performance); and,
- assess value for money from the Phase 1 investments in relation to the scale of achieved impact and considering aspects of added value.

The evaluation therefore had a process component, to understand whether the investments made were in line with expectations (i.e. supported by employers, with potential added value in relation to the current sector skills 'offer'). Chapters 3 and 4 of this report focus primarily on process in relation to the management and delivery of the projects.

There was also an impact component, which set out to address the specific objectives of each project, but which can also be analysed at programme level. At programme level, this includes consideration of whether the approaches funded through EIF Phase 1 have:

- become self-sustaining (i.e. sector funded);
- effectively been rolled-out to new markets/sectors;
- and/or have been increasingly 'used' by employers and individuals.

Furthermore, the assessment looked at whether these outcomes are likely to deliver improvements in jobs, growth and business performance. Given the nature of the EIF investments (developing, launching and embedding new sector approaches) and the timescale in which these kinds of impact might be expected to appear, this is a particularly challenging element of the evaluation, even accounting for the opportunity to include an element of longitudinal follow-up 9-12 months after the investment period had finished. Chapters 5 and 6 focus primarily on the impact dimensions.

In assessing the EIF supporting architecture (i.e. the bidding process, selection of projects, project support and monitoring), one observation is that the EIF Phase 1 model has evolved somewhat in subsequent rounds of the programme (and in relation to the similar GIF programme). Early lessons from this evaluation were fed into the on-going refinement of the model after the first stage of fieldwork was completed (in Spring 2012).

The final analysis contained in this report therefore also reflects on the EIF Phase 1 approach in terms of subsequent developments.

1.5 Methodology

The fieldwork consisted of in-depth case studies with four projects, each of which were managed by different SSCs, and qualitative interviews with the remaining SSCs that delivered EIF Phase 1 projects. The four case studies were:

- **Green Deal Competency framework**, delivered by ConstructionSkills in partnership with Asset Skills and Summit Skills.
- **Talent Retention Solution**, delivered by Semta.
- **Extending the Tick,** delivered by Creative Skillset.
- **Supporting the move to professional registration and voluntary licence to practise for the automotive sector**, delivered by IMI.

In each case study, interviews were conducted with: the **project team** in each of the lead delivery organisations; **delivery partners** that supported the implementation of project; and **employers** that supported or benefited from the project. The case studies were selected by the UK Commission. A key selection criterion was to avoid duplication with SSCs which were participating in case studies for the parallel evaluation of Phase 1 of the GIF programme[6]. In the reporting of findings SSC organisational names have been anonymised, where appropriate, in order for these organisations to be able to respond freely and frankly to the issues at hand.

The research was conducted in two stages. Stage 1 was undertaken near the end of the EIF Phase 1 investment period, between January and March 2012. The focus of Stage 1 was to explore the development and delivery of the projects and the sustainability plans that SSCs had in place to continue the projects after the investment period.

Stage 2 was conducted 9-12 months after the end investment period, between December 2012 and February 2013. In Stage 2, the study explored the developments that took place after the investment period in order to assess the extent to which the projects had been sustained and were likely to continue to be maintained through private contributions. It also provided a clearer view the outcomes and impacts that had been achieved for beneficiaries of the projects.

The fieldwork conducted in each stage is described below.

[6] A study conducted by SQW for the UK Commission in 2011/12 to learn lessons from early GIF 1/Best Market Solutions projects that can inform future thinking and bid rounds (Cook et. al, 2012).

1.5.1 Stage 1

In Stage 1, the following research tasks were undertaken:

- **A literature and data review of project documentation**. This included reviewing the successful proposals, project contracts, contract evaluation plans and monitoring of financial spend of the Women and Work projects. Project level information was also reviewed at this stage, including project evaluation reports and beneficiary case studies.
- **Telephone interviews with key staff within the UK Commission and BIS**. Interviews were conducted with the UK Commission Assistant Director (Investment), the manager of the Women and Work programme, four Senior Investment Managers within the UK Commission and the manager at BIS with responsibility for managing the fund.
- **Initial interviews with key project staff and delivery partners in four case studies projects:**
    - **Green Deal Competency framework (ConstructionSkills):** Interviews were conducted with two members of the ConstructionSkills project team, three delivery partners and four employers.
    - **Talent Retention Solution (Semta):** Interviews were conducted with three members of the project team, four project partners and five employers.
    - **Extending the Tick (Creative Skillset):** Interviews were conducted with two members of the Creative Skillset project team, six project partners and two employers.
    - **Supporting the move to professional registration and voluntary licence to practise for the automotive sector (IMI):** Interviews were conducted with seven members of the project team, three project partners and two employers.
- **Telephone and face-to-face interviews with staff at the remaining 7 SSCs** that were managing EIF Phase 1 projects, but were not selected as a case study. These interviews took place with staff from e-skills UK, Lantra, People 1st, Asset Skills, Cogent, Skills for Health and Skills for Logistics.

1.5.2 Stage 2

In Stage 2, additional desk research and follow-up interviews were conducted with key organisations in each of the EIF Phase 1 projects. The following research tasks took place:

- **Follow-up literature and data review**, including final evaluation reports and final claims submitted by the SSCs managing EIF Phase 1 projects.
- **Follow-up interviews with key project staff and delivery partners** in each of the four case studies:
  - **Green Deal Competency Framework (ConstructionSkills):** Interviews took place with two members of the project team, three delivery partners and two employers.
  - **Talent Retention Solution (Semta):** Interviews were conducted with one member of the project team, two delivery partners and two employers.
  - **Extending the Tick (Creative Skillset:** Interviews were conducted with two staff in the project team and five employers.
  - **Supporting the move to professional registration and voluntary licence to practise for the automotive sector (IMI):** Interviews were conducted with seven members of the project team, two delivery partners and three employers.
- **Telephone interviews with staff in the 7 remaining SSCs** that were managing EIF Phase 1 projects**.**

1.6 The structure of the report

The remainder of this report is structured in terms of the following chapters:

- **Chapter 2** provides an entry point to understanding the EIF Phase 1 projects, looking at the type and range of activities invested in and how the investment model informs assumptions about the nature of likely impact of these projects. It considers the level of innovation associated with the EIF Phase 1 investments and the potential added value.
- **Chapter 3** looks at the EIF Phase 1 investment process in terms of bidding, selection, and delivery during the investment period and the support provided by the UK Commission and others. In particular, it considers the nature of employer involvement and leadership throughout the process.
- **Chapter 4** looks at how the EIF Phase 1 projects fared in the post-investment period in relation to managing continued development and the roll-out of new skills solutions. It assesses continued progress to market, as well as lessons and good practice in how this transition was managed.
- **Chapter 5** looks at the sustainability of the EIF Phase 1 investments, reflecting on how, and the extent to which, elements of the investments projects have been

sustained, as well as how sustainability in the investment context can best be measured given the nature of the projects.

- **Chapter 6** addresses the outcomes and impact of EIF Phase 1, including outcomes achieved up to a year after the end of the investment period, indications of likely future impact and, reflecting on this evidence, considerations of value for money.
- **Chapter 7** sets out the main study conclusions and recommendations.

2 Understanding the EIF Phase 1 investments

This chapter describes the characteristics of the EIF Phase 1 projects in terms of the rationale for intervention, the range and coverage of investment, the maturity of the projects at the point of investment and the level and scale of innovation associated with each project.

Chapter summary

- The EIF Phase 1 programme funded a **diverse range of projects**. It was striking that most of the projects developed distinct tools or products, many of which were in the later stage of the product development cycle. As time went on, in some cases, these discrete products were broadened or connected to other, more strategic packages of activity as part of the strategy for sustainability.
- All the products demonstrated a **clear requirement for seed funding.** Intervention was primarily identified from LMI and market intelligence. There was also an explicit employer commitment within each bid, although the outlines of the employer contribution were probably more flexibly defined than in later investment phases (the maturity of most EIF Phase 1 projects meant that this did not necessarily signify a lack of employer commitment).
- The short delivery period of EIF and the understandable focus on 'ready to go' projects meant that **many SSCs put forward project proposals they deemed to be 'low risk'.** In many instances, the approach had been applied to other sectors and was now being rolled out to a new group of employers. As a result, the anticipated level of innovation was low. However, as the projects evolved beyond the investment period, some become more characteristically innovative as they tackled the practical challenge of refining a skills solution that employers would pay for or continue to invest in. This shows innovation can be fluid, and may evolve significantly during the lifespan of a project.
- From a qualitative perspective, this research suggests that **EIF is providing added value**. Most of the activities funded through EIF would have been unlikely to take place in anything approaching a meaningful way without the investment. In some instances, this was because the development costs were high and would not have been met solely by employers. In other instances, employers could not yet see the immediate benefit of investment as the product had not yet reached a level of maturity where the impacts could be clearly understood (even though some of project ideas had been around for some time).

2.1 The nature of the EIF Phase 1 investments

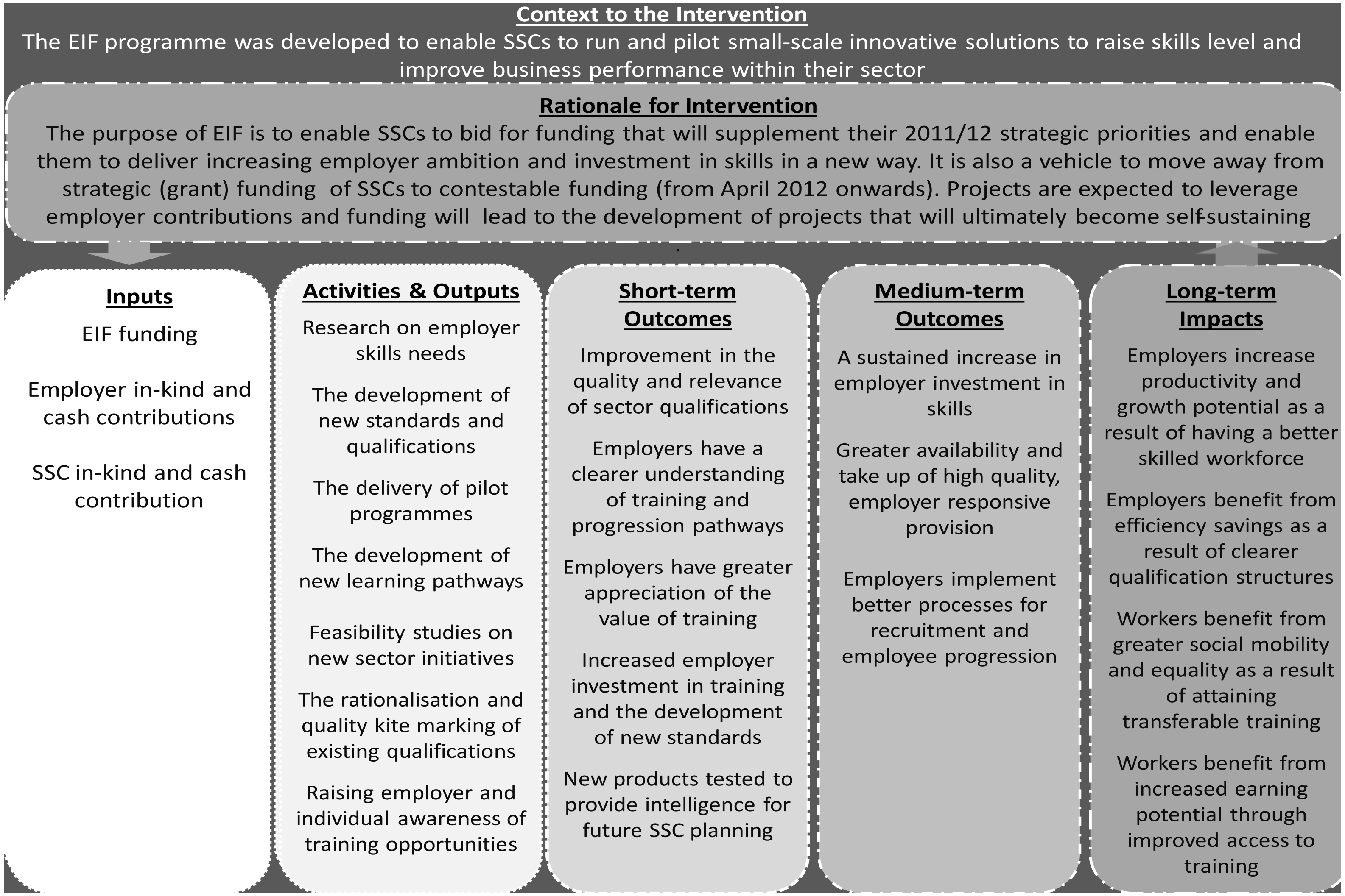
2.1.1 Range of activities planned

The EIF Phase 1 investment was used to address a range of sector-specific issues. This translated into a diverse set of activities, including the development of new qualifications, training activities (primarily the Women and Work projects) and the development of sector tools (guilds, skills passports, careers websites, voluntary forms of professional standards/occupational regulation and recruitment tools). This can be understood in relation to high-level objectives to:

- **address gender equality issues,** including supporting women to enter non-traditional occupations, to support progression and retention in senior management positions and to provide opportunities to female owners/managers to grow their businesses (The Women and Work projects, AmbITion);
- **address current or potential skills gaps** through a new qualification offer (The Green Deal Competency Framework, Continuing Professional Development units developed through the IMI project);
- **develop routes to market for established products** so they become sustainable (AmbITion, Creative Skillset Tick);
- **rationalise and improve the quality of current training provision** where quality issues exist (Extending the Creative Skillset Tick, The Green Deal Competency Framework, Continuing Professional Development units developed through the IMI project);
- **improve the transferability of CPD training and reduce duplication** to increase the value employers obtain from training (Skills for Health Passport);
- **develop quality standards and infrastructure that increase employer investment** in training for sectors where skills or investment gaps are known to exist (UK Modern Logistics Guild, Life Sciences SMEs and Licence to practice projects); and
- **retain high-demand skills by supporting the redeployment of skilled staff** and to provide access to high-quality engineers, especially for supply chain companies who may not normally be able to access these professionals (The Talent Retention Solution).

The logic model for the overall EIF Phase 1 programme is included in Figure 2.1 below:

Figure 2.1 Programme logic model



2.1.2 EIF activities in the context of the product development cycle

The investment approach in the context of EIF Phase 1 led to the development of tangible solutions to address some fairly broad, structural sector needs. It is striking that **all of the innovation projects under EIF Phase 1 initially focused on the development of discrete products**. As time went on, in some cases, these discrete products were broadened or connected to other, more strategic packages of activity as part of their strategy for sustainability.

Most of the projects developed through EIF were relatively mature at the time they received investment funding. **Nearly all the projects were focused on the latter stages of the product development cycle (market testing and implementation).** Only the two scoping studies were focused on the early stages of product development. This partly reflects that EIF Phase 1 explicitly targeted relatively mature solutions that were likely to have already benefited from initial development through earlier SSC core funding (see Chapter 3). Furthermore, EIF Phase 1 investments typically only funded part of the development cycle (and different parts of the cycle in different sectors), which has significant consequences when thinking about investor expectations of outcomes, impacts and sustainability. The focus on the latter stages of the product development cycle means that EIF Phase 1 provides a good testing ground for looking at product sustainability. Furthermore, even if the EIF Phase 1 ideas were relatively mature, it does not mean that previous development had been undertaken with the same market considerations in mind. This reflects **one of the most powerful impacts of the EIF model: in the delivery phase it concentrated its focus on the skills solution elements that employers would ultimately support/fund**. These elements are often set apart from what might be ‘nice to have’, but is ultimately unsustainable.

The investment model appears to play an important role in making this distinction, through testing and planning for sustainability. Even the relatively mature EIF product ideas had to be substantially re-positioned and re-focused with these tough considerations in mind. Given the relatively short funding period, it is therefore unrealistic to have expected any of the EIF Phase 1 projects to be entirely self-sustaining at the point when the investment ended.

The Women and Work projects differed from the innovation projects because the activities were focused on the delivery of training. Activities were more geared to supporting individuals rather than employers (although it is acknowledged that greater gender equality will ultimately provide business benefits). In these instances, the most significant change in the context of EIF Phase 1 was that all of the projects expanded to cover the four home nations of the UK. Around half of the projects also demonstrated a higher level of employer contribution than the projects previously benefited from. This both increased the number of individuals who could be supported through EIF Phase 1 investment and helped to move towards a model where the training was wholly-subsidised by employers.

2.1.3 The rationale for intervention

In nearly all of the proposals, the requirement for investment was based on Labour Market Information (LMI) and intelligence[7]. This provided a robust underlying rationale for intervention. This 'case for action' was largely drawn from national data provided through established public data sources (such as the UK Commission's Employer Skills Survey series) and sector-led research conducted by SSCs themselves.

The projects were mainly targeted at addressing well-established sector skills needs. The Creative Skillset Tick, for example, aimed to address the perceived lack of relevance of some of the training offered by training providers and employers. Likewise, the AmbITion project supported activities aimed at improving the Information Technology (IT) pipeline.

In contrast, a few projects were looking to address issues that were either relatively new to the sector or were an emerging critical need. For example, the Green Deal Competency framework led by ConstructionSkills aimed to support employers to gain the skills necessary to meet the growth in jobs expected with the launch of the Green Deal. The Talent Retention Solution, led by Semta, was targeted at supporting defence staff who were expected to be made redundant as a result of the Strategic Defence Review.

In one case, the skills issue being tackled was well-established but was new to the SSC. The Cogent project addressed the challenge of rolling out the Gold Standard to the Life Sciences sector, which had recently become part of its footprint.

The ConstructionSkills and Semta examples both had a rationale that was significantly dependent on wider government policy (the Green Deal and the Strategic Defence Review). These proved to be powerful catalysts for galvanising an industry response, but both projects highlight the risk also attached to this kind of external dependency; notably in terms of assumptions about the timing of wider policy impacts.

[7] Labour Market Information is primarily statistical data, drawn from a robust sample of stakeholders. Intelligence refers to information collected through more informal methods, such as meetings and workshops with employers.

2.2 The need for the pump-priming approach

Nearly all of the SSCs requested investment to pay for the upfront costs in developing tools or products. For the EIF Phase 1 innovation projects, the costs largely related to:

- developing online products and tools, such as the online Skills Passport tool, the talent retention website and the online assessment process developed for the Creative Skillset Tick;
- conducting initial consultation with employers to develop and accredit new training modules; and
- conducting research, marketing and consultation with employers to test new products and initiatives.

These activities are costly to develop and most SSCs provided strong justification for pump-priming. These crystallised into two key dimensions:

- **The product was not currently part of the sector landscape and there was a lack of evidence on the benefits of the solution.** Consequently employers were unwilling to invest in the development of the project.
- **New products and services were responding to a latent rather than actual demand for services.** In these instances, employers were generally not willing to pay fully for the skills solution at this point in time. The rationale for upfront public investment is that when demand does materialise, there would be an inevitable time lag in developing the solution (especially where this relates to new qualifications and training), potentially leading to skills shortages and gaps.

It may be that investment to meet latent demand fits less easily in the EIF model, which is largely predicated on active current demand from employers (evidenced through a contribution). Projects based on latent demand are therefore perhaps only in scope of SSCs such as ConstructionSkills, where the existing training levy provides a lever for making the employer contribution[8].

2.3 Level and scale of innovation

This section explores the level and type of innovation demonstrated by the projects. Innovation is not just developing something 'new'. It is about creating new products that have a practical value. This can include new ways or working, as well as the development of new products and tools. However, ultimately a measure of innovation must be based on the extent to which it provides a service offering new benefits to employers.

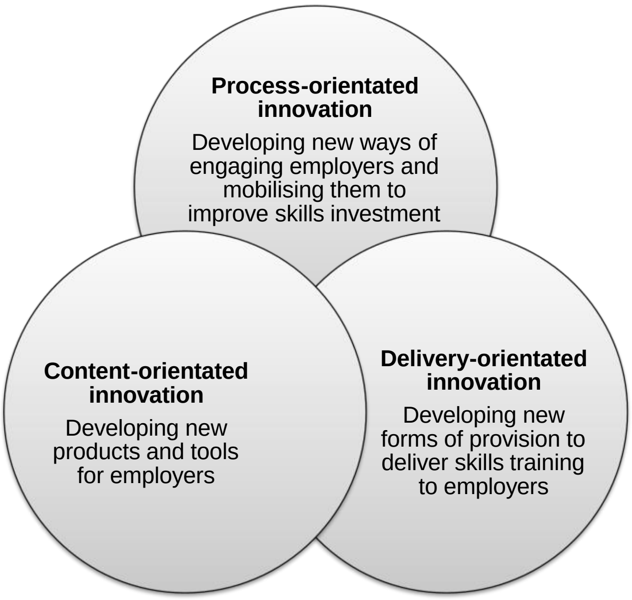
[8] For further information on training levies, particularly those operating in Great Britain, refer to *Understanding Training Levies*, Evidence Report 47, UKCES (2012). See: http://www.ukces.org.uk/assets/ukces/docs/publications/evidence-report-47-understanding-levies.pdf [Accessed 19 April 2013].

The level of innovation also influences the level of risk and the potential impact of the projects. A project introducing something completely new to a sector has the potential to be transformative, as employers have access to a wholly new service. However, these projects also carry a higher level of risk, as the approach is unlikely to have been previously tested in the market. Safer and lower-risk investments are more likely to have an incremental impact on skills investment and growth.

2.3.1 The types of innovation of EIF Phase 1 projects

The type of innovation relates to the aspect of the skills solution that is new. This can be classified in relation to ‘process’, ‘content’ or ‘delivery’ as set out in in Figure 2.2 below. As the figure suggests, these activities are not necessarily mutually exclusive

Figure 2.2 Type of innovation



Source: ICF GHK

All the EIF Phase 1 projects were developing solutions that were innovative. Most projects were developing new content or processes to encourage employers to invest in training, such as guilds, skills passports and quality kite marks. The over-arching aim was to change employer behaviour, increasing the value they place on skills and the amount they invest in training. This demonstrates a shift away from previous approaches to simply provide training opportunities, which is in line with the expectations of the BIS Skills Strategy. An important finding to emerge from the latter stages of the research was that the type of innovation is not fixed and can change during the implementation of the projects. Initiatives such as the Talent Retention Solution and Skills Passport both evolved to become broader skills solutions. The Talent Retention Solution moved from what was originally a relatively niche redeployment tool to one which supports new entrants to enter the sector and student progression to higher education.

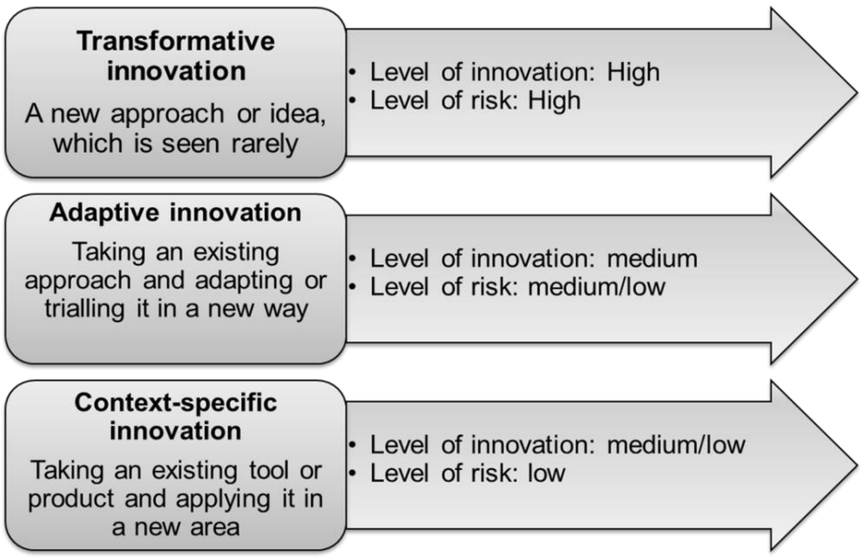
The Skills Passport tool was incorporated within a larger change management offer to health employers. **An important benefit of the investment approach is that while it can support a product to become established, ultimately the success of the project will depend on whether employers are willing to pay for it. This creates an environment that rewards innovation at all stages of the product development cycle.**

2.3.2 The level of innovation

The level of innovation defines the extent of 'newness' in any approach. The level of innovation is defined in

Figure 2.3:

Figure 2.3 Level of innovation



Source: ICF GHK

The majority of EIF projects applied an existing tool to a new sector area (context-specific innovation) or had attempted to substantially develop an existing idea (adaptive innovation). There was a greater chance of these projects being sustained and providing a return on investment, but the downside of this approach is the overall impact may not be as high as it would be for other 'riskier' investments.

EIF Phase 1 investment also supported projects that had the potential to become transformative.[9] Examples included the Creative Skillset Tick, The UK Modern Logistics Guild and the IMI professional register and 'voluntary licence to practice'. These can be

[9] A transformative skills solution can be defined as one that that offers a radically or fundamentally different model. See Cook et al (2012) for a further discussion of measuring innovation in the context of GIF/1Best Market Solutions.

considered as 'riskier' investments, but could potentially transform employer behaviour, providing they gained significant traction in the sector. All the projects were working against a three to five year plan, after which they expected the product to be widely-used and well-embedded. This shows that EIF Phase 1 investment had been used to fund a range of low and high risk projects, and projects that have the potential to have a major impact on their sector.

2.4 Added value of EIF Phase 1 investment

A qualitative assessment of added value found evidence that EIF has provided added value, as it is unlikely that the EIF Phase 1 projects would have continued at the same scale and at the same pace without investment funding. In most instances, the SSCs played a key role in mobilising employers. Most projects had not managed to attract sufficient employer leadership to indicate that the sector-wide solution proposed by the SSCs would have been taken forward by employers.

Only in a few instances would employers have developed their own approach to overcoming the barriers being addressed through the EIF Phase 1 projects. However, this would only have addressed part of the problem the projects were looking to address. For example, without funding for the ConstructionSkills project, employers stated that they would have developed their own bespoke training for the Green Deal. Yet without an underlying framework to provide consistent quality and coverage, this could ultimately undermine the implementation of the Green Deal.

Other projects may have been taken forward by the SSC but at a slower pace. These activities were considered by the respective SSC to be an important part of their strategic plan, and therefore would continue to have been supported. A benefit of the investment approach is that it has accelerated many of these projects. Employers also reported that the 'EIF badge' indicating government support/public investment was a key attractor in determining that the projects were worthwhile to engage with.

The extent to which EIF Phase 1 investment had been used to support activities that would not have been funded through other funds is less clear. The SSCs were generally unable to identify other sources of public funding that could have been used to deliver the activities and very few had considered other sources of income at the time (for example, start-up loans or funding the activities through income generated from levies or their reserves). This changed considerably in the context of resourcing post-EIF activity.

3 The EIF process: bidding, selection, delivery and support

This chapter presents information on how the EIF projects were developed and delivered, including the bidding and selection of projects, the achievement of targets against plans, the level of employer engagement and initial plans for sustainability. The chapter draws on the evidence from the case studies as well as on evidence from the other SSC interviews, and performance data collected by the UK Commission.

Chapter Summary

- **The development of the bids was, in most cases, led by the SSCs in consultation with their existing networks of employers.** Given the short timescale for bid development the bid, **SSCs did not generally develop new employer relationships**. However, for some SSCs it was clear that the nature of the dialogue with long-standing employer partners was changing. There was a much stronger focus on identifying the level of investment employers were willing to make, both now and in the future.
- All the successful bids provided clear information on the rationale and demand for intervention. However, **some bids did not provide detailed information on employer commitment and clear sustainability plans**. This information is necessary to demonstrate the strength of the bid, and, as a result, some projects *"sold themselves short"*.
- Most of the SSCs felt **the UK Commission managed the projects effectively**. However, there are inherent difficulties in developing meaningful output metrics for capacity building projects. As a result there was a challenge in balancing contractual and audit requirements for clear outputs to evidence payment, while also ensuring SSCs had sufficient freedom to further develop the projects to match the clearer picture of demand that emerged through implementation. This freedom was something of a prerequisite in many cases for ensuring the products would be sustained.
- **Employers were primarily engaged in the projects in a consultative role**. There is little evidence to suggest that EIF Phase 1 projects led to an increase in strategic engagement with employers, with one or two notable exceptions. A number of SSCs also argued they were already working strategically with a core of employers through their organisational structures.

3.1 The launch of EIF Phase 1

EIF Phase 1 was launched in early 2011 with a consultation event run for SSCs. The prospectus was published on the 7th March, 2011. SSCs were invited to submit project proposals by the 8th April for activity to take place from June 2011 to March 2012.

SSCs were invited to submit one bid for the continuation of a Women and Work project and one bid for a new innovative project. Each application required the following to be included:

- Vision and ambition
- Business case and evidence base
- Evaluation and exit strategy
- Demonstration of value for money
- The costs of the programme

Nearly all SSCs (21 of the 22) submitted applications for EIF Phase 1 investment, and a total of 31 bids were received (11 were for the continuation of Women and Work activities and 20 for innovation projects).

For SSCs, the introduction of the EIF Phase 1 programme took place at a time of considerable change. The reduction of core funding for the 2011/12 financial year (including the removal of ring-fenced funding for Women and Work initiatives) and a further refinement of the role of SSCs, required many to develop new strategies and begin to implement new business models. Most of the SSCs that were successful in bidding for EIF Phase 1 funding reported that the investment provided additional space for these changes to take place. **EIF Phase 1 may have helped to safeguard existing SSC capacity at a time of uncertainty** and, more practically, provided a vehicle for taking forward existing plans and ideas for which a case for investment could be made.

3.2 The bid development process

At the bid writing stage, nearly all the project proposals were developed by SSC staff in consultation with existing project partners, including employers. **Given the short timescales, most SSCs did not have the opportunity to consult with wider partners (such as new employers) when developing the proposal.** This was not particularly necessary for projects that looked to build on existing activities. Here the initial scoping and product testing had in the main already taken place. However, it was potentially problematic where SSCs were trying to expand services into new geographical areas or new sectors.

Bid development differed in one particular project. In this case, the employers (in conjunction with BIS) played the lead role in developing the bid and specifying what tasks were to be done.

During the bidding stage it was clear that, for some SSCs, the nature of the dialogue they had with employers had changed. These were focused on identifying the level of investment employers were willing to make to the project (what they were willing to pay, how they would contribute to the management of the project) both now and in the future. This differed from previous interactions, where expectations of employer investment in skills solutions were not always at the forefront of discussions. This was a more significant step change for some SSCs rather than others.

3.3 Bid quality and the selection process

The scoring process was led by the UK Commission and was conducted by members of the investment team and representatives from other organisations (such as BIS and the Skills Funding Agency). Each of the proposals was scored against the following criteria:

- Business case and evidence case – 50 per cent of total score
- Evaluation and exit strategy – 25 per cent of total score
- Value for money – 25 per cent of total score

Investment appraisal was solely based on the evidence submitted in the proposals. Successful projects were awarded funding, which could be the full amount requested or a reduced amount. The SSCs were given flexibility on how they wished to present this information.

A review of the successful bids found that some did not include important information that was necessary for a critical appraisal of the strength of the proposal. Most notably:

- **The information provided on the level of employer commitment was not clear in all of the successful bids.** Although nearly all SSCs included information on employer contributions, only a few provided information on how employers would contribute to leading and shaping the projects, how they were involved in preparing the bid, the potential employer demand for the activity and, when looking at sustainability, the level of employer commitment secured for the future. It was also unclear in some bids whether the employer investment was to buy a service or to contribute to its development. Interviews and case studies demonstrated that there was far more information on employer commitment potentially available than was actually presented in the bid. However, because this information was not presented, it became more difficult to assess the relative merits of different projects in terms of employer engagement.

- **The information on sustainability plans was not clearly defined in some of the successful bids**. In most instances, the strategy was clear, but some of the bids did not give a clear indication of the next steps required for project development. This might have been expected to include: information on plans for on-going project development; the pricing plan and marketing strategy for bringing in employer contributions; the level of 'sales' required to meet the costs of the project moving forward; and contingency plans in case the project did not receive the anticipated level of employer support.

The lack of consistent information on some of the core criteria for EIF Phase 1 investment made it difficult for the UK Commission to assess the merits of the different projects. As a result, the UK Commission investment team managers generally felt that some bids had *"sold themselves short"* and did not evidence the quality of the project. In addition, the lack of information on sustainability and employer commitment also made it difficult to assess the value for money of the prospective projects.

One of the major risks to the investment approach is that **unless there is comparable information provided in bids, the investments becomes skewed to SSCs that are most effective at bid writing.** This may mean that some worthwhile projects may not receive investment because they do not sufficiently articulate evidence on impact, employer investment and value for money. Following the launch of Round 2 of the GIF programme in early 2012, the UK Commission took action to provide further support to potential applicants for contestable funds. Bidders were given the opportunity to submit an outline bid for investment. The outline bid was reviewed by UK Commissioners and bidders were then given feedback. For those that were successful, development funding and/or support to develop a full bid would be available. This appears to be a practical solution to tackle the risk of over-emphasis on presentation and bid writing skills in making investment decisions.

Some members of the UK Commission investment appraisal team reported that SSCs experienced difficulties in evidencing potential impact for projects that were innovative and new to the sector. It is understandable that activities that have a proven track record in achieving outcomes (for example the Women and Work projects) are more capable of evidencing a potential impact based on previous delivery. This had the potential for weighting investment towards the more established Women and Work projects, which the UK Commission addressed by allocating half of the total funding to innovation projects.

Following the selection process, six Women and Work projects and eight innovation projects were awarded funding. Of these, only one project (an innovation project) was awarded the full funding requested. Once the award was made, the UK Commission entered into post-tender negotiations, where the outputs and success criteria of the project were finalised. In at least one instance, this also included asking an SSC to improve its level of employer in-kind contribution (which it did), reflecting how the bidding process itself can lever additional employer contributions.

3.4 Project delivery and support

3.4.1 Delivery

In most EIF Phase 1 projects, the lead SSC was responsible for the management and delivery of the project outputs. The projects were typically run by a standalone project team with strategic oversight provided by the SSC employer board and, in some instances, by a steering group of external partners.

There were however two interesting examples of projects operating under different management models. One project, developed in response to a government legislative initiative, was run by three SSCs and was delivered through a partnership approach. Each SSC was responsible for a specific project task and empowered to make strategic decisions on the delivery their strands. The three SSCs met regularly to coordinate the different strands of the project. This worked effectively and it provided a useful model for future collaboration between the three SSCs.

Another project was managed by employers. The chair of the project working group rotated between employers and the delivery of the project and development of the tool was sub-contracted to a private company. Strategic stakeholders, such as BIS, were also members of the project steering group. Here the SSC largely played the role of conduit and funding vehicle as well as provided support to the project working group.

3.4.2 Contract management of EIF Phase 1 innovation projects

The eight innovative projects were contract managed by the UK Commission's investment team. Progress was monitored against the delivery plans as specified in each project contract, which were, in the main, drawn from the outputs specified in the funding applications. In the delivery plans, costs were allocated for specific activities and SSCs reported on the activities undertaken in their quarterly claims, which they were required to submit before payments was released.

The six Women and Work projects were managed as a standalone programme by one member of the investment team. SSCs were required to submit quarterly reports on progress and to enter learner data onto the Women and Work database.

Most SSCs believed the UK Commission managed the projects effectively. However, during the investment period a few commented that **there are inherent difficulties in developing meaningful output metrics for projects that focused primarily on building capacity within a sector.** In some cases, it was difficult to achieve the intermediate outputs required to trigger payments. This was arguably a result of the complexities of product development and the impact this had on implementation timetables. In other cases, the projects themselves evolved. As a result, some of the contracted targets became less important in ensuring the project became self-sustaining.

There is clearly a difficult balance to be sought between retaining sufficient rigour in investment monitoring (to ensure that projects are broadly doing what they bid to do) and allowing projects to adapt and evolve based on the rich market intelligence that can only really be gathered through implementation itself. The main learning in this area might be for investees themselves in ensuring that the outputs they commit to are realistic and plausible within the investment timescale. As experience of working in this investment model increases among SSCs, it is likely that bids should become more realistic in terms of output commitments.

This was less of an issue for projects that focused on delivering services to individuals, such as the Women and Work projects, where the funding was targeted at supporting a certain number of individuals, and therefore the outputs were more easily measurable.

3.5 Engagement with employers

3.6 Approaches to engaging employers

There were a wide range of different approaches employed in the case studies to engage employers:

- One project provides an example of activities which were genuinely employer-led, with significant employer investment (both in time and cash). It saw employers playing the lead role in: preparing the bid; mobilising the strategic and operations groups that led implementation; setting the specification for the product; and monitoring and shaping its development (working in partnership with BIS and a private provider, the owner of the product). Employers were generally large in the sector; they recruited considerable numbers of staff per year and many had an explicit interest in supporting skills development through their supply chains. The role of the SSC was mainly administrative and providing support.

- Another case study project saw employers playing an important role in developing or delivering the products and services. The SSC coordinated activity and promoted provision to its members, but sector expertise was provided by employers. These were mainly large employers but SMEs were involved too. A motivation to engage was to up-skill members or other parts of their supply chains. Another was that it provided the opportunity for employers to bring in additional income. Thus a strong business case, plus perceived economic benefit from contributing, enabled employer engagement.
- In another project, employers played a consultative role in supporting the development of new qualifications. This was done through an Expert Working Group, which brought together a broad range of employers to steer the project and review the products and tools that were being developed. Employers were selected to represent the diversity of their sector. This included large and small companies from each of the four UK nations and voluntary sector organisations. A driver for employers to support the project was to ensure that the standards being developed met their skill requirements and addressed skills gaps in the market.
- A different approach was taken in the final case study project. Here, employers were engaged through existing structures, with the strategic direction provided by an executive board of employers and industry sub-committees. Employer expertise was brought in through a team of associates. Employers engaged included large organisations in the sector, as well as smaller employers too.

During the delivery of the projects, most case study SSCs **continued to work with their existing employer networks**. This was primarily because these employers ‘trusted’ the SSC and therefore were willing to provide support. One project, for example, built on a network of employers that had worked closely on other initiatives. Another also built on the existing contacts with employers with the three particular SSCs which were delivering the project.

Some SSCs also engaged new employers as a result of the EIF Phase 1 project. One, for example, engaged with SMEs in a sub sector, which had previously been hard to reach; another also engaged with new employers to provide work placements and sponsor activities.

3.7 Employer contributions to EIF Phase 1 projects

Most of the successful bids demonstrated a high level of employer commitment. In 10 out of the 14 projects funded in EIF Phase 1, employer contributions made up over a third of the overall project costs within each project. This is a relatively high level of employer commitment in comparison to other skills projects, which itself marks a significant impact. In the bids, the vast majority of employer contributions (over 80 per cent) were in-kind contributions.

Nearly all of the innovative projects achieved or exceeded the proposed level of employer contributions. In part this was due to the SSC underestimating the level of employer interest. Partly it was also the result of SSCs employing different approaches to measuring in-kind contributions. For example, reviewing and providing feedback on products was included as an in-kind contribution to some projects, but not in others. This is understandable as for many SSCs it was the first contestable funding they had accessed from the UK Commission and therefore the approach to measuring in-kind contributions was relatively new.

All but one of the Women in Work projects achieved or exceeded their targets for employer investment. Over 50 per cent of the project funding was obtained through employer contributions, of which around half was cash contributions.

The cash contribution does not necessarily reflect the level of demand for a product or service. In some cases, where significant cash was provided, employers reported this was, in part, driven by corporate social responsibility ambitions (so did not indicate demand for the product itself as commercial tool).

The nature of the employer contributions varied by project. For Women and Work projects, the cash contributions were primarily to part-fund training and the in-kind contributions included: releasing staff to participate on the training; providing training venues and facilities; and senior managers providing mentoring support to trainees.

For the innovation projects, cash contributions were drawn from employers directly contributing to the development of projects and, in a few instances, from the levies and subscriptions SSCs drew from employers. In nearly all cases, cash was not drawn from employers purchasing specific services or products (as these were still being developed). The in-kind contributions included employer time to review and test products and also to participate in research.

The level of in-kind contribution also varied from ‘passive’ contributions (attending meetings and focus groups) and ‘active’ contributions (developing new qualifications, providing staff time for project management). Most projects demonstrated passive in-kind contributions and only a few leveraged active in-kind contributions

3.8 The role that employers played in EIF Phase 1 projects

A key objective of EIF Phase 1 was to facilitate the development of employer-led solutions. It is therefore important to unpick how and where employers were involved. Although employers were engaged in all EIF Phase 1 projects, their contribution to projects varied significantly.

- Very few projects demonstrated significant employer engagement in strategic decision-making. Largely, the SSCs led project decision-making. Where employers were engaged in strategic decision-making, this led to strong ‘ownership’ of the project, with most key supporters maintaining their support for the project after the investment period.
- Most employers were engaged in a consultative role, providing feedback on products that had been developed. In some projects this was largely in a piloting type role. For other projects, it included commenting on new learning products. Where employers were engaged in this way, there was a degree of turnover in employers (i.e. employers disengaging over time), although in nearly all instances SSCs were able to recruit new employers to fill gaps.
- For other projects, the employer contribution was largely as match-funders. In the Women and Work projects, for example, employers contributed towards the cost of the training. In one project, an employer also invested in developing a training programme that was accredited by SSCs, but was to be delivered by the employer.

During the investment period, most projects managed to engage with a range of employers. Those employers interviewed for the case studies became involved in EIF as a result of believing in what the project was intending to achieve as well as a desire to be early-adopters. In some cases, this support came with strong caveats that persisted even beyond the investment phase: whether the product would be affordable, high quality and had potential to become well-established in the sector.

After the investment period, many of these employers continued to be involved. However, some of the projects had to evolve in order to maintain interest. In a lot of cases, employers were still ‘waiting to see’ whether the product would be successful in order to determine if they would continue to provide support in the medium-term. However, most employers acknowledged the potential benefits of the tools and products were unlikely to be realised overnight. Nonetheless, at the point of Stage 2 of the evaluation, there was evidence a substantial core of employers had committed to continuing to support their respective project in its next year of implementation.

In nearly all of the projects, the role that employers played had not changed significantly in the post-investment period. Those that acted in a consultative role continued to do so, and where employers had led in the development of strands of work, most had continued to show commitment to the project.

Overall, EIF Phase 1 suggests that **there is a need for greater employer engagement in the strategic leadership of investment projects**. This may not necessarily be in place at the outset; but, as the products and tools are developed, there is evidence from the case studies that where employers are engaged at a strategic level, they show greater ownership of the product and are able to support projects to overcome challenges.

Some SSCs argue that employers are already engaged at a strategic level in their organisation through their executive boards and that this is sufficient. This is part of the reason why EIF Phase 1 did not see a transformation in employer engagement among SSCs (in some cases, the organisational make-up of SSCs could provide the space for active employer involvement). This can lead to ambiguity in terms of who ‘owns’ the skills solution and can, if SSCs are not careful, lead to passive employer involvement.

4 Moving into the post-investment phase

This section sets out the position of the projects at the end of the investment phase and the developments that took place in the following year. It describes the resources that have been generated to continue the projects and the progress made in maintaining employer support and becoming sustainable.

Chapter Summary

- **At the end of the investment period, almost all of the projects had made the progress expected in developing their product.** However, only a few were in a position to launch. Most still required further development or market testing before they could be brought to market.
- **Nine months after the investment period, all the projects were still 'live' and being actively developed**. Most have also progressed significantly during that period. The SSCs had all continued to allocate resources to further develop the product (through a financial commitment or by providing core staff time), and most SSCs had also been successful in attracting further investment (five out of the eight innovation projects attracted further GIF or EIF investment).
- In the post-investment period there was also evidence of projects evolving to become broader, more strategic products. The investment approach appears to be a strong driver for these changes: **maintaining employer commitment is an important spur to continually refine and develop the products.**
- In the post-investment phase, **all of the projects maintained employer support.** Where projects were solely reliant on sector investment to continue, there was clearly a high degree of employer ownership over the solution. However, in these cases, where employers are left to manage and run the skills solution, there is a clear necessity to have some kind of broker to support further development and implementation.

4.1 Achievements by the end of the investment period

4.1.1 Investment projects

At the end of the investment period, all of the projects had made progress in developing their tools and products. **Six out of the eight innovation projects had achieved all their milestones. The two projects, which had not achieved all their milestones, had made the progress expected in developing their products. But they had underperformed in attracting the expected volume of employers**. There was an acknowledgement in at least one case that initial targets had been over-ambitious. This was partly driven by imperfect information about the likely nature of demand (which was picked up and addressed early in the implementation phase) and partly by a desire to push targets to their realistic limit in order to secure investment in the first place.

Only half of the innovation projects were in a position to be launched at the point EIF Phase 1 investment finished. The remainder still required further development and market testing before they could be brought to market. Two of these projects required additional investment to continue to support the development of their products.

The two small-scale feasibility study investments provided intelligence to inform the development of new initiatives. One project led to the development of common job specifications for professionals within sub sector. Another identified options for the potential structure and ‘selling points’ of a of a skills solution. In both instances, it was expected that, at the end of investment period, further pump-priming would be necessary.

Four projects were arguably in a position to continue without public subsidy after the investment stage. Two of these had developed training and skills standards, which could be delivered by training providers. These products were in a position to be sustained by the market; if necessary providers could access training to respond to employer demand. However, both projects required additional work to be undertaken to stimulate demand.

The other two projects had both attracted employers to invest in or purchase their tools during the investment period. One project attracted six major employers in the sector to invest £25,000 for further development and over 300 smaller companies had subscribed to the product. The other project had signed up nearly 200 organisations (over half of which were commercial sponsors), who invested over £50,000. Both of these projects were in a position to attract more employer investment in 2012/13 and progress towards sustainability. Two of the other products developed by an SSC, had also developed clear pricing options to attract employer investment in 2012/13.

4.1.2 Women and Work projects

The Women and Work programme overachieved by nine per cent on its target for the 2011/12 financial year. It **supported 2,507 women against a forecast figure of 2,297**. Table 4.1 shows that all the SSCs that delivered Women and Work projects met or exceeded their targets for learner starts.

Table 4.1 Performance of EIF Phase 1 Women and Work projects

Project provider	Target	Performance
Asset Skills	515	608
Cogent	355	379
ConstructionSkills	160	160
Lantra	500	500
People 1st	375	436
Semta	392	424
TOTAL	**2,297**	**2507**

Source: Women and Work database (UK Commission)

There was some in-year adjustment of targets. The original targets were set by the SSCs, albeit limited by the budget available. One SSC had their project targets reduced and their funding reallocated to other projects. The other projects overachieved, which was due to a number of reasons, including:

- benefiting from economies of scale when working with larger employers;
- receiving higher employer contributions than expected; and
- experiencing a greater proportion of employers sending employees on shorter courses, which cost less to subsidise.

At the end of the investment period, most of the SSCs planned to continue to offer the Women and Work training, but without the subsidy for training.

4.2 Resourcing and management post-investment

SSCs accessed a range of income sources to continue to develop and bring to market products during the post-investment phase. This included:

- **Accessing further investment through EIF and GIF**. Five of the investment projects accessed other UK Commission investment funds. For some EIF Phase 1 investments it was always intended that the EIF Phase 1 project would be part of a wider programme, with subsequent elements attracting investment funding. These SSCs had continued to make progress in implementing their wider programme of work. In other cases the ability to draw on EIF or GIF funding to do related work provided additional time to develop the initial product before it has to required employer contributions to continue. Arguably, these projects would have had difficulty immediately after the investment period to become self-sufficient. In one project instance this was because the product had not achieved sufficient recognition in the sector to generate income.

- **Generating significant investment from employer contributions**. Two of the projects continued to generate significant employer investment, enabling the products to be sustained. Their income came from both employers buying a particular service or activity and funding from on-going employer sponsorship or development funding.
- **Drawing in other investments**. Nearly all of the projects were, to some extent, part supported by SSC in-kind contributions during the post-investment phase. In some instances, cash contributions were made to cover any shortfall between the income generated from employers and the running costs of the initiative. In other examples, the SSC contributed project officer and strategic staff time to manage the implementation of the project and maintain and update the product. Few projects drew down funding from other sources. One SSC received funding from the National Apprenticeship Service to further develop its product. Another reportedly attracted equity investment for IT development.

Most of the SSCs continued to manage the investment projects as before. In most instances, the same lead officer was responsible for managing the project in the post-investment phase. However, in many instances the role of the lead officer had diversified, as many had also taken on responsibility for managing the new projects funded by EIF or GIF. This does not appear to have reduced the time the lead officer spent on further developing the EIF Phase 1 products, but it has enabled the SSC to align the EIF Phase 1 product with other initiatives.

4.3 How the projects have evolved

After the investment phase, half of the large innovation projects evolved in terms of the scope and coverage of their products. Two projects broadened their focus to offer a more holistic service to employers. Where these projects have evolved, it had largely been to extend the reach of products that were originally quite narrow in EIF Phase 1. Another project also became a broader programme, to support the implementation of a government legislation initiative. Originally it had focused on developing the supply side, but much of the focus moving forward is to stimulate employer demand for these services.

This suggests that EIF projects, as they move into the post-implementation phase, appear to evolve from being, in some cases, quite niche products to more strategic ‘skills solutions’. It appears that **the investment approach supports responsiveness and flexibility during and beyond the investment period**. Products often undergo active market testing when they are launched, and they are often revised through trial and error, to ensure they meet sector needs and are ‘sellable’ to employers.

5 Sustainability

This section presents an assessment of the extent to which the EIF Phase 1 projects are being sustained through sector contributions and indicates the expected future sustainability of the products that were developed.

Chapter Summary

- **All of the projects continued in some form post EIF Phase 1 investment**. All were live and active at February 2013. Progress towards what might be considered a fully rolled-out product/service has, however, in almost all cases taken longer than originally planned. Most projects are not yet in a position to be sustained wholly by employer contributions. This, in part, reflects that the EIF Phase 1 investment period was short, and SSCs were a little ambitious in estimating where they would be at the end of the investment period.
- However, **most projects have made significant steps towards sustainability**. In two cases (a quarter of the innovation projects), the products are being entirely or majorly sustained by income from employer contributions, and others now have plausible plans in place to market their products to employers.
- **There is strong evidence to suggest that some of the projects will become sustainable in the near future, most likely in three to five years**. This is in line with the timescales that might be expected from a new product or service. However, in the year after the investment period, the demand for some products remained untested, which meant it was not clear whether these products would be sustained in the long-term.

5.1 Defining and evidencing sustainability in an EIF context

EIF Phase 1 provided seed capital for the development of sustainable solutions to skills investment i.e. stimulating employer demand and investment in skills. As seed capital, the intention was that the solutions developed would be self-sustaining, either through adoption by others or by generating a revenue stream that would ensure their on-going development and delivery.

Sustainability can be observed in terms of revenue and behaviour outcomes:

- **Revenue stream for SSCs/suppliers:** the new products or services have some intrinsic value to customers (employers/intermediaries and individuals) who are then willing to purchase/invest in them, in turn generating a revenue stream to enable continued delivery and development post EIF Phase 1. That revenue stream can be generated by the SSC or by other suppliers (public and private intermediaries) who deliver the new product or service to the end consumer. This is effectively a shift or, in some cases, a structural change in the skills infrastructure. The critical point is that the product or service is able to generate sufficient 'sales' to cover costs and on-going development of the product or service. The assumption is that on-going delivery costs are considerably lower than that required for upfront development.

- **Behavioural change in consumers**: the products or services result in a change in behaviour which means the initial barrier to skills investment is addressed, or a problem resolved. Changes in behaviour are effectively a shift on the demand side – employers and individuals recognise the value in investment in skills, re-evaluate their risk/return calculus and invest more in their skills or those of their workforce.

In some instances, where a product has achieved a behaviour change, there may be no need for on-going revenue, as the project has already achieved its objective. For example, if an SSC developed a tool to increase the number of apprenticeships that operate in a sector, once an appropriate behaviour change has been achieved (providers understand the benefits of providing apprenticeships in the particular sector), there may no longer be a requirement for intervention. The benefit has been sustained.

Where a skills problem is expected to remain for a long time period, or is addressing an on-going problem, then projects have to generate revenue to continue the cover the costs of providing the activity. This scenario is much more relevant to the EIF Phase 1 investments in practice.

5.2 Progress towards long-term sustainability

All of the projects continued in some form post EIF Phase 1 investment. All were live and active at February 2013. Progress towards what might be considered a fully rolled-out product/service has, however, in almost all cases taken longer than originally planned. This, in part, reflects that the EIF Phase 1 investment phase was quite short. Given the timescale one would reasonably expect for these kinds of product to get to market, this is reasonable to expect, even accounting for the fact that most of the investments were not starting from a blank piece of paper. In some cases, it was also due to a lack of upfront planning on sustainability.

Overall, though, this path towards long-term sustainability is nearly always complex and time-consuming. Even where a new product has been launched, it will not necessarily be sufficiently established in the short-term to break even. In fact, the EIF Phase 1 experience highlights strongly that such a scenario would be relatively exceptional and that there is a considerable lead time between launch and effective establishment as a recognised skills solution. Against this backdrop, it is interesting that plans had progressed even when the investment period had ceased. Indeed, there may be a suggestion that it was only at the end of the investment period that the serious questions about the value and viability of what had been developed get asked.

There is an apparent dynamic within this. **By the end of the investment period, key actors (be it the employers, the SSC or a combination of the two) had generally reached a point where there had been sufficient investment/contribution to date (or sufficient belief in the concept they were working on) to continue to put resources in**, even though the product itself was not yet sustainable. Some interviewees suggested that getting to this position (the level of buy-in necessary to carry on) is directly related to the investment model itself. If this is the case, then the implications could be quite profound.

5.3 Good practice in sustainability

There are some key lessons on developing sustainable solutions that emerged from the evaluation. These relate to the importance of:

- **Having a clear understanding of the target market when developing the product.** In order to be sustained through employer contributions, all projects have to be underpinned by a clear understanding of employer needs. In particular, SSCs, or other employer bodies developing skill initiatives, should conduct market research to ensure they understand the key drivers that influence employer behaviour and their particular needs and preferences (such as price sensitivity, the training culture and how they would prefer to access training). Where possible, this needs to be broken down for different occupational groups to inform product development and support the respective SSC, or other employer body, to develop realistic and targeted marketing plans.
- **Developing a clear and realistic sustainability strategy.** Alongside the development of a project plan, a strategy for achieving sustainability is also required to be established early on. This has to be centred on well-defined sustainability objectives, which have to lay out realistic yearly targets for employer investment as well as a realistic timescale for the project to become fully-sustainable. Any sustainability strategy has to build on the understanding of the target market and include assumptions about the rate at which the product messages will be diffused and adopted by employers, and the levers and activities that can be undertaken to generate demand. A clear plan on what other sources of income can be used to sustain the project will be required as well as a realistic assessment of on-going costs

during the interim stage, during the transition period before a project becomes fully sustainable.

- **Develop a clear commercial/financial strategy.** This must clearly define the target audience (which may be employers, employees or training providers) and a definition of the size of the likely market. The commercial strategy also has to include a justifiable pricing model, which accepts that not all employers will achieve the same benefits from the product or be willing to pay the same price, and therefore should be tiered for different groups. It is important this pricing model does not remain static and changes as a result of different market conditions.
- **Building sustainability into design.** Sustainability and commercial/financial strategies have to be constantly re-enforced and updated through on-going testing with employers. In addition, issues such as intellectual property and 'ownership' of the product must be agreed in advance.
- **Consider and address barriers to adoption by customers.** Individuals that are expected to market the products have to be given clear guidance on the likely barriers to adoption and how to address employers' concerns. This should include an articulation of the cost and benefit ratio of investment in the product, and give realistic estimates of the return on investment.
- **Develop an innovative marketing and promotion plan.** Innovative methods to get across the key messages, such as promoting through early adopters, targeting engagement to key employers in the sector (under the expectation they will then promote the product to their supply chain), work with intermediaries (employee associations, careers services, Job Centre Plus) and cross-selling to existing employer networks will be required.
- **Plan for product/service evolution**. The product will inevitably have to evolve, and therefore efforts should be made to capture user data, monitor the feedback from marketing teams, monitor implementation, and then evaluate, modify and refine the product.
- **Have realistic plans in place for post EIF Phase 1 planning**. However successful the sustainability strategy; any revenue streams are unlikely to deliver (within first few years) an equivalent level of funding to EIF.

6 Outcomes and impact

This section presents the outcomes achieved by the EIF Phase 1 programme and the anticipated long-term impact expected from individual projects, as well as the legacy of the overall programme itself.

Chapter Summary

- **There is evidence the programme has developed infrastructure which could increase the breadth and quality of training.** However, many of the projects are at an early stage of implementation and, understandably, most had not yet had a major impact on their sector.
- The research indicates **EIF Phase 1 investment has provided value for money**, through leveraging employer investment and also by building on activities that were already undertaken and where continued investment has been made after the seed funding period has ceased.
- **A significant impact of EIF Phase 1, and the investment approach underpinning it, is that it has influenced SSCs' business planning**. There is a growing realisation products require development, marketing and promotion so they can be 'sold' to employers.

6.1 Key outcomes measured in relation to the programme logic model

EIF Phase 1 was used to fund a diverse range of projects. As a result, the specific outcomes achieved by each project vary, but the programme can be considered to have led to the achievement of the following outcomes:

- **Developed infrastructure that could, in future, increase the breadth and quality of training**. Two of the innovation projects developed new units or standards which aim to increase the range of high quality training that is available to employers. In addition, the Women and Work programme also led SSCs to develop a training offer which, in some instances, specifically supported women to overcome barriers to progression and retention in employment. At present the demand for these products has been low, and therefore the projects have not yet had a significant impact on training that is available in their sector. However, the infrastructure has been developed, which can be scaled up in future if demand increases.
- **Provided initial support to develop tools that encourage employers to invest in training**. EIF Phase 1 provided initial support to help sector bodies develop tools that encourage employer investment in training. It also provided investment to support

another SSC to develop the training landscape necessary to implement products to raise skills. A year after the investment period, these tools were still at an early stage of implementation and therefore the benefits had not yet been realised. SSCs expect these products to have an impact in the future as they become more established in the sector. However, further investigation will be required to determine this.

- **Strengthened relationships with employers and an understanding of the requirements of employers.** In order to be successful, many SSCs strengthened their relationship with existing employers. Nearly all of the employers interviewed stated that they had had a positive experience of working with their SSC. Some SSCs also developed relationships with new SMEs in the sector, which helped them to shape future services. The Women and Work projects were effective in enabling SSCs to develop new employer relationships. Many of the SSCs that delivered Women and Work stated that the long-term benefit of the initiative was the new contacts they had made with employers. As SSCs embrace the new funding landscape of project financing, there is a growing realisation of the value of existing employer contacts to promote and market new initiatives.
- **Assisted employers to recruit appropriately trained staff to address skills shortages and gaps.** One project will help employers recruit staff, albeit over a longer time frame, by improving the pipeline of talent entering into its sector. It has been relatively successful so far in increasing individuals' perception of the sector, and the project supported over 5,000 young people in the investment period. Even if this leads to a small percentage increase in workers entering the sector, it will have a significant impact on addressing labour shortages. There is also the potential of another SSC's project helping employers to recruit appropriately trained staff once it is brought to market, and another project may also reduce skills shortages, once a sufficient volume of individuals are registered onto the system.
- **Supported gender equality in the workforce.** All of the Women and Work projects were successful in providing training to women in their sector. The training provided both technical skills to help individuals progress, soft skills to remove barriers to further personal development and leadership and management training to enable women to be better equipped for promotion.

  Most of the benefits of the Women and Work project were realised during the investment period. Far fewer women are benefiting from the training without the subsidy, with the exception of one particular project, which continued to support a high volume of women through its initiative.

6.2 Measuring value for money

The following factors should be considered to assess value for money:

- **Effectiveness:** The extent to which the projects have developed sustainable solutions that meet the demands of employers.
- **Efficiency:** Whether the approach taken by SSCs to implement solutions is the most appropriate one.
- **Economy:** The extent to which the programme has been successful in leveraging additional investment from employers and other stakeholders.
- **Relevance:** The extent to which the projects met employer requirements.
- **Spin-off benefits and unintended consequences:** The extent to which the projects have influenced SSCs' work with employers and projects delivered through other investment funds.

6.3 Assessment of value for money

Clearly, this research alone cannot provide a complete assessment of value for money. However, on the basis of the evidence collected, the study offers the following contributions:

6.3.1 Effectiveness

The EIF Phase 1 programme has been effective in developing solutions that have been sustained, certainly in the short-term. All of the projects funded through EIF Phase 1 were sustained and further developed in 2012. Four out of the six large projects had been brought to market and progressed to a reasonable extent at the end of 2012, suggesting they will be maintained through employer support for the next few years at least. There is a sense the investment model is driving innovation, as projects evolved after the investment period to increase employer investment.

6.3.2 Efficiency

There is evidence to show SSCs had generally taken an efficient approach to developing skills solutions through EIF Phase 1. All provided a sound rationale for 'market failure', and the resultant intervention. Further most have maintained employer interest and have all been sustained a year after the investment period. Most projects are expected to continue in the near future and provide a return on investment.

6.3.3 Economy

The EIF Phase 1 funding has generally been used economically. The activities undertaken through EIF Phase 1 took projects from a discrete start point to an end point. The investment built on work undertaken previously, and there has also been significant investment made to develop the products post investment period. In this context, the EIF Phase 1 investment had generally only been used to fund a relatively small amount of the costs for taking a product to market.

6.3.4 Relevance

One year on, for many of the projects the demand remains untested. As a result it is difficult to assess the extent to which the products that have been developed through EIF Phase 1 investments are meeting employer needs. There are various external factors that will also influence employer demand, such as policy developments or the level of adoption of the product in the sector. However, many SSCs have undertaken effective activities to test potential demand and develop an appropriate pricing structure. There is also an element of products evolving to meet changing requirements, which primarily takes place after the investment phase.

6.3.5 Spin-off benefits and unintended consequences

One of the key benefits of EIF is that it has begun to influence the work SSCs are conducting in the sector. There is a growing realisation products have to be developed, marketed and promoted so that they can be ‘sold’ to employers, which is changing the nature of the services that are being developed. This has led to a shift towards a more commercial business model: *“If it meets a business need then it should have a price”.*

The products themselves have also influenced future work in the sector. There are examples where new issues have been identified through the work SSCs have conducted under EIF Phase 1. In some cases, this has led to the product evolving, and in other instances, it has identified follow on work that has been taken forward through other investment funds.

7 Conclusions and recommendations

7.1 Conclusions

The key conclusions from the study are presented below.

7.1.1 The projects funded through EIF Phase 1

Most of the innovation projects were relatively mature at the point of receiving EIF Phase 1 investment. Yet it appears the EIF investment did not simply provide additional funding to allow existing ideas to continue according to their preceding development path. It marked something of gear shift in how some fairly long-standing solutions were taken forward. In many instances, the investment approach resulted in these solutions being developed with a **stronger focus on developing a product or tool that can be 'sold' to employers**. This involved distilling and refining the project concept, removing activities that were "nice to have", but which ultimately employers would not pay for. There is a risk this leads to the development of smaller, niche products (some of which appear to be directly competing with commercial offerings).

However, in the longer-term the evidence suggests that **as these tools are being refined over time, they are becoming more rather than less strategic in focus**. In some cases, discrete products become packaged as part of a more comprehensive skills solution to make it easier to market to employers and to maximise the impact of related tools. In other cases, the product itself expanded in scope to generate sufficient scale in order to be sustainable and to meet the ambitions of employers interested in 'big ticket' solutions.

7.1.2 Level of innovation

All of the projects demonstrated some level of innovation. It is clear that SSCs are responding to recent UK Commission policy and **developing solutions that are focused on developing new tools and methods that encourage and support employers to invest in skills**. SSCs were primarily taking existing products and adapting them or introducing them to a new sector. Some investments had the potential to be transformative; for example, where the EIF Phase 1 project was a component of a wider strategic initiative.

In a wider sense, the UK Commission has to balance investments, in relation to level of risk, to ensure those ideas, which are more innovative by initial design, are included in the investment portfolio. The perception of SSCs was that the UK Commission contract managers were generally effective in taking a nuanced approach to measure whether a project is making the progress that could reasonably be expected in a short investment period.

7.1.3 Employer investment and support

There is clear evidence **the investment approach has led to increased emphasis on leveraging employer contributions**. As most of the projects were quite well established, existing employer relationships were in place. However, the EIF funding priorities meant most SSCs sought to increase employer contributions to secure investment. This may not have happened without the programme requirement to do so.

The **investment model, under which employers have to commit resources and in-kind funding, is also crucial to building and retaining engagement and providing a platform for long-term commitment beyond the funding phase**. The extent to which this acts as a tangible driver for on-going development varies depending on the nature of the employer commitment. Employers committing cash appear to be more likely to remain committed. However, the fact many of the EIF Phase 1 projects gathered momentum rather than 'fizzling out' in the post-investment phase can be directly connected to this upfront commitment.

During the implementation of the projects, most SSCs drew on their existing networks of employers. This is a pragmatic and logical approach. These employers were primarily engaged in a consultative role, providing feedback and advice to inform the future development of the project. Although there are examples in EIF Phase 1 of projects represent new forms of employer collective leadership, this largely reflects specific sector conditions.

EIF Phase 1 did not, in itself, lead to a step change in employers' role in providing strategic leadership and management of skills solutions. This is partly a question of product design and partly a question of product maturity. If employers are primarily customers buying a skills solution, they are not necessarily going to provide strategic leadership in the development of that product. Even where the skills solution is more directly 'employer owned' (as opposed to SSC owned), it is clear that over time employer leadership requires a broker or third party to undertake certain operational activities (e.g. looking after the finances; dealing with day-to-day marketing etc.) However, irrespective of *how* employers were involved in delivery, it is clear that **the expectation of long-term sector ownership (and funding) of the solutions and upfront sector contributions does, to a significant degree, transform how the public investment is used**.

7.1.4 Sustainability

The investment model itself supports sustainability and 'hard-wires' a return on the public investment that is unlikely to have been mirrored if the projects had just been publicly-funded. Initial commitment has to be able to weather inevitable challenges in early implementation. At this point, employers are unlikely to experience direct benefits from the skills solution, because they often depend on having a critical mass of sector support that has to be grown over time. The EIF Phase 1 evidence suggests employers are more likely to 'stay the course' if they have made an active commitment – because they have bought in to the over-arching ambitions of the project in the first place (i.e. they are not just passive supporters). Nine months after the EIF Phase 1 investment ended, most projects were not yet at a position where they could be sustained wholly through private investment. In this context, **it is significant that all of the innovation projects remained 'live' nearly a year after the EIF funding ended. A quarter of the innovation projects are being primarily sustained through employer investment**. Many of the others have been able to draw subsequent GIF and EIF funding. There appears to be some cross-subsidisation to support on-going work. For example, an SSC may have a core employer engagement function that is funded from all investment projects. In the medium term, projects will most likely be sustained through a mixture of drawing on core SSC staffing and adjusting the yearly spend on the project based on what is realistic to achieve.

The projects that have made the furthest progress to being sustained are those that built clear and realistic plans for marketing and pricing into the project design. This is one of the important lessons to emerge from EIF Phase 1: sustainability plans must be developed and tested prior to the commencement of the projects.

7.1.5 Outcomes, impacts and value for money

The logic chain for most EIF Phase 1 projects still appear to hold true, although, in hindsight, some claims on the scale of impact could be considered ambitious. Some of the projects have achieved intermediate outcomes of bringing new products to market and supporting some employers, but, for others, the demand and outcomes remain untested. **Understandably, none of the projects have as yet achieved sufficient traction to have had a significant impact**, but nearly all have made the progress that would be expected at this stage of implementation.

The evidence from the research indicates **the investment approach employed in EIF Phase 1 is bringing value for money**. The **EIF phase 1 funding has contributed only a small amount of the funding necessary to take a product to market**, with the rest of the costs being covered by employer contributions, as well as SSC and partner investments before and after the investment period. In addition, there is evidence the imperative to sustain the products and to leverage a high proportion of funding through employer investment has **driven SSCs to generate efficiencies in the way the projects are implemented.**

It remains early days for the EIF Phase 1 projects. One employer that was heavily involved in the programme said that the project was akin to a new business start-up. This was common refrain across the EIF Phase 1 projects by the end of the investment period. Many of the projects are working to a three to five year timescale from initial launch to being commercially sustainable. Some projects were planning in these terms from the start, but, for many, the realities of new product development were learned as part of the process. This should put the participating SSCs and their partners in a strong position for future investment projects.

EIF Phase 1 was also itself something of a transitional programme. SSCs and the UK Commission were getting to grips with a new way of working. There was a degree of pragmatism in the projects put forward, given the short timescale for delivery. The investment approach has continued to evolve in subsequent funding rounds, for which there has also been greater scope for SSCs (and other sector bodies in the context of GIF) to generate new skills solutions adapted to the investment model.

EIF Phase 1 is therefore to some degree unrepresentative of the likely experiences of investment fund projects more widely. Having said that, the EIF Phase 1 evidence does indicate a close link between the overall investment model (contestability; employer leadership and contribution; the focus on sustainability) and the likelihood of having activity that is sustained and continues to evolve to meet employer needs. It therefore provides lessons for the future of employer-led, contestable skills investment more widely, as well as early evidence that, under the right conditions, projects will continue on the path to market when the public investment ends.

7.2 Recommendations

Drawing on the conclusions, the following recommendations emerge from the study:

7.2.1 Recommendations for the UK Commission

- **The need for better join-up of individual investments.** This is to ensure there is a clear differentiation and yet complementarity between different activities. This ‘portfolio’ approach will enable the UK Commission to coordinate more long-term projects and fund initiatives that are further away from the market. It will also ensure there is a clear distinction between different outputs which avoids duplication and increases value for money. It also enables the UK Commission to balance sector investments between low risk/low impact and high risk/high impact interventions.
- **The UK Commission would benefit from requesting clear information from SSCs and other delivery partners on the commercial viability of a product during the bidding stage.** The presentation of a clear rationale for prospective employer demand, as well as well-defined pricing and marketing strategies would strengthen bids and bid assessment. This should be a key condition for investment, whilst retaining a flexible approach to recognise the position of the project in relation to the development cycle. Proposed projects at an early stage of development would benefit from the inclusion of outline plans and indicative evidence of employer interest and commitment. Proposed projects at a more mature stage of development could usefully be required to present a clearly defined strategy and provide evidence and analysis that the size of the market has been assessed and demand tested.
- **Bid assessment could usefully include a more robust assessment of market conditions and contingency planning.** Employers and SSCs can have an optimistic view of market conditions and the impact of external policy drivers. There is a key role here for the UK Commission, as for any venture capitalist, to critically assess:
  - The assessment of the market conditions in the bids
  - The validity of the risk assessment and contingency planning
  - Timing – how long before they expect to generate a revenue and what financing will be in place in the interim
- In-kind contributions provide valuable support for projects. However **a more sophisticated approach for recording and assessing employer contribution may be beneficial**: an approach that could distinguish between ‘passive’ contributions (attendance at meetings and focus groups) and ‘active participation (developing new qualifications or tools, or seconding staff resource to manage strands of activity). Both elements add value; however a consistent means of clearly recording, reporting and

valuing different element of the employer in-kind contribution would be beneficial for the UK Commission, its partners and potential bidders.

7.2.2 Recommendations for delivery organisations

- Delivery organisations would benefit from the inclusion of **a strong upfront focus on sustainability** in project proposals. Evidence-based analysis should be presented on the size of the market, intelligence of the price sensitivity of employers, plans or learning from the experience of testing different pricing structures and delivery models as well as realistic consideration of the likely barriers to engaging employers and how mitigations can be trialled to attempt to overcome potential barriers to employer engagement.
- It would be beneficial if delivery organisations **present a clear business case** during the implementation phase for employers to take up the service. The construction for such a case should be based, not just on case studies, but also illustrating employer return on investment. Most importantly, it should be presented simply in accessible language, without using jargon.
- The research has shown that in target setting, delivery organisations would benefit from **clear definition of the 'intermediate outcomes'** along the road to achieving lasting benefits from the initiative, such as future funding commitments or the appropriate timing of marketing initiatives. A more ambitious and active focus would provide a more strategic presentation of intermediate outcomes than just an estimation of the number of individuals and employers to be engaged at different reporting stages in the lifetime of the project.

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