UK COMMISSION FOR EMPLOYMENT AND SKILLS

Qualitative Evaluation of the Employer Investment Fund Phase 1

Executive Summary
June 2013

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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, tangible 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 tangible 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 did 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.

Evidence Reports present detailed findings of the research produced by the UK Commission for Employment and Skills. The reports contribute to the accumulation of knowledge and intelligence on skills and employment issues through the review of existing evidence or through primary research. All of the outputs of the UK Commission can be accessed on our website at www.ukces.org.uk

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