UK COMMISSION FOR EMPLOYMENT AND SKILLS

Impact evaluation of the Employer Investment Fund and Growth and Innovation Fund: project level learning and performance

Briefing Paper
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Review of the Employer Investment Fund and Growth and Innovation Fund: project level learning and performance

Briefing paper

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Executive Summary

Introduction

The UK Commission for Employment and Skills (UKCES) investment programmes were developed in response to growing evidence that UK skills policy had not always met the needs of employers, and that levels of investment in skills development was insufficient to drive business and economic growth. The investment programmes were developed to stimulate a step change in employer leadership and investment in economically valuable skills through co-investment between employers and Government. Ultimately, the goal was to boost economic growth and productivity in the UK through increased investment in skills.

The Employer Investment Fund and then Growth and Innovation Fund sought to achieve sustained change in how employers engage with, and invest, in skills in order to raise skills levels, improve access to and deployment of skills, and raise business performance. The investment was limited to skills and employment infrastructure, with limited or no participation funding available; both programmes were time-limited investments, and designed to pump-prime solutions by supporting start-up costs. The core differences between the two funds are detailed below:

- The Employer Investment Fund emerged through a process of moving away from a core funding model for SSCs, encouraging them to move to an investment and outcomes focused approach. It was open to SSCs only and UK wide, and had three commissioning phases.
- The Growth and Innovation Fund was restricted solely to England and was open to wider employer organisations (e.g. Chambers of Commerce and Local Enterprise Partnerships), with a stronger emphasis on the sustainability of the infrastructure developed. It had four commissioning rounds and later rounds had a development phase prior to full application.

As the portfolio approaches its close, and the UK Commission moves forward with the Employer Ownership Pilot and the Futures Programme, this study provides an opportunity to take stock of the evidence and learning. The study updates the previous synthesis of evidence undertaken in 2013, and had the following broad aims, namely to:

- review the characteristics of the portfolio, including assessing its balance, and how progress against outputs and outcomes has varied by different characteristics
- assess what works in delivery

- draw out learning from projects that sought to tackle policy challenges identified by the UK Commission around entry to and progression in the labour market[1].

Characteristics and balance of the portfolio

Based on most of the characteristics examined, the portfolio was invested across a range of organisations, sectors and project types:

- Given that EIF was only open to SSCs, it is unsurprising that they have led 85% of projects in the portfolio. Beyond SSCs, investment organisations have included other sector/industry bodies, Local Enterprise Partnerships (LEPs) and Chambers of Commerce.
- A range of sectors have received support, with the creative and digital, manufacturing, service, and automotive sectors accounting for the highest shares of EIF and GIF projects and investment.
- As might be expected given the employer-ownership vision and demand-led nature of the funds, the majority (59%) of investment has gone into projects categorised as demand-side with 27% going into supply-side projects (11% were research and 5% were not categorised). Across these, a range of project types were funded. It is important to note that some project types, notably brokerage, contribute to both labour market supply and demand.
- The investments resulted in a range of skills infrastructure being developed, including online tools, networks/partnerships, and the development of training capacity.

Progress of the portfolio

Across the 111 projects considered in the study, the UK Commission had invested £95m by June 2014, and by the time projects complete in March 2015, UK Commission investment is expected to be around £100m. The funds are expected to leverage over £100m of cash and in-kind employer contributions, which effectively means a 1:1 leverage ratio[2].

[1] The findings form this element of the review have been reported to the UK Commission in a separate briefing note.
[2] Excluding one outlier of £37.1m employer contribution to a project with contract value of £1m.

There has been some variance across the portfolio in relation to outputs achieved. Those that have exceeded targets by the highest percentage include the number of e-learning modules created, stimulated apprenticeship starts[3] and individuals receiving careers advice. The output category that has been furthest behind target is the number of beneficiaries into work. Almost 22,000 unique employers were reported to have engaged and / or benefitted from EIF and GIF projects by March 2014.

It is still early days to be conclusive on the evidence on outcomes (i.e. the effects beyond the immediate delivery of outputs, such as changes in the behaviour of employers and the performance of individuals and employers). Around half of the project-level evaluations included within the review reported that projects had achieved or exceeded expected outcomes at the time of evaluation. Both the project and programme level evaluations are based on self-reported findings, although the on-going programme-level impact evaluation is expected to provide a more objective picture of impact in due course. The initial programme-level survey findings indicate strong progress in helping employers to understand their skills needs and increase their knowledge about how to access relevant training. These are intermediate outcomes (on improving diagnosis and awareness), rather than final outcomes relating to performance, though this is as you may expect at this stage of the evaluation.

Taken together, the evaluation evidence suggests that the process of bringing about transformative change is a gradual one. Whilst there have been some signs of potential, the journey in reaching ultimate objectives around changed employer attitudes and ownership, resulting in improved performance and productivity, is an additive one. This all takes time and highlights the importance of sustainability and the role of individual projects as part of a broader vision and package of interventions.

Findings on successful delivery

The review found no evidence to suggest that particular project types, infrastructure types or other characteristics are associated with success, as measured in terms of progress towards expected outputs and outcomes. The factors found to be associated with the successful achievement of planned outputs and outcomes relate instead to how projects are designed and delivered. In particular key factors driving success have included: strong organisational and team leadership; early involvement of employers; and the role of intermediaries.

[3] Stimulated apprenticeships are an indirect result of the development and implementation of infrastructure that has been funded through the EIF/GIF funding/ employee contributions.

Leadership

Organisational leadership and team leadership within investment organisations are key to success. In relation to this, several factors were found to be associated with successful delivery of projects, such as investment organisations having clear communications with employers and partners, adopting simple reporting requirements to manage the administrative burden on employers, and managing and keeping on top of people and partnerships. This organisational leadership has been critical from design and development through implementation and on to sustainability.

Intermediaries

Findings so far have highlighted the importance of the role of intermediaries, particularly as lead investment organisations. Internal project success factors relating to organisational and project leadership, and ensuring employer engagement and buy-in, highlight the key role of investment organisations (as intermediaries) in successful delivery of projects. In addition to this, intermediaries have been critical in facilitating the innovation process, and in developing sustainable projects, for example in testing pricing and funding models and in planning.

Investment organisations have brought together a range of disciplines, including business and financial planning, bid development, research and development, relationship management, and marketing and communications. It is this combination of skills, together with an understanding of the skills system,that makes an intermediary organisation effective.

Findings on EIF/GIF principles

Innovation

The funds were intended to support new ideas and models. The findings on innovation indicate that less transformative projects have dominated, notably context-specific innovation, whereby models have been transferred to the sectors/contexts of the projects for the first time, and also adaptive innovation. The evidence reviewed that has examined project design processes and innovation indicate that employers may be more likely to buy into ideas which related to context-specific innovation because, whilst they are new to the sector, they have been tried and tested elsewhere

The understanding of what is ‘innovative’ and how innovation may be designed in has developed over time. Categorising innovation is challenging and to some extent subjective and the UK Commission may wish to consider how it classifies innovation going forward.

Relating to innovation, sector and other bodies have often led on the project design and development processes, reflecting predominantly a 'top down' approach. That said, whilst sector and other bodies have led substantively the design and development process, there has been engagement and support from employers and others (to ensure employer ownership through 'bottom up' input to design and development). In addition, more 'bottom-up' and developmental processes have been adopted in the design of some projects. The effectiveness of developmental processes would need to be tested more extensively and in different contexts, in particular if the expectation was that a number of particularly novel ideas might emerge but with only a few that turned out to be successful. The relative benefits of such developmental approaches ought to be considered as part of the Futures Programme.

Employer ownership

Overall, there is encouraging evidence that the EIF and GIF portfolio has been genuinely employer-led. In addition to the meeting of targets on employer matched funding, the emerging findings from the programme-level impact evaluation suggest that projects have engaged employers in design and development in line with employer ownership. The findings suggest that a significant proportion of employers benefiting from EIF and GIF projects have had some involvement in project design or set up: overall, 44 per cent of employer beneficiaries surveyed by the programme-level impact evaluation were involved with the design or set up of an activity. Two further issues are pertinent in relation to employer engagement:

- Employer engagement has been found to be more effective for particular sectors or contexts. There is evidence to indicate that the structure of the sector, such as the presence of strong supply chains and/or peer-to-peer networks, can assist with employer engagement. This has been found in certain sectors such as advanced manufacturing and energy and utilities, and it is notable that the emerging findings from the programme level impact evaluation suggest higher levels of self-reported impact in the manufacturing sector.
- SME engagement has been found to be challenging, and the programme level impact evaluation indicates that small employers in particular have been underrepresented amongst beneficiaries. Nevertheless, there has been progress in SME engagement and some examples of good practice. Adopting a range of engagement mechanisms and ensuring that products or training offers meet the specific needs of SMEs are both critical. Within this, specialist brokers with sectoral and other relevant knowledge, as well as using face-to-face communication have been found to work. The use of more intensive activities to engage SMEs shows that there are no shortcuts to engaging effectively with smaller employers.

Sustainability

The review of existing evaluation evidence considered the extent to which projects have achieved financial sustainability, as well as the extent to which behavioural changes have been sustained. The evidence on both of these factors was mixed, though judgements here need to note that there were no hard and fast expectations at the outset as to what would be achieved. Whilst the basic premise was that projects would be financially self-sustaining following UK Commission pump priming investment, in particular through employer funding, the thinking has developed over time. There is now greater acknowledgement of other models, such as co-investment between public and private sectors (including using subsequent UK Commission funds such as the Employer Ownership Pilot (EOP)), transitioning projects to be led by other partners, and the embedding of behaviour change within employers as a sustainable outcome.

The review of evidence has found existence of these varying models, and internal UK Commission research and the ongoing programme impact evaluation suggests that there is some emerging evidence of sustaining culture / behavioural change – though this is limited at the current time and needs further testing. Internal UK Commission research suggests that around one in five EIF/GIF projects are well on the way to achieving sustainability in some form, with a further two in five projects making good progress. Even if some of these projects do not achieve sustainability, drawing on the UK Commission's internal research this review indicates that around one-half of projects could be sustained, albeit with some requiring further public funding.

1 Introduction

The report forms part of a multi-year evaluation assessing the impact of the two investment programmes: The Employer Investment Fund (EIF) and the Growth and Innovation Fund (GIF). The strands of the overall evaluation consist of:

- Up to three waves of an employer beneficiary survey, matched with comparison surveys of non-participant employers;
- Up to three waves of qualitative case studies;
- **A stocktake of investment performance conducted through a review of management information and project level evaluation reports** (year one only); and
- An impact evaluation using beneficiary and comparison survey data.

This report builds on the previous stocktake of EIF and GIF, which was undertaken in 2013. Since the previous stocktake, many more projects have reached completion (only 26 of the 158 receiving funding through EIF and GIF are yet to finish), and so it was seen as timely for a refresh of performance based on Management Information (MI) and evaluation evidence. In addition, the impact evaluation of EIF and GIF is now underway. The final results of these are some time away, with these expected at the end of 2016. Nevertheless, the first quantitative and qualitative reports, published at the same time as this report, provide emerging findings on impact.

1.1 The background and purpose of EIF and GIF

1.1.1 Background to the investment programmes

The UK Commission for Employment and Skills (UKCES) investment programmes were developed in response to growing evidence that UK skills policy had not always met the needs of employers, and that levels of investment in skills development was insufficient to drive business and economic growth. Evidence suggested that whilst, there are world class, high performing businesses across the UK, other symptoms related to the supply and demand for skills were holding back investment in skills. The Collective Measures programme of research (see Cox et al., 2009; Stanfield et al., 2009) identified a number of common barriers or market failures to achieving optimal investment in training, these included:

- market failures which inhibit employer investment in skills contributing to mismatches between skills supply and skills sought by employers;
- some duplication of investment in the public and private markets for learning provision; and

- skills products which have in the past been driven by supply rather than demand.

The research also included an examination of the levers that might help to increase investment in skills and the different contexts in which levers for investment could be effective (Collective Measures). This amplified the belief in the (untapped) potential for employers, especially employer networks, to take a greater role in the development of skills solutions. The research recommended the introduction of a fund where employer networks could bid for finance to co-invest in skills projects relevant to real demand and employer need.

1.1.2 The Investment Programmes

The investment programmes were developed to stimulate a step change in employer leadership and investment in economically valuable skills through co-investment between employers and the UK Commission. Ultimately, the goal was to boost economic growth and productivity in the UK through increased investment in skills. EIF and GIF sought to achieve sustained change in how employers engage with, and invest, in skills in order to raise skills levels, improve access to and deployment of skills, and raise business performance.

The funding was limited to skills and employment infrastructure, with no participation funding available (i.e. direct funding for the training of specific employees or individuals). Both programmes were time-limited investments, and designed to pump-prime the building of infrastructure that would develop solutions to address needs in a specific area/sector. The programme invited applicants to submit proposals; and it was non-prescriptive / gave no preference to the nature of problems or solutions it sought to invest in. The programmes sought and assessed project bids that were to be demand-led, innovative, with significant co-investment from employers. The overarching aim of the programmes was to provide employers the opportunity to take the lead in articulating their needs and steering the development of the solutions they needed in and bring about sustainable change in their industry/sector.

- The Employer Investment Fund was created to stimulate employer investment in skills and to improve the use of these skills in the workplace in the most effective way.
    - EIF was a time limited transition fund created to shift reliance of SSCs away from core public funding. It encourage them towards a competitive commercially focused outcomes approach. As a result of this the future sustainability of SSCs would increasingly rest on their ability to serve and secure investment from employers who valued their support.
    - The investment programme was UK wide, open to SSCs only and was implemented in three phases.

- The Growth and Innovation Fund was created to support bottom-up business leadership to leverage greater business investment in skills, enterprise, jobs and growth.
    - GIF was restricted solely to England and was open to wider employer organisations (e.g. Chambers of Commerce and Local Enterprise Partnerships), with a stronger emphasis on innovation and sustainability of the infrastructure developed.
    - The investment programme open to any employer-led body, and had four investment rounds. Later round included a development phase with investment and / or guidance to shape the project parameters prior to full application.

As of June 2014 (excluding both EIF round 1 and GIF development projects), UKCES had contracted £95 million in pump prime funding to 111 successful investment proposals, leveraging a further £100 million in matched contributions from employers (in kind or cash). Ipsos MORI's initial review of the EIF and GIF programmes (as part of a 2013 feasibility study for a programme level beneficiary survey4) showed a diverse set of activities had received investment funding, using a variety of delivery mechanisms.

The EIF and GIF investment funds have been part of the UK Commission's journey towards greater and progressive employer ownership of skills. Whilst this report focusses entirely on the EIF and GIF portfolio, it is worth providing background on two further funds that have followed EIF and GIF. First, the market-led Employer Ownership Pilot (EOP) builds on the learning of EIF and GIF, and includes an infrastructure component (similar to EIF and GIF) alongside participation funding. It is a competitive fund open to employers to invest in their current and future workforce in England. Rounds 1 and 2 of EOP funding awards have been made and, like EIF and GIF, combine UK Commission resources with a requirement for significant employer commitment of investment (in terms of cash resources and in-kind contributions). Projects, which include a number of industrial partnerships5, are mainly led by employers, though may often be backed or supported by intermediaries such as SSCs, who may be the lead contract holders in in the partnership.

1.2 Aims and objectives

The broad aims of this study were to:

[4] Ipsos MORI (2013), UKCES Investments Beneficiary Survey: Feasibility Study

[5] Industrial Partnerships are employer-led partnerships that have been established through EOP funding. Whilst they vary in their size and structures, they have a common broad purpose to set out what is required to ensure that the skills system works for their sectors/sub-sectors and provide leadership and influence to help make it happen.

- review the characteristics of the portfolio, including assessing its balance, and how progress against outputs and outcomes has varied by different characteristics
- assess what works in delivery
- draw out learning from projects that sought to tackle policy challenges identified by the UK Commission around entry to and progression in the labour market[6].

In order to provide focus on key areas of interest within these three aims, a series of scoping consultations was undertaken with UK Commission staff, including one Commissioner. As well as providing qualitative input on key issues, these consultations formed the basis of the identification of the research questions to inform the review. These cover the following themes, which are set out in full in Appendix A:

- delivery, including the achievement of outputs and outcomes
- innovation
- employer engagement
- sustainability
- lessons for policy.

1.3 Methodology

Following the scoping and design phase, there were two main parts to the methodology:

- an analysis of performance based on MI data covering the period to the end of June 2014, which focuses on UK Commission expenditure, employer leverage and the achievement of outputs, and allows assessment against different policy levers and other project characteristics
- a review of programme and project-level evaluation evidence, undertaken systematically against the series of research questions identified in the scoping and design phase[7].

In addition, the main findings from the review were presented and discussed at a workshop with UK Commission staff, which identified a small number of further issues for analysis and reporting.

1.4 Report structure

The report is structured as follows:

[6] The findings from this element of the review have been reported separately to the UK Commission in the form of a briefing note.
[7] See Annex B for discussion of how the variability in quality of evaluation evidence was taken into account in the review.

- **Chapter 2** sets out the evidence on the characteristics of the portfolio of EIF and GIF, in particular in terms of investment organisations and the profile of projects.
- **Chapter 3** provides evidence on the delivery and progress of the portfolio in terms of expenditure and outputs, and initial evidence on outcomes. This chapter also provides evidence on the overall management of the portfolio.
- **Chapters 4-6** examine the evidence viewed through the lens of the core principles of EIF and GIF, namely innovation (chapter 4), employer engagement (chapter 5) and sustainability (chapter 6).
- Finally, **Chapter 7** summarises the key findings, lessons and implications going forward.

2 Characteristics of the portfolio

Chapter Summary

The analysis in this section is based on MI for 111 EIF and GIF projects. Note that the MI data exclude those that were funded through EIF 1 (19 projects) and GIF Development projects (22 projects), and so these have been omitted from the analysis in this report.

The UK Commission had invested £95m across the 111 projects by June 2014. By the time projects complete in March 2015, UK Commission investment is expected to be £103.7m. The funds are expected to leverage a similar level of employer contributions (£103.6m).

Given that EIF was set up partly as a transitional arrangement for Sector Skills Councils (SSCs) as they moved away from receiving core grant funding, and was only open to them as lead organisations, the vast majority (86%) of projects were led by SSCs, although some have been more active than others in terms of leading EIF and GIF projects. Those GIF projects led by non-SSCs were led by a range of organisations including sector / industry bodies, Local Enterprise Partnerships (LEPs) and Chambers of Commerce.

Based on the categorisation in the MI, the creative and digital sector, manufacturing (including advanced) and hospitality and tourism sectors have accounted for the highest shares of EIF and GIF projects and investment.

The majority (63%) of investment has gone into projects categorised as demand-side with 29% going into supply-side projects (8% were research), though some project types, such as brokerage, contribute to both the supply- and demand-sides. This demand-side focus is expected given that the investment funds were underpinned by an employer-owned vision.

The project portfolio was represented by a mix of different infrastructure types, including online tools, networks/partnerships, and the development of training capacity.

The portfolio was managed carefully in terms of risk. Around a third (31%) of EIF and GIF projects were considered medium risk at the point of investment. The remainder were fairly evenly split between low and high risk (35% and 29% respectively). In terms of proximity to market at the point of initial investment, around two fifths (39%) were close to market, and at the other end of the spectrum a lower proportion, around one-quarter (24%) were at conceptualisation stage.

2.1 Introduction

This chapter looks at the nature and balance of the EIF and GIF investment portfolio based on analysis of the Management Information (MI) held for the funds. The MI database was provided to the review team by the UK Commission and covers the period from the launch of EIF 2 in July 2011 to June 2014. It contains information for a total of 111 EIF and GIF projects. Note that the MI data excluded those that were funded through EIF 1 (19 projects) and GIF Development projects (22 projects), and so these are excluded from the analysis in this report.

The UK Commission had invested £95m across the 111 projects by June 2014. Of these, 23 were still in progress at the time of the review and a further £8.7m of UK Commission investment was planned for them by programme close in March 2015. Employer match, including cash and in-kind contributions, amounted to £90.4m[8] by June 2014 with a further £16.8m[9] expected by programme close. The funds are expected to leverage £103.6m of employer contributions from the £103.7m investment by the UK Commission.

The remainder of this chapter looks at the characteristics of the EIF and GIF investment portfolio, based on the 111 projects for which information was available, covering profile of investees, nature of projects, innovation and risk.

2.2 Profile of investees

2.2.1 Lead organisation

The 111 projects covered in the performance data were distributed across six funding rounds as shown in Table 2.1. Of these, EIF 2 was the largest in scale, accounting for more than half (57%) of the total.

Across the portfolio as a whole, 86% of projects were led by Sector Skills Councils (SSCs). EIF was considered a transitional arrangement for SSCs as they moved away from receiving core grant funding and was only open to them as lead organisations. GIF was open to applications from all employer groups, including SSCs.

In the earlier rounds of GIF, SSCs continued to lead the majority of projects, but in later rounds the balance shifted more towards non-SSCs as lead organisations. These included sector / industry bodies, Local Enterprise Partnerships (LEPs) and Chambers of Commerce.

[8] Excluding one outlier project which accounted for £37.4m of employer in-kind and cash contributions to June 2014. This outlier is attributed to a project in the advanced manufacturing sector, which significantly exceeded expectations in terms of the level of employer cash contribution achieved. This was due to consumption of Apprenticeship wages and over-performance in terms of the number of employers engaged.
[9] Based on the contracted employer contributions of projects still in progress.

Table 2.1 Projects by lead organisation and funding round

Funding round:	Total Projects	Lead organisation:	
		% SSC	% Non-SSC
EIF 2	63	100	0
EIF 3	10	100	0
GIF 1	13	85	15
GIF 2	4	75	25
GIF 3	13	38	62
GIF 4	8	38	63
Total	**111**	**86**	**14**

Base: All projects (111) Note: Row totals may not equal 100 due to rounding

Source: SQW analysis of MI data

Table 2.2 shows that UK Commission investment across the portfolio followed a similar pattern with increasing shares going to projects led by non-SSCs as the GIF rounds progressed.

Table 2.2 UK Commission investment by lead organisation and funding round

Funding round:	Total UK Commission Investment	Lead organisation:	
	(£m)	% SSC	% Non-SSC
EIF 2	61.8	100	0
EIF 3	4.2	100	0
GIF 1	9.1	91	9
GIF 2	2.5	66	34
GIF 3	17.1	44	56
GIF 4	9.0	35	65
Total	**103.7**	**83**	**17**

Base: Total UKCES Investment (£103.7m)

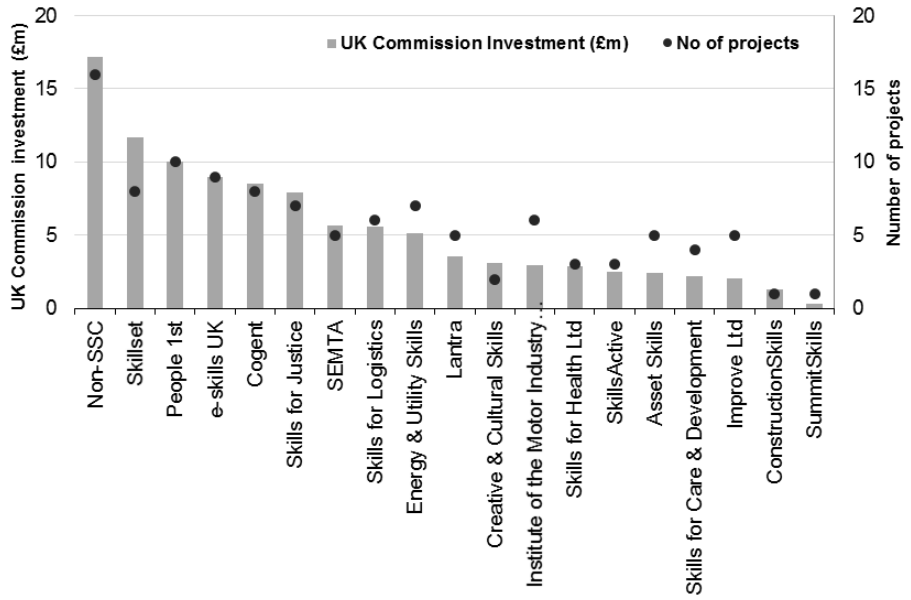
Source: SQW analysis of MI data

2.2.2 Distribution of projects by lead organisation

There were 18 SSCs in receipt of funding through the portfolio and combined they accounted for 95 of the 111 EIF and GIF projects covered in the review – an average of five projects per SSC. The remaining 17 projects were each led by separate employer groups.

Figure 2.1 shows the distribution of EIF and GIF projects (dots) and UK Commission investment (bars) across SSCs. It is clear that some have been much more active than others in terms of leading EIF and GIF projects with Creative Skillset (Skillset), People 1st, e-skills UK and Cogent and in particular accounting for the highest shares of both projects and investment. At the other end of the scale, SummitSkills, ConstructionSkills and Improve Ltd have attracted the lowest shares of EIF and GIF investment.

Figure 2.1 Distribution of UK commission investment by investee organisation



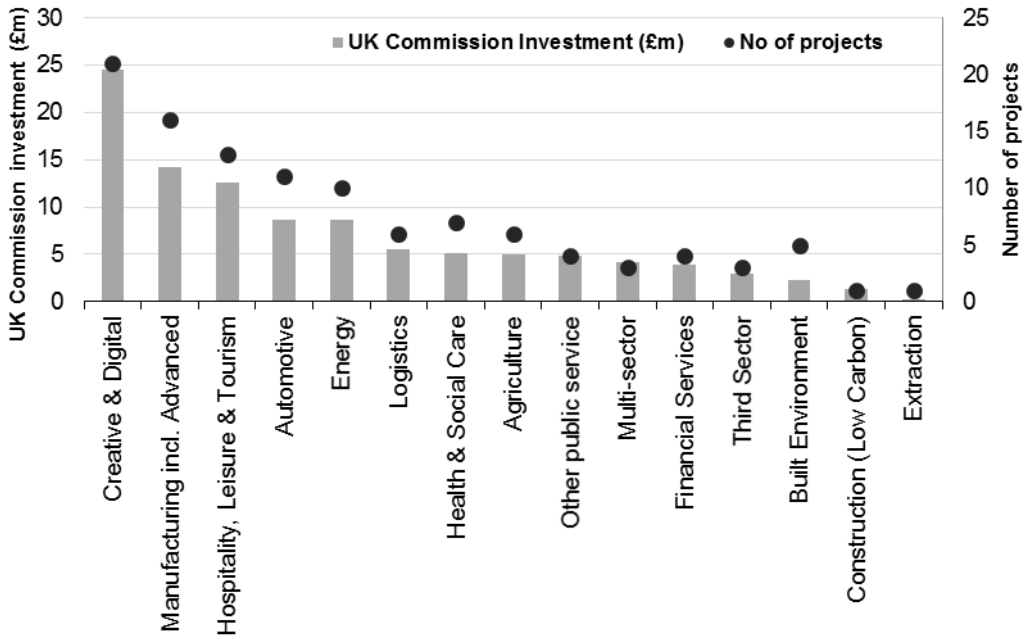
Base: All projects (111); Total UKCES Investment (£103.7m)

Source: SQW analysis of MI data

2.2.3 Investments by sector

The creative and digital sector accounts for the highest share of EIF and GIF projects (19%) and UK Commission investment to date (24%) – based on the categorisations set out in the MI. The manufacturing (including advanced) and hospitality, leisure and tourism sectors have also accounted for high shares of EIF and GIF projects and investment, with the remainder spread across the rest of the economy.

Figure 2.2 Distribution of UK commission investment by sector



Base: All projects (111); Total UKCES Investment (£103.7m)

Source: SQW analysis of MI data

2.3 Nature of projects

2.3.1 Project type

In terms of project type, Table 2.3 shows that more than half of the investment portfolio's projects (63%) were focused on demand-side measures and just over a quarter were on supply-side projects (29%)[10]. The remainder were research focussed (8%). It is important to note that the demand/supply-side categorisation is indicative, in particular as some project types, such as brokerage, combine the supply- and demand-sides. The demand-side focus is an important feature of the portfolio. As would be expected for investment funds underpinned by an employer-owned vision, the emphasis has been on employer-led initiatives, either through demand-side measures or supply-side measures that are informed by employer needs.

Brokerage (apprenticeships, employment and training) was the most common type of project, accounting for 30% of total UK Commission investment to date. This was followed by projects involving the establishment of groups (26%) and training courses (19%). Projects focussed on individuals and employers have accounted for a relatively small share of total UK Commission investment to date (11% and 8% respectively).

Table 2.3 UK Commission investment by project type

	UK Commission investment (£m)	% UK Commission investment	No of projects	Average UK Commission investment per project (£m)
Demand-side interventions:				
Brokerage – Apprentices	£8.1	8%	8	£1.0
Brokerage – Employment	£14.5	14%	14	£1.0
Brokerage - Training	£7.9	8%	9	£0.9
Employers - Apprentices	£1.2	1%	2	£0.6
Employers - Skills Diagnostics	£7.0	7%	8	£0.9
Groups - GTA	£3.1	3%	3	£1.0
Groups - Networks	£23.4	23%	20	£1.2
Total demand-side:	**£65.2**	**63%**	**64**	**£1.0**
Supply-side interventions:				
Individuals - Pre-employment	£9.4	9%	14	£0.7

[10] Refers to the labour market supply and demand, with demand coming from employers and supply coming in the form of individuals. Interventions related to employer demand for skills and labour are categorised as "demand", and interventions related to provision of training and improving the skills of people are categorised as "supply". Interventions inevitably cut across these two, and in particular brokerage projects reflect the interface of supply and demand.

	UK Commission investment (£m)	% UK Commission investment	No of projects	Average UK Commission investment per project (£m)
Individuals - Skills Diagnostics	£1.6	2%	2	£0.7
Training Courses – Accreditation	£15.0	15%	15	£0.8
Training Courses - New Qualifications	£4.0	4%	5	£1.0
Total supply-side:	**£30.0**	**29%**	**36**	**£0.8**
Other:				
Research – Employment	£1.6	2%	1	£1.6
Research – Research	£6.9	7%	10	£0.7
Total other:	**£8.5**	**8%**	**11**	**£0.8**
Portfolio total:	**£103.7**	**100%**	**111**	**£0.9**

Base: All projects (111); Total UKCES Investment (£103.7m)

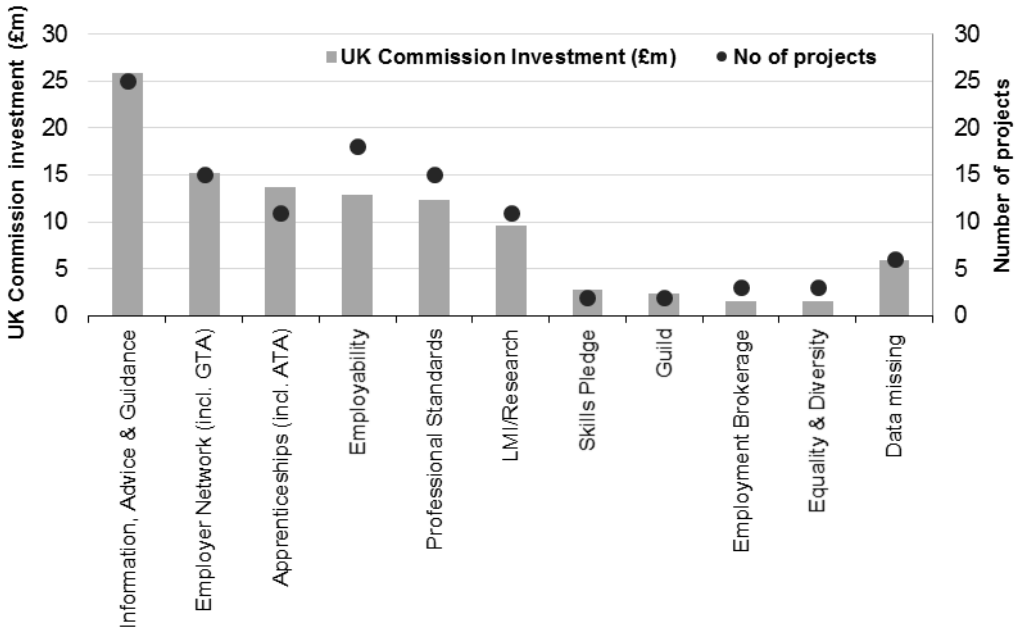
Source: SQW analysis of MI data,

Note: the arithmetic sum of the figures may not equal the total exactly due to rounding.

2.3.2 Policy levers

In addition to project type, EIF and GIF projects have been categorised according to primary policy lever, which provides greater detail on the activities that were actually delivered as a result of the investment. Figure 2.3 shows that career information, advice and guidance (IAG) was the most common policy lever in EIF and GIF projects, accounting for the highest share of projects and investment. This was followed by employer networks (incl. Group Training Associations, GTAs) and apprenticeships (incl. Apprenticeship Training Agencies, ATAs) and employability.

Figure 2.3 Projects and UK Commission investment by primary policy level



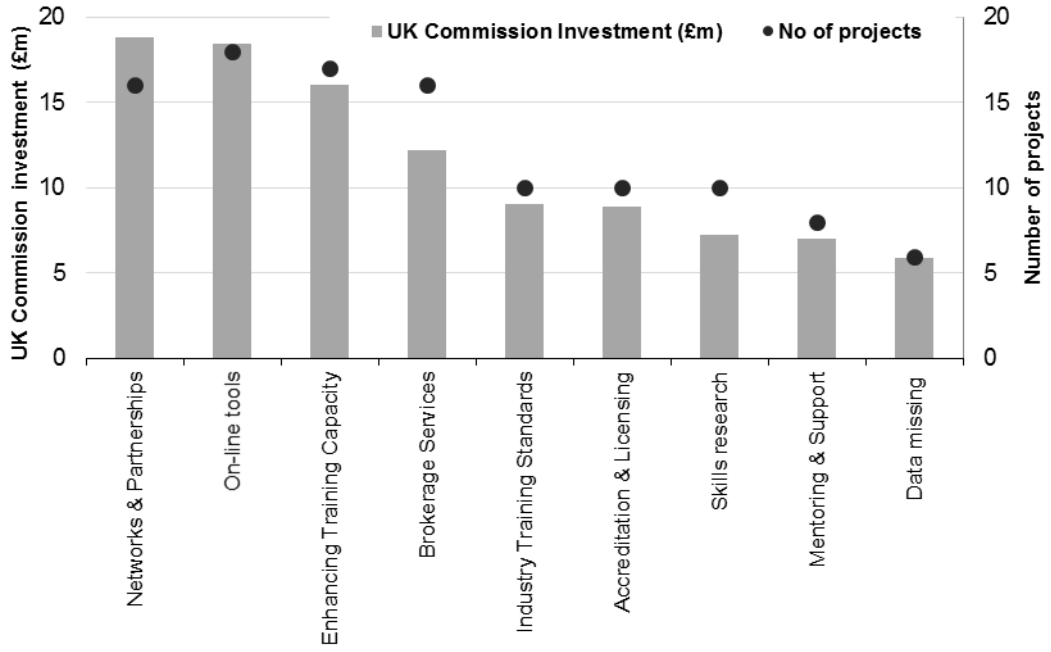
Base: All projects (111); Total UKCES Investment (£103.7m)

Source: SQW analysis of MI data

2.4 Infrastructure

The project portfolio is represented by a mix of different infrastructure types (see Figure 2.4). Online tools are the most common type of infrastructure (developed by 16% of projects, accounting for 18% of UK Commission investment), followed by those designed to enhance training capacity (15% of projects and expenditure) and those developing networks and partnerships (14% of projects, 18% of expenditure). Projects involving mentoring and support or skills research were the least common.

Figure 2.4 Projects and UK Commission investment by infrastructure type



Base: All projects (111); Total UKCES Investment (£103.7m)

Source: SQW analysis of MI data

2.5 Innovation

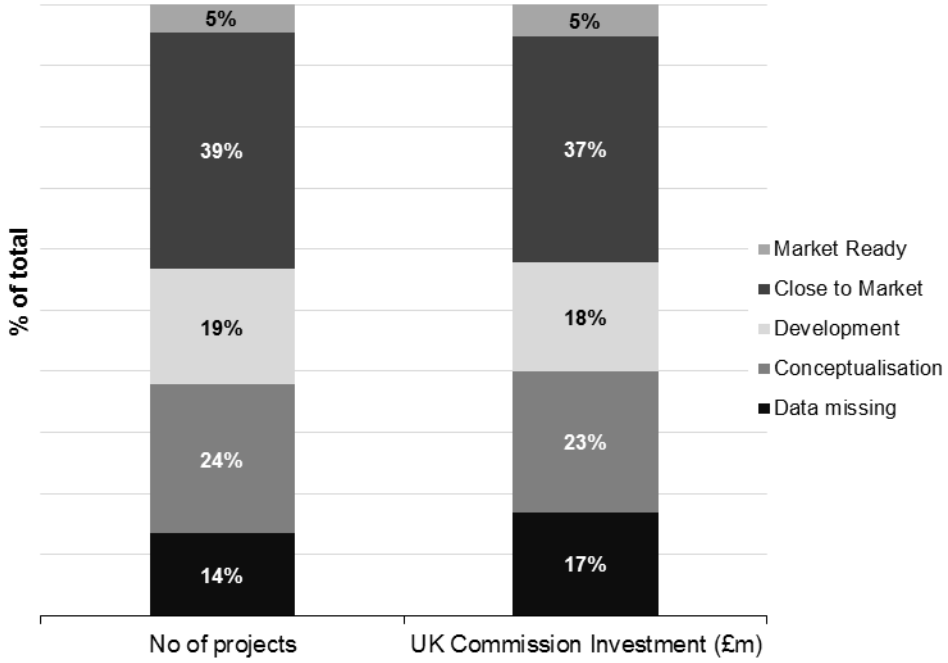
Previous evaluation evidence has identified three types of innovation that apply to projects within the EIF and GIF investment portfolio (Cook et al., 2012; Zaidi and Howat, 2013):

- **Transformative innovation:** fundamentally different models, which are likely to represent high levels of innovation and risk.
- **Context-specific innovation:** this involves bringing ideas and practices from other areas to a new context for the first time. The degree of innovation and risk depends on the extent to which the new ideas and practices require to be modified to suit the new context, though it is likely to be in the low-to-medium bracket.
- **Adaptive innovation:** this refers to taking an existing approach and developing and delivering it in a different way.

Information on the degree and form of innovation is not captured within the MI for EIF and GIF, and so an assessment based on the three types of innovation above needs to draw on evaluation evidence (this is covered in chapter 4). Projects in the MI were, however, assessed on their proximity to market at the point of investment, which provides an indicator of how much 'research and development' was required to get products to market – with products furthest from market requiring more research and development activity.

Figure 2.5 shows that relatively few EIF and GIF projects (5%) were market ready at the point of investment, but nearly two fifths (39%) were close to market. At the other end of the spectrum, almost a quarter (24%) were at conceptualisation stage. These were the furthest from market and therefore, based on this categorisation, those which required the most development work amongst the portfolio.

Figure 2.5 Projects and UK Commission investment by proximity to market



Base: All projects (111); Total UKCES Investment (£103.7m)

Source: SQW analysis of MI data

Note: sum of values may not equal 100% due to rounding

Looking in more detail at the 27 projects that were categorised as being at conceptualisation stage at the point of investment reveals that:

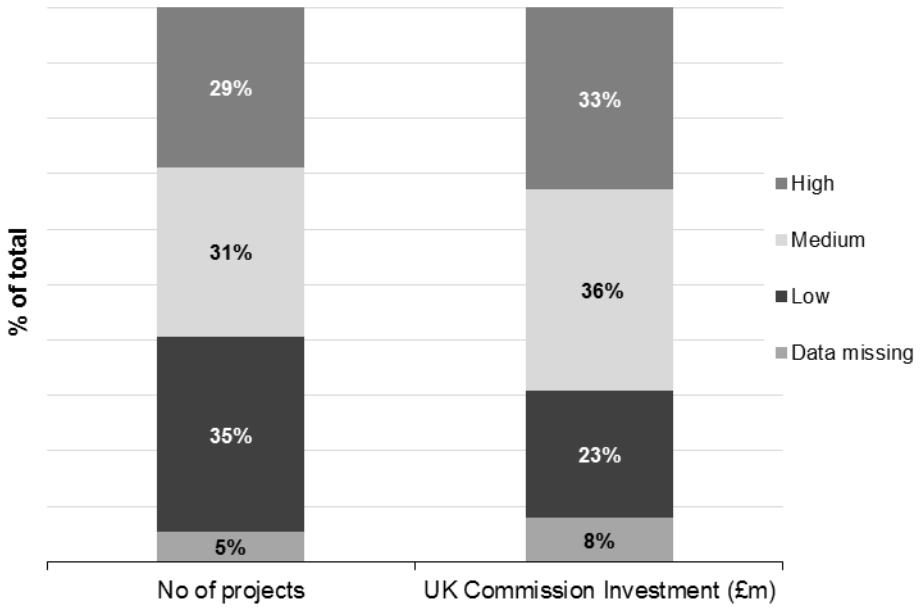
- The vast majority were led by SSCs (only one was led by a non-SSC), which may reflect the UK Commission's assessment of risk for projects for non-SSCs (see more information below) and also the nature of projects that non-SSCs were confident in pitching to the funds.
- They were almost all funded through EIF 2 (81%) and GIF 1 (11%), suggesting that the later rounds of funding attracted more bids from non-SSCs, and also more market ready projects requiring less development work.
- They were concentrated in creative and digital, manufacturing (including advanced manufacturing) and automotive sectors, similar to the portfolio as a whole.
- Employer skills diagnostic and research projects combined accounted for nearly half (48%) of the total.

2.6 Risk

At the point of investment, EIF and GIF projects were given a risk rating by UK Commission Investment Managers. The factors taken into account by Investment Managers in allocating this rating included: delivery, track record, leadership and organisational risk, funding sources, and prospects for sustainability.

Figure 2.6 suggests that the portfolio was relatively balanced in terms of risk. Two thirds of EIF and GIF projects were considered medium or low risk at the point of investment. A further 29% were high risk. The high risk projects accounted for 10% more of UK Commission investment than low risk (33% relative to 23%), indicating that high risk projects were on average of higher value than low risk projects. This is perhaps unsurprising and was likely to be a contributing factor to the risk assessment, through consideration of the factor 'funding sources'.

Figure 2.6 Projects and UK Commission investment by risk rating



Base: All projects (111); Total UKCES Investment (£103.7m)

Source: SQW analysis of MI data

Of the 16 projects led by non-SSCs, 45%[11] were categorised as high risk at the point of investment (only one was considered low risk). This is likely to be in part due to the limited track record of non-SSCs in delivering these types of projects on behalf of the UK Commission. There were no other distinguishing characteristics of high risk projects – they covered a range of sectors, project types and policy levers.

[11] Compared to 26% of SSC projects.

3 Management and delivery

Chapter Summary

This chapter looks at what has been delivered across the EIF and GIF portfolio relative to what was expected in terms of UK Commission expenditure, employer match and outputs. It also considers project success factors and lessons from management of the funds based on the review of evaluation evidence.

The UK Commission had invested £95m across the 111 projects by June 2014, relative to a contract value of £103.7m. The shortfall of 8% was accounted for by the 23 GIF projects that were still in progress and scheduled for completion by March 2015.

Employers had invested £127.8m in the 111 projects by June 2014, exceeding the lifetime target of £103.6m by 23% nine months before programme close. It is noted that one EIF project had attracted £37.4m of employer cash[12]. The exclusion of this provides a more balanced picture of performance with £90.4m of employer investment achieved, relative to a lifetime target of £96.9m. This amounts to a leverage ratio of £1:£1, with every £1 UK Commission investment leveraging £1 employer match.

There has been some variance across the portfolio in relation to outputs achieved. Those that have exceeded target by the highest percentage include the number of e-learning modules created, individuals receiving careers advice and stimulated apprenticeship starts. The output category that has been furthest behind target is the number of beneficiaries into work.

The review identified a number of factors that influenced the successful delivery of EIF and GIF projects. These include effective leadership within investment organisations; securing employer buy-in from the outset; stability in project teams; effective communication between all stakeholders; streamlined reporting; ensuring sufficient time to establish and develop new relationships and consideration of the wider policy and delivery landscape.

[12] This outlier is attributed to a project in the advanced manufacturing sector, which significantly exceeded expectations in terms of the level of employer cash contribution achieved. This was due to consumption of Apprenticeship wages and over-performance in terms of the number of employers engaged.

3.1 Introduction

This chapter looks at what has been delivered across the EIF and GIF portfolio relative to what was expected in terms of UK Commission expenditure, employer match and outputs. This analysis is again based on the 111 projects for which MI data is available, which excludes EIF 2 and GIF Development projects and includes the 23 projects that were still in progress at the time of the review.

The chapter also considers evidence of performance against anticipated outcomes, project success factors and lessons from management of the funds based on the review of evaluation evidence.

3.2 Expenditure

UK Commission Investment Managers work closely with investee organisations responsible for delivering EIF and GIF projects. A key part of their role involves negotiating contract variations to take account of any changes that might impact on timescales and other aspects of project delivery. Of the 111 projects, almost half (48%) had been subject to at least one contract variation at the time of the review, with around a fifth (19%) having been subject to multiple contract variations. These include re-profiling of expenditure to better reflect timescales for delivery, increases/decreases to contract values, changes in the scale and nature of employer match (i.e. cash relative to in-kind), and adjustments to anticipated outputs.

The MI database for EIF and GIF is updated on an ongoing basis to reflect these contract variations. The analysis within this section is therefore based on progress towards the latest, rather than the original, contract values. It therefore does not provide an assessment of the extent to which projects have delivered, in investment terms, against what was originally expected when contracts were first signed.

3.3 UK Commission expenditure

The UK Commission had invested £95m across the 111 projects by June 2014, relative to a contract value of £103.7m. The shortfall of 8% was accounted for by the 23 GIF projects that were still in progress and scheduled for completion by March 2015. The fact that actual spend against lifetime targets is at 100% for various categories in the table below partly reflects that targets are based on re-profiled expenditure – as per the discussion above.

Table 3.1 UK Commission expenditure (actual relative to target)

	Actual spend to date (£m)	Target spend - lifetime (£m)	Actual spend as % of lifetime target
Funding round:			
EIF	£65.9	£66.0	100%
GIF	£29.1	£37.7	77%
Status:			
Complete	£74.4	£74.4	100%
In Progress	£20.6	£29.3	70%
Typology:			
Brokerage	£27.7	£30.5	91%
Employers	£8.2	£8.3	99%
Groups	£22.9	£26.5	86%
Individuals	£10.3	£11.0	93%
Research	£8.5	£8.5	100%
Training courses	£17.4	£19.0	92%
Overall:			
Investment portfolio total	**£95.0**	**£103.7**	**92%**

Base: All projects (111); Total UKCES Investment (£103.7m)

Source: SQW analysis of MI data

3.4 Employer investment

Employers had invested £127.8m in the 111 projects by June 2014, exceeding the lifetime target of £103.6m by 23% nine months before programme close. Whilst this is clearly a strong performance in terms of attracting employer match, it should be noted that one EIF project had attracted £37.4m of employer cash (relative to a UK Commission contract value of £2.6m and contracted employer contribution of £6.7m)[13].

The exclusion of this outlier from our analysis provides a more balanced picture of performance with £90.4m of employer investment achieved, relative to a lifetime target of £96.9m. This amounts to a leverage ratio of £1:£1, with every £1 UK Commission investment leveraging £1 employer match.

Table 3.2 shows that there were variations across the portfolio in terms of leverage ratios. GIF projects are shown here to have generated higher employer match than EIF projects, although the outlier that has been removed from this analysis was an EIF project and if included would result in a reverse of this. In terms of type, projects focussing on brokerage, individuals and employers generated the highest levels of employer match.

[13] This outlier is attributed to a project in the advanced manufacturing sector, which significantly exceeded expectations in terms of the level of employer cash contribution achieved. This was due to consumption of Apprenticeship wages and over-performance in terms of the number of employers engaged.

Table 3.2 Leverage ratios by programme, status and typology (June 2014)

	UK Commission investment	Employer investment (combined cash and in-kind)	Leverage ratio (£ employer match per £1 UK Commission investment)
Programme:			
EIF	£65.9	£55.1	0.8
GIF	£29.1	£35.3	1.2
Status:			
Complete	£74.4	£63.2	0.9
In Progress	£20.6	£27.2	1.3
Typology:			
Brokerage	£27.7	£27.1	1.0
Employers	£8.2	£11.3	1.4
Groups	£22.9	£18.5	0.8
Individuals	£10.3	£12.0	1.2
Research	£8.5	£5.2	0.6
Training courses	£17.4	£16.3	0.9
Overall:			
Investment portfolio total	**£95.0**	**£90.4**	**1.0**

Base: 110 projects – excludes outlier that accounted for £37.1m employer cash

Source: SQW analysis of MI data

Table 3.3 shows that the performance of EIF projects in attracting employer investment was particularly strong at 27% above target (note that these data also exclude the large outlier). The performance of GIF projects on this measure has been lower with 66% of target achieved by June 2014. Although, it is noted that 23 of these projects are still on-going and so progress would be expected to move closer to target as these near completion in March 2015. The performance of projects involving the establishment of groups was also some way behind target at 66%. The evaluation evidence suggests that this is partly due to longer than expected lead-in times to engage employer groups, resulting in a time-lag in employer investment coming forward.

Table 3.3 Employer investment (actual relative to target)

	Actual employer investment to June 2014 (£m)	Target employer investment - lifetime	Actual employer investment as % of target
Programme:			
EIF	£55.1	£43.3	127%
GIF	£35.3	£53.5	66%
Status:			

	Actual employer investment to June 2014 (£m)	Target employer investment - lifetime	Actual employer investment as % of target
Complete	£63.2	£52.9	120%
In Progress	£27.2	£44.0	62%
Typology:			
Brokerage	£27.1	£22.0	123%
Employers	£11.3	£12.0	94%
Groups	£18.5	£28.0	66%
Individuals	£12.0	£12.1	99%
Research	£5.2	£4.2	122%
Training courses	£16.3	£18.6	88%
Overall:			
Investment portfolio total	**£90.4**	**£96.9**	**93%**

Base: 110 projects – excludes outlier that accounted for £37.1m employer cash

Source: SQW analysis of MI data

3.5 Outputs

3.5.1 Progress towards contracted outputs

Looking at completed EIF and GIF projects, there were some variations in performance in terms of progress towards contracted outputs as shown in Table 3.4, although for most categories output targets have been met. The targets that were exceeded by the highest percentage were the number of e-learning modules created (148% of target), individuals receiving careers advice (117%) and stimulated apprenticeship starts (116%).

The output category that was furthest behind target was the number of beneficiaries into work. Almost 3,000 individuals were reported to have moved into work as a result of completed EIF and GIF projects, which was 25% of the target of just over 12,000. This shortfall is mainly attributable to one project that had a target to get 10,500 beneficiaries into work, but achieved 1,410. If this outlier is removed from the analysis, the target would have been exceeded by 1%. In other words, under-performance in relation to this output target was not widespread across the portfolio.

Table 3.4 Actual outputs achieved by completed projects relative to targets

Reporting category:	Number of completed projects contracted to deliver this output	Target	Actual	Actual as % of target
Accredited training starts	5	189,824	182,855	96
Apprenticeship Starts - Direct	3	1,625	1,664	102

Reporting category:	Number of completed projects contracted to deliver this output	Target	Actual	Actual as % of target
Apprenticeship Starts - Stimulated	8	14,986	17,342	116
Benchmarking tool Created	4	5	5	100
Beneficiaries into work	8	12,040	2,963	25
Delivery models created	8	8	7	88
E-Learning Modules created	5	104	154	148
GTAs created	2	4	4	100
Guild/Professional Institute Created	4	5	5	100
IAG Gateway created	4	4	4	100
Individuals Receiving Careers Advice	10	188,987	221,613	117
Learning Hubs created	4	11	11	100
Non-accredited Training Starts	18	82,025	68,465	83
On-line portal created	8	9	9	100
Partnership Created	3	6	6	100
Toolkit created	9	12	12	100
Work Placement Starts	4	11,240	10,779	96
Other reporting category	12	39,975	57,061	143

Base: 86 completed projects

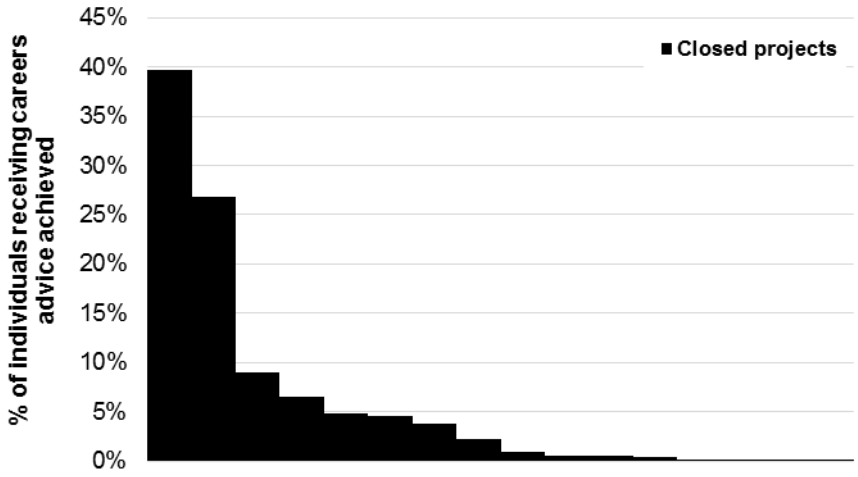
Source: SQW analysis of MI data

3.5.2 Distribution of outputs across portfolio

Outputs achieved have not been evenly distributed across the EIF and GIF portfolio, with a small number of projects accounting for a high proportion of certain output types. This is demonstrated by Figures 3.1, 3.2 and 3.3, in each case a single project accounted for 40 – 46% of all outputs achieved.

Figure 3.1 shows that just two of the 16 projects contracted to deliver careers advice to individuals accounted for two thirds (67%) of the outputs achieved.

Figure 3.1 Distribution of individuals receiving careers advice

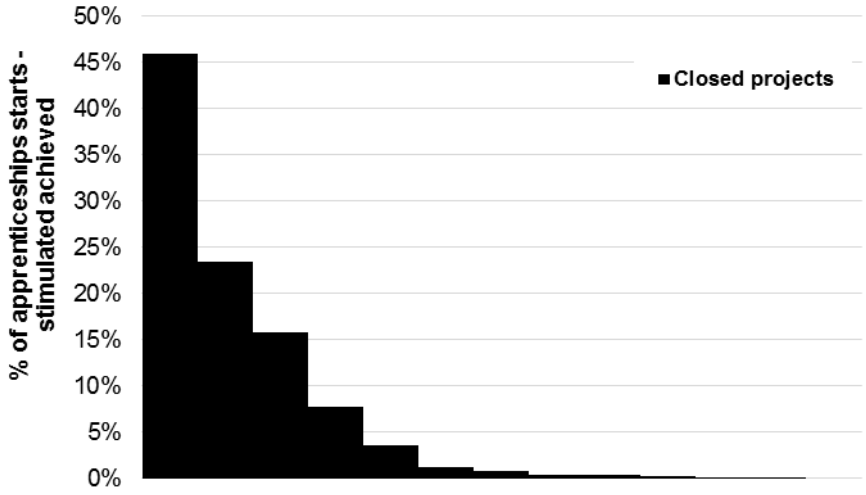


Bases: 16 completed projects; 259,454 outputs

Source: SQW analysis of MI data

Similarly, stimulated apprenticeship starts were also concentrated amongst a few projects, with one accounting for almost half (46%) of the total.

Figure 3.2 Distribution of apprenticeship starts - stimulated

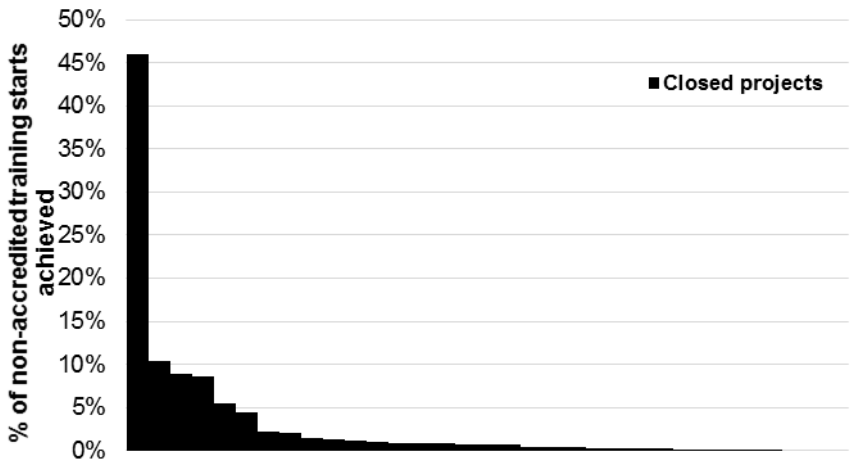


Bases: 13 completed projects; 17,645 outputs

Source: SQW analysis of MI data

The distribution of non-accredited training starts was also very concentrated, with one project again accounting for almost half (45%) of the total.

Figure 3.3 Distribution of non-accredited training starts



Bases: 33 completed projects; 87,038 outputs

Source: SQW analysis of MI data

Across all closed projects, the distribution of outputs was similarly skewed with a few projects accounting for the majority of outputs achieved. This does not mean that those projects accounting for small numbers of outputs have failed. Indeed, an analysis of whether projects have achieved output targets is provided in the next sub-section. The skew does indicate, however, that the overall achievement of individual outputs of the portfolio have been reliant on relatively small numbers of projects.

3.6 Characteristics of successful projects

A key aim for the review is to identify any discernible patterns in the characteristics of projects that have over and under-performed in relation to contracted outputs. In order to facilitate this, a methodology has been developed, drawing on Goal Attainment Scaling, for scoring projects according to how they have performed in relation to contracted outputs.

The process for this involves calculating a score of between -2 and 2 for each output category that projects have been contracted to deliver. The scoring framework for this is set out in Table 3.6. A positive score indicates over-performance, whilst a negative score indicates under-performance in relation to contracted outputs. These scores are combined to produce an output score for each project, which can be used to compare performance across the portfolio. This approach is useful in the context of the EIF and GIF portfolio because of the variety in output targets across the project set.

The analysis in this section is based on 68 completed projects. Projects were excluded if they had delivered only non-contracted outputs or had outputs only for businesses engaged, businesses benefitting or both (as the MI does not allow for project-level analysis against these targets).

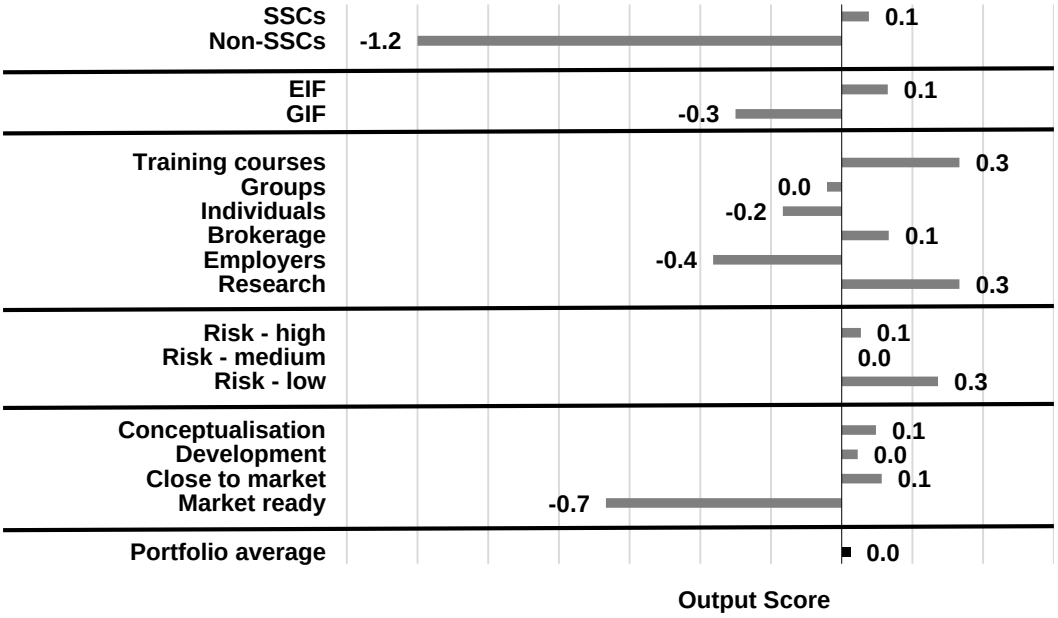
Table 3.6 Output scoring framework

Output Score	Description
-2	20% or more below target
-1	10-20% below target
0	10% above or below target
1	10-20% above target
2	20% or more target

Figure 3.2 shows that the portfolio as a whole over-performed slightly in terms of contracted outputs with an output score of 0.1. It also shows variations in output scores by lead organisation, programme, project type, risk and proximity to market:

- **Projects led by SSCs slightly over-performed** in relation to contracted outputs, achieving a combined output score of 0.1 (in line with the portfolio average). This was in contrast to non-SSC led projects, which achieved a negative overall score of -1.2. However, only three of the 17 non-SSC led projects were included in this analysis and so the results are not representative. The average score for non-SSC led projects is likely to change as more of these reach completion.
- **EIF projects also slightly over-performed** in relation to contracted outputs with a score of 0.1 in contrast to GIF projects with a negative score of -0.3.
- **Training courses and research projects achieved the highest output scores** (both 0.3), suggesting that these were most successful in terms of achieving contracted outputs.
- Projects involving initiatives **aimed directly at either individuals or employers** achieved the lowest output scores (each at -0.3).
- Projects categorised as **low risk at the point of investment** were more likely to over-achieve in terms of outputs than high risk projects. High and low risk categories of projects both achieved a positive output score, whilst medium risk projects were mainly on target.
    - **Projects that were conceptual or close to market** at the point of investment were most likely to have achieved contracted outputs, whilst those that were market ready at the point of investment were less likely to have achieved contracted outputs. However, it is noted that only two of the completed projects included within this analysis were market ready at the point of investment and so this finding should be interpreted with caution.

Figure 3.4 Output scores by programme, type and risk



Bases: 68 completed projects; 551,559 outputs

Source: SQW analysis of MI data

3.7 Outcomes

In addition to performance against contracted outputs (covered in the previous section), the review also considered evidence on the extent to which projects achieved anticipated outcomes. This evidence came from the 73 evaluation and case study reports that were incorporated within the review. For each, reviewers recorded the extent to which outcomes were reported to have been achieved. These outcomes were specific to individual projects, but included measures such as the uptake of new training courses and apprenticeship programmes, employers filling vacancies through recruitment of young people directly from education, and sign-up to professional registers.

The review of evaluation evidence indicated a mixed picture in terms of performance against anticipated outcomes for EIF and GIF projects, as shown in Table 3.7. Almost half (45%) of those included had achieved or exceeded expected outcomes at the time of evaluation and a further 14% had achieved some but not all. A relatively low proportion (12%) were reported as having underachieved against anticipated outcomes. For the remaining 29%, it was either too difficult / early to tell or there was no evidence of performance against outcomes within the evaluation report. This partly reflects the timing of the project-level evaluations, which were generally carried out at project completion before outcomes had been fully realised, but also reflects the fact that most were process evaluations and therefore did not include a detailed assessment of outcomes or impact.

Table 3.7 Performance against anticipated outcomes (from evaluation evidence)

	Total	% of total
Exceeded	12	16%
Achieved	21	29%
Mix of achieved / underachieved	10	14%
Underachieved	9	12%
Some evidence, but difficult / too early to tell	13	18%
No evidence	8	11%
Total	**73**	**100%**

Base: 73 EIF and GIF projects included in review of evaluation evidence

Source: SQW review of project level evaluations and case studies

The programme logic model for EIF and GIF identifies a number of anticipated outcomes from the investments. At the time of the previous stocktake in 2013, there was limited evidence of progress towards many of these, particularly those that were anticipated for the medium/longer-term (Cook et al., 2013).

Despite the increase in the volume of evaluation reports available for the current review, evidence of progress towards the medium and longer term outcomes is still incomplete due to the timing and formative nature of most of the evaluation evidence. However, the review did find some evidence of outcomes achieved through EIF and GIF projects and these are summarised in Table 3.8. However, it is noted that these have been identified by individual project evaluation reports and case studies and are not necessarily widespread across the portfolio as a whole.

Table 3.8 Outcomes reported under EIF and GIF

Category of outcome	Outcomes reported in project level evaluations
Business benefits	• Improved recruitment and selection processes • Cost savings for recruitment and training • Improved proficiency and productivity • Staff retention • Increased understanding of service failures and how to address them • More effective leadership and management
Wider economic benefits	• Increased GVA

Category of outcome	Outcomes reported in project level evaluations
	• Economic savings from reduction in young people that are NEET • Evidence of return on investment • Improved skills utilisation • Reduction in skills gaps
Skills system	• Development of cost effective training solutions • Improved talent pool • More collaborative working between employers and skills system
Networks / partnerships	• Development of new networks / partnerships • Broadening of existing networks / partnerships • Step change in dialogue between employers and SSCs, with a much greater focus on collaborative working to develop skills solutions • Renewed commitment to skills and partnership working

Base: 73 EIF and GIF projects included in review of evaluation evidence

Source: SQW review of project / programme level evaluations and case studies

Emerging findings from the quantitative element of the ongoing programme-level evaluation of EIF and GIF are encouraging in terms of outcomes achieved, albeit based at this stage on self-reported benefits. They suggest that particularly good progress has been made in helping employers to understand their skills needs and how to access relevant training. They also suggest highest levels of self-reported impacts for projects in the manufacturing sector and those involving business with more than ten employees. The report does note that there is an overlap in the characteristics of those employers reporting higher impacts, notably with manufacturing, large employers and those participating in training brokerage activities reporting higher impacts. Subsequent impact analysis will seek to isolate the effect of these different characteristics.

3.8 Project success factors

The review of project-level evaluation evidence identified a number of factors associated with successful delivery of EIF and GIF projects. The key ones were as follows:

- **Leadership within investment organisations** – this was cited as a key success factor for many of the projects and refers to effective leadership and management of both the project and the wider organisation as a whole.
- **Employer buy-in from the outset** – a common feature of successful projects was effective employer engagement and endorsement from the outset, including with sectoral 'reach'. This ensured that the solutions being developed were genuinely demand-led and benefited from employer input at all stages.
- **Stability in project teams** – this was considered important for maintaining momentum and focus throughout the lifetime of projects. In cases when there was staff turnover, both within investment organisations and participating employers, the importance of addressing this quickly and effectively was highlighted.
- **Effective communication** – most EIF and GIF projects involved multiple stakeholder groups and the importance of ensuring that they were all kept informed and up to date with progress came through strongly from the evaluation evidence. This involved regular communications, even during times when project activity was minimal, and embedding feedback loops into the delivery process. It also involved ensuring that communications were in a format and language that was accessible to the sector.
- **Streamlined reporting** – linked to effective communication was the need for simple and clear reporting requirements in order to effectively manage / minimise the administrative burden on participating employers and other stakeholders.
- **Time required to establish new relationships** – a strong lesson from many EIF and GIF projects was that the time involved in establishing new relationships with and between employers and education providers was much longer than originally anticipated. Following agreement to be involved, the subsequent lead-in time to commitment of resources to the project could in some cases be an additional 3-6 months. The lessons is to factor in sufficient time into project plans / timetables for this.
- **Wider policy and delivery landscape** – a number of external factors were found to be associated with project success. These included the wider economic climate, which was found to be a particular barrier to employer investment in skills. The pace of change, including for those projects involving new technology, was found to be both an impetus and a barrier to project delivery. Similarly, wider policy changes could be a stimulus by creating right environment for projects, but also a barrier if changes are slower than expected or create an adverse effect on the wider environment.

A further factor that needs to be considered is how programme management has been conducted by the UK Commission. There was fairly limited evidence across the project-level evaluation reports on this issue, though the last sub-section of the chapter considers the evidence available.

3.9 Programme management

The project-level evaluation reports and case studies focused mainly on how individual projects had been delivered with limited consideration of how the wider programme of investments had been managed. However, several studies did discuss negotiations between investee organisations and the UK Commission in relation to contract variations, highlighting the active approach taken to managing the funds. For example, the evaluation of a project aimed at ensuring the qualifications landscape for low carbon activity was fit for purpose reported that a contract variation had been agreed with the UK Commission in light of the delay in launch of the Green Deal (Skyblue, 2014).

The evaluation of a project aimed at developing professional standards for those working in the employment related service sector noted that the UK Commission had taken a more 'conventional' and active contract management approach than originally anticipated (Foster et al., 2013). It was thought that an 'arms-length' approach would be adopted providing that targets were being met. However, a more active approach was found to have been taken, with a strong focus on numerical output targets.

The qualitative evaluation of EIF1 reported that most SSCs believed the UK Commission had managed the projects effectively (Zaidi and Howat, 2013). However, it also highlighted the difficulties associated with developing output metrics for projects that were focussed on building capacity within a sector. This often resulted in a tension between output metrics required to trigger payments and the measures of success that were more important for ensuring that projects became self-sustaining. The challenge here is in developing monitoring frameworks that are suitably rigorous, but also flexible enough to adapt and evolve during project implementation. The lesson for investees was to ensure that the outputs they commit to are realistic and plausible within the timescale.

This theme was picked up further in the qualitative evaluation of EIF and GIF, which highlighted the need to ensure that outputs negotiated by the UK Commission with SSCs are focussed on measuring progress towards indicators required by projects to be sustainable (Howat and Zaidi, 2013). It also highlighted the need to ensure that the UK Commission does this consistently across all investments. The report noted that in some cases it was clear that the output targets did not provide enough stretch and challenge or were not clearly defined. It must be noted that the UK Commission has sought to be flexible in managing expenditure and output contract targets, in particular as projects have developed and changed. Establishing appropriate output targets is therefore challenging, with a need to strike a balance, taking account of several issues:

- Milestones need to be set out clearly to reflect the journey towards sustainability with interim indicators, such as the launch of a product, complemented by those that measure the progress in gaining traction with the sector.

- There has been a need to build in flexibility to account for project changes, which are to be expected, especially for projects requiring more development work.
- The project set is heterogeneous which means that more output categories are required, making aggregation challenging. The UK Commission has sought to address this through a refresh of the MI and the categories for which data were collected. Further refinements to create a small 'core' set of outputs, alongside a wider 'supplementary' set, may benefit overall reporting. Goal Attainment Scaling, used in this chapter, may also assist in overall reporting going forward.
- The previous point has been exacerbated by apparently different reporting behaviours by investment organisations. A key lesson is to provide more consistent guidelines on how achievements should be counted and measured.

4 Innovation

Chapter Summary

EIF and GIF project ideas were stimulated by research and labour market intelligence (LMI) identifying particular skills issues faced by employers. This was complemented by other stimuli such as employer forums, recognition of long-standing issues, government policy or changes in legislation, and the existence of projects that required further investment or tailoring.

A range of challenges were identified which projects were designed to overcome, including future growth/requirements for labour, staff turnover/recruitment and skills shortages, responding to changing technologies, a need to professionalise the workforce, and a need to improve quality on the skills supply side.

The process of designing and developing project concepts was complicated. Sector bodies were instrumental in initiating ideas, either through a top-down approach (with ideas subsequently tested with a wider group of employers) or through facilitating discussions with employer forums. Some more bottom-up developmental approaches have also been tried, though there is limited evidence on the effectiveness or otherwise of these methods. Intermediaries (mainly sector bodies) have therefore been instrumental to the project design and development process.

The findings on innovation indicate that less transformative projects have dominated, notably context-specific innovation, whereby models have been transferred to the sectors/contexts of the projects for the first time, and also adaptive innovation. This pattern is unsurprising given the context of the programme, and the types of innovation that are more likely to be brought forward.

There is emerging evidence of the potential for projects to change employer attitudes and behaviours in transformational ways, e.g. through more graduate entry points, greater take-up of apprenticeships, exploring how to facilitate new technologies through workforce development, and encouraging employer cooperation where it has previously been impossible.

These effects all take time however, and so a key learning point is the gradual process of bringing about transformative change.

4.1 Introduction

One of the three core principles for both EIF and GIF was for investee organisations to come forward with 'innovative' solutions to the skills challenges facing their employer communities. In this section, the innovation process is examined, looking at where and how ideas came forward and were developed, including the role of employers and investment organisations in this process. In addition, the nature of innovation is assessed.

There are different ways in which the nature of innovation can be categorised. As discussed in section 2, the MI data provides a view in terms of market readiness. In this section, the study builds on previous work evaluating the EIF and GIF programmes. In particular, earlier studies drew on a combination of Handy's (1999) distinction between continuous innovation, which is more incremental, and discontinuous innovation, which is more radical, and the three categories employed by the UK Commission, namely transformative, context-specific and adaptive. In this section, the nature of innovation is discussed for the projects incorporated in the review of evaluation, drawing on the reviewer's assessment for each project.

4.2 Idea generation and development

4.2.1 Identifying the issues and drivers

As the policy-making and programme development cycle theory might suggest, research and labour market intelligence (LMI) have played a key role in initiating project design. This research and LMI has identified particular labour market challenges that have given rise to the imperative to develop project solutions. Intermediary bodies such as SSCs were identified as the sources of bespoke research, as well as other organisations, such as think tanks. For example, an Institute for Public Policy Research (IPPR) report was an initial stimulus for the project to develop the Institute of Employability Professionals. Evidence often requires drawing on a range of sources, and national datasets have been identified as key starting points, such as the UK Commission's Employer Skills Survey.

The use of research informing policy has been complemented by other stimuli for project design. These have included the following, with some examples referenced below in Table 5.1:

- employer forums and the regular gathering of employer feedback on skills issues
- the development of related government policies that have stimulated or are anticipated to stimulate employer demand
- the existence of long-standing objectives or challenges to which EIF and GIF projects could be aligned

- the existence of projects already, for which further funding was required or tailoring was needed to meet the needs of a particular/new audience.

The last two points partly reflect the fact that EIF and GIF were launched within an existing context, notably the earlier Skills for Business network/network of SSCs. In part, EIF was a transitional fund for SSCs as they moved away from the 'core grant' that they had previously received from government to becoming self-sustaining organisations albeit through bidding successfully to competitive funds launched by government.

The drivers and challenges identified as the issues that projects needed to address have varied, and examples are referenced below in Table 4.1. These have included the following, with some of these inter-related:

- meeting future growth/requirements for labour
- evidence on staff turnover/recruitment challenges, including issues such as skills shortages, sector attractiveness problems and diversity challenges (e.g. IT sector, logistics sector)
- responding to changing technologies (e.g. advanced manufacturing, creative sector, IT)
- responding to government policy including legislation, government programmes requiring new/different competences or at greater scale (e.g. welfare to work/ employment advisors, Green Deal), and strategic fit (e.g. nuclear)
- a need to professionalise the workforce and improve its image (e.g. food & drink manufacturing, aviation, employment advisors)
- a response to improve quality on the supply side (e.g. creative sector, cyber security)
- building on good practice (e.g. Cogent Gold Standard, but adapting to specify for SMEs).

Table 4.1 Examples of stimuli and issues/challenges

Project	Stimuli	Issues/challenges
Professional Register	Research study funded under earlier EIF round	Number of areas identified where industry said that there was a need for CPD to develop and maintain competence in particular job roles
Passenger Transport Skills Pilot	Aviation Skills Board discussion State of the Nation report	Raising skills levels and professionalism across the workforce, making the sector more attractive, with clear career pathways and progression opportunities to help recruit new staff in the future, absence of a common skills / qualification framework – issues particularly identified for Airside Operatives
Institute of Employability Professionals	Research undertaken by the Institute for Public Policy Research (IPPR) and and Centre for Economic and Social Inclusion (CESI)	Need for employment related services industry to adopt a targeted approach to the up-skilling of the workforce, with clear progression routes, and new approaches to workforce development. Absence of skills infrastructure, such as an SSC for the sector.
Hospitality Guild	Government's Skills Strategy (2010) and changes in legislation	Changes in Government legislation around migrant workers, which have traditionally been a key supply of labour for the hospitality sector, were part of prompting a change in approach
Life Sciences Placement Service	Government's Plan for UK Life Sciences	Attracting, developing and rewarding the best talent, with particular demands from employers, universities and professional institutions

Source: SQW, drawing on evaluation evidence

4.2.2 The roles of employers and intermediary organisations

Project design and development processes are varied and complicated and require a range of organisations and interactions. Howat and Zaidi (2013) identified that the "process of generating ideas remains extremely complex", and that the subsequent development of idea into actual project requires substantial amounts of time. Employers and investment organisations, along with others (such as providers, National Skills Academies, and public sector organisations, such as the Skills Funding Agency), are critical to this overall process.

Whilst there is limited documented evidence on where ideas originated from, the project and programme-level evaluation evidence has identified the key roles played by both employers and investment organisations (i.e. SSCs, other sector bodies and bodies representing communities of employers). Some kind of dialogue takes place between employers, investment organisations and any other relevant organisations to develop the concept. Turning these into reality then requires the investment of substantial time to perform a number of roles, including marshalling the evidence to justify the project, engaging with employers to test concepts further, developing the project idea into a project proposal and plan, and bid writing to win the required funding.

There are arguably different emphases in terms of the roles played in idea generation and development. Some investment organisations deliberately sought to instigate a process of seeding new ideas through a process that was developmental. In one case, this led to the identification of a number of potential solutions, although the evidence so far suggests that none of these have seen wide take up. The dominant process is for organisations to be more top-down, developing products/services as ideas that are subsequently tested with employers, or to initiate project ideas alongside employers and then play the key role of decision-making and further development themselves. Table 4.2 shows the spectrum of the development processes. This is not necessarily a broad spectrum, rather the variation is in the emphasis of where design and concepts originate and are first developed.

Given the limited degree to which more developmental processes were adopted, it is difficult to be conclusive on this kind of approach. Indeed, it would need to be tested more extensively and in different contexts, in particular if the expectation was that a number of particularly novel ideas might emerge but with only a few that are successful. This is a particular area of focus for the Futures Programme.

Table 4.2 Examples of development processes

Project	Design/development process	Broad spectrum of bottom-up to top-down
Creative Solutions	Ideas initiated with employer groups, and then tested developmentally through seeing which ideas employers clustered around, and taking these ones forward to further development.	Bottom-up employer design
Renewable Training Network	Employers were involved in developing the original concept and the SSC led on working this up into a project and subsequent bid for funding.	
High Performing People	Employer feedback, e.g. at events and conferences, suggested the initial concept of an online tool to help employees and employers to identify the skills and competences required to perform a specific role. This was then worked up in more detail including identifying the key occupational areas.	
SME Gold Standard	The Gold Standard already existed as a successful product, but there was low take-up by SMEs. Drawing on feedback from SMEs, the investment organisation developed a tailored model to meet the needs of SMEs.	
Talent Bank	The investment organisation developed the initial idea and then tested this with employers through consultations, events and existing advisory boards.	Top-down intermediary-led with subsequent testing with employers

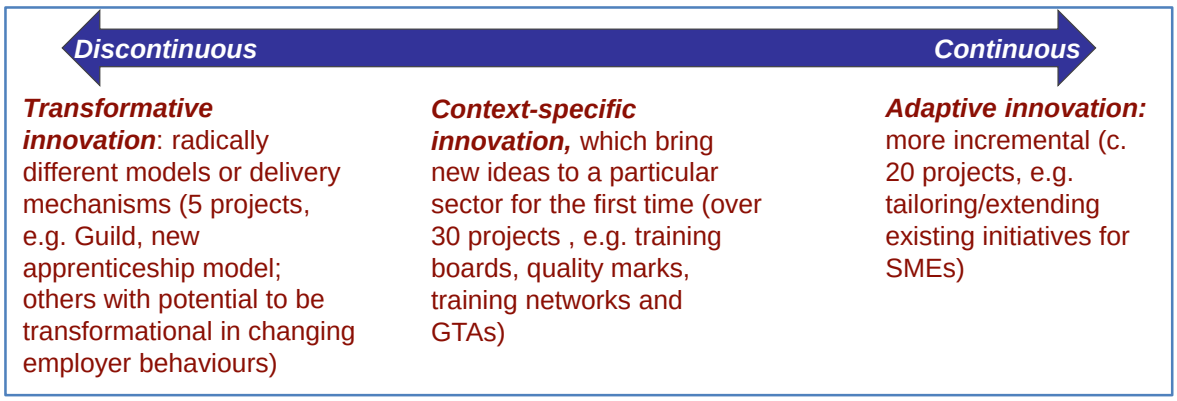
Source: SQW, drawing on evaluation evidence

The evidence, therefore, has highlighted the key role played by intermediaries, i.e. the SSCs and other investment organisations, in facilitating a process of innovation and then turning the ideas into genuine projects. Moreover, programme-level evidence on EIF and GIF has highlighted that investment organisations have developed their processes of project development so that they are more sophisticated than they were in earlier funding rounds. For example, project development is more cross-organisational, involving research, employer engagement and project delivery functions, thereby ensuring that relevant expertise is drawn upon to develop more well-thought-out projects (Howat and Zaidi, 2013). The role of intermediaries and employers is again picked up in the next two chapters on employer engagement and sustainability respectively.

4.3 Nature of innovation

The nature or extent of innovation was assessed based on reviewers' judgements drawing on the evaluation evidence. In Figure 4.1 the assessed spread of projects across innovation types is illustrated, drawing on the categorisation in the first evaluation of GIF (Cook et al., 2012). This reaffirms earlier evaluation evidence that less transformative projects have dominated, notably context-specific innovation, whereby models have been transferred to the sectors/contexts of the projects for the first time, and also adaptive innovation. Table 4.3 sets out some examples of the different nature of innovation across different projects. This highlights that there are some fuzzy boundaries in categorising innovation, with some projects towards the discontinuous end, though it is acknowledged that the projects are not radical because they are not entirely new.

Figure 4.1: Forms of innovation



Source: Based on Cook et al. (2012), which drew on the UK Commission and Handy (1999)

Table 4.3 Examples of nature of innovation

Project	Nature of innovation
Guild project (anonymously referenced in report)	This is seen as transformative because, whilst there are guilds in other sectors, the way in which the guild is applied to this particular sector (bringing together all the trade associations to create a single vehicle to route future skills solutions) is more radical. Fuzzy **between transformative and context-specific**
Sector-Managed Apprenticeship model	Development of a quite different funding and delivery model for apprenticeships. This is not radical in the true sense of transformative innovation, but it is developing a new model that is challenging existing skills funding models and regulations. Fuzzy **between transformative and context-specific**
Apprenticeship Agency	The project aims to create an Apprenticeship Agency for the Marine Network. Again, this is not entirely transformative, because a skills brokerage is not new in itself, but the model, designed to drive up numbers of apprenticeship places in the sector, is trying to bring this about change at a sub-national level. Fuzzy **between transformative and context-specific**
EIF2 project for the land-based industries	Focused on activities new to the sector, such as: careers website for young people interested in pursuing a career in land-based sector; business centre for information, advice and guidance for land-based businesses; professionals skills frameworks specific to sub-sectors, e.g. floristry. **Context-specific innovation**
Talent Bank	Development of a Group Training Association. Whilst this is not new, it is being done for the first time in the energy and utilities sector. **Context-specific innovation**
SME Gold Standard	Develops an existing scheme to make it more tailored for SMEs. The project therefore builds upon a tried-and-tested model. **Adaptive innovation**
High Level Skills for advanced manufacturing	Project extends an employer's current programme in a phased manner with a focus on engaging and supporting supply chain companies especially SMEs. **Adaptive innovation**

Source: SQW, drawing on evaluation evidence

This balance in favour of adaptive and context-specific innovation is not to be unexpected for three key reasons:

- **Radically different models** (i.e. transformative innovation) are rare by their very nature, whereas innovation is often about incrementally developing and improving something that already exists (i.e. adaptive innovation). For example, there are many examples of bringing in new modes of delivery to improve engagement with employers, or tailoring existing projects to meet the needs of a particular sub-set of employers.
- In the context of a public sector programme, which has particular expectations on ensuring accountability of spend, formal processes for inviting and assessing applications that are **often related to demonstrating deliverables**, and tight targets in terms of expenditure variance, the environment for projects is made more risk averse.
- There is evidence that it may be **easier for employers to buy into context-specific innovation** than more radical ideas because on the one hand they are seen as novel (as they are new to the sector), but on the other hand they are less risky (because they have been tried and tested elsewhere).

As noted in Figure 4.1, a further dimension, which has been picked up in the programme level evaluation evidence (Zaidi and Howat, 2013), is that certain projects have the potential to bring about **transformational changes in employer behaviours** (even though the innovation itself may not be seen as transformative). In one example of this type, the evaluation found that, whilst it was too early to comment on the impact on the sector, there had been significant take-up of the scheme (c. 40,000 individuals registered compared to a target of 10,000) (Brown, no date, a). In many cases, given the timings of project level evaluations (normally at the close of projects) it was too early to report on transformative effects. Nevertheless, there was some evidence that initial steps were being made in changing the attitudes and behaviours of employers, for example:

- more graduate entry points in the creative (Skyblue Research, 2014)
- changing attitudes towards employing apprentices in the automotive sector (Brown, 2014a)
- bringing attention to workforce development imperatives relating to emerging areas such as assistive technologies in social care (Payne, 2014).

The on-going programme evaluation will be important in providing evidence on transformative effects, and the first round of case studies has identified some emerging examples of substantively changing employer behaviours and/or employer relationships with others:

- The Process Industries Project has improved employer and union relationships through concerted action to address industrial relations problems by establishing training infrastructure. There were threats to fuel supply in the UK amid concerns about health and safety practices, and this led to an independent mediator being appointed to help unions and employers reach an agreement. One outcome of this was using the EIF project to develop accredited training standards in the form of a Tanker Driver Passport (TDP), which will be required by all refineries from 2015.
- The Renewables project generated closer links and spin-off activity between participant employers including mutual visits to training centres, sharing of good practice in training and the development of collaborative auditing standards. This is also reflected in the Supply Chain project where employers formed a contractors group and developed a utility operative skills passport after the project ended together with systems to share in-house training facilities and expertise. Bringing together employers that previously did not collaborate was regarded as a considerable achievement, with potentially long lasting benefits for future co-operation in addressing common sectoral skills needs. In the Supply Chain project, participants showed indications that they were continuing similar activities after funding ceased, demonstrating an embedded change in attitude towards training and investment.

4.4 Performance of innovative projects

With the limited number of transformative projects, it is not appropriate to draw any conclusions on the extent to which innovation is linked to performance. As a proxy for this though the review has examined what the project-level evaluation evidence said about performance for a subset of riskier investments. These riskier investments were identified from the MI data, either because they were 'high risk' at the point of investment and/or were at 'conceptualisation' stage at the point of investment. In the vast majority of these cases (27 out of 33), the project evaluations reported that progress was on track or better (for three progress was behind, and for the remaining three it could not be ascertained from the report). Whilst some care is needed in the validity of findings on performance assessments[14], this indicates that risky projects and those furthest from market have not necessarily underperformed. This is encouraging for the portfolio as a whole, and for the UK Commission as the programme manager. Though it has been noted that this may also reflect the relatively risk-averse environment within which the investment funds have operated.

A caveat on this is that one should not equate 'risky' and 'conceptualisation' stage with higher degrees of innovation. For example, high risk could be associated with investing in relatively unknown organisations with limited delivery records or in new organisations, and project concepts may be for less innovative project ideas (though obviously with some distance to go to get to market). Indeed, projects that display innovation that is context-specific or adaptive have similar risk profiles to the overall portfolio.

[14] As noted in section 1, some reports were authored by the investment organisations themselves, and evidence on additional outcomes is limited (because counterfactuals were not assessed, and/or because it was early to report on outcomes).

5 Employer engagement

Chapter Summary

Employer engagement, as measured in terms of cash and in-kind contributions, has met expectations with every £1 UK Commission investment leveraging £1 employer match. In interpreting these figures, it is important to note that in-kind contributions can vary in their quality depending on the extent to which engagement is 'active' or 'passive' in nature.

MI data suggests that a total of 21,835 unique employers had engaged and/or benefitted from EIF and GIF projects by March 2014. There are no targets against which to compare this figure.

Emerging findings from the quantitative element of the ongoing programme-level impact evaluation suggest that projects have engaged employers in design and development in line with the principles of employer ownership. The employer survey report indicated that a substantial proportion of employers that have benefited from schemes have also been engaged in some way in design or set up.

There are a range of barriers to employer engagement, such as the fragmented nature of sectors, lack of capacity and resources amongst employers, lack of awareness and information, dispersed nature of employers, and technical challenges. Many solutions have been deployed to address these. In some situations, the structure of the sector, including supply chains and/or peer-to-peer networks, can be effective in addressing these challenges (as has been found in certain sectors, such as advanced manufacturing and energy and utilities). In other situations, strength of leadership, alongside adoption of a range of methods has been critical.

Nevertheless, there has been progress in SME engagement and some examples of good practice. Adopting a range of engagement mechanisms and ensuring that products or training offers meet the specific needs of SMEs are both critical. Within this, specialist brokers with sectoral and other relevant knowledge, as well as using face-to-face communication have been found to work. This shows that there are no shortcuts to engaging effectively with SMEs.

5.1 Introduction

Employer engagement was a cornerstone of the EIF and GIF programmes, with the intent for employers to be engaged in the design, development and delivery of investments. This was, and remains, a fundamental part of the role of investment funds in moving towards the vision of employer ownership of skills. This section looks at what has worked in terms of employer engagement, the barriers faced and solutions that have been found. It also examines the types of roles that employers have played in project processes. In considering this, it is important to note that there are varying degrees to which employers are engaged in an 'active' or 'passive' way, and this occurs throughout the project process, from design and development, through delivery and into project participation as beneficiaries.

Employer engagement measured in terms of cash and in-kind contributions has met expectations. As identified in section 2, excluding one outlier (of £37.1m employer cash contribution relative to a contract value of £1m), employers had invested £90.4m (including both cash and in-kind contributions) in the 111 projects reviewed in the MI by June 2014, relative to a lifetime target (to end March 2015) of £96.9m. Effectively, this amounts to a leverage ratio of £1:£1, with every £1 UK Commission investment leveraging £1 employer match.

The MI also provides data on the number of employers **engaged** in the design, development and delivery of EIF and GIF projects and / or **benefitting** from the services or products offered through them. The MI estimated that a total of 21,835 unique employers had been engaged and/or had benefitted from EIF and GIF projects by March 201415. This breaks down as follows:

- 6,834 employers engaged
- 9,672 employers benefitted
- 5,329 employers engaged and benefitted.

This section focuses on how employers have been engaged in design and development of projects, including through employer cash and in-kind contributions, and in supporting delivery. In doing so, the section refers to evidence on the extent to which those employers benefiting from projects (i.e. benefitted in the sense that they have received the services, products or support offered through projects) have also fed in to design and development.

[15] Note that there is no data on targets because these were not updated as part of the refresh and revisions to MI collection. There are also no available break downs (e.g. by sector) as the data are collected in aggregate only.

5.2 Engagement strategies

This sub-section looks at the barriers to employer engagement and the strategies that have been adopted to address these. As part of this, the sub-section discusses the specific challenges in engaging with SMEs. The implications for the activities that employers have been involved in are then set out, and here there is a discussion on the varying intensity of engagement by employers.

5.2.1 Barriers and solutions

The review of evidence has highlighted some common challenges to employer engagement. In responding to these, investment organisations have adopted a range of solutions, informed by the experiences that SSCs in particular have developed over a number of years. The main challenges and the solutions that have been used for these are set out in the following paragraphs and summarised in Figure 5.1.

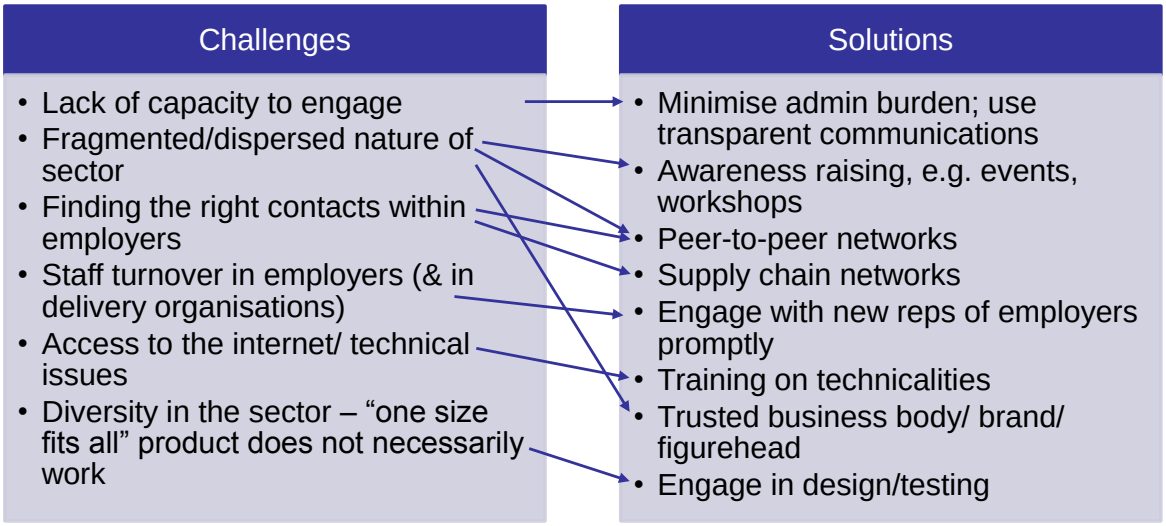
There are a number of challenges related to '**getting the message out' to employers**, including the nature of the sector (if is fragmented in particular, e.g. with large numbers of small employers) and getting to the right contacts within organisations. A range of options have been deployed to address this, including upfront marketing events, making information available to employers through online platforms and events to show-case good practice. In addition, some projects have utilised supply chain and peer-to-peer networks to disseminate information on projects and share practice, and/or used prominent figureheads such as major employers or individuals in the public eye.

In some cases it is a challenge to **sell the product or training**, or convince employers of the benefits, e.g. in helping their business to grow. A lesson is that the lack of employer involvement in the development stage exacerbates this issue significantly. Earlier engagement to ascertain the nature and scale of demand (including initial testing of the willingness to pay for products), as well as to shape products so that they better meet the needs of employers, can help overcome this challenge. Other solutions, once products are launched, have included the use of supply chain and peer-to-peer networks to spread the message and share practice (as per above), as well as evidence from return on investment studies to demonstrate the benefits.

As well as the communications with employers referred to above, there are a further three key operational aspects to consider. Firstly, up front communications are helpful in **setting the parameters and expectations of employers** in relation to their involvement. Employers have been found to respond well to clear, structured and time-bound tasks. Second, there have been issues relating to **turnover of staff**, both on the delivery partner side and the employer side. Prompt communication with replacements on the employer side are critical, in particular as it is a mistake to assume that handover meetings will have taken place. Third, and related to this, **regular communications and feedback** are important in maintaining employer relationships, including to provide updates when there are periods of inactivity within projects.

In terms of the delivery side, online platforms can have their benefits in reaching employers, in particular for fragmented groups of employers, but they can also have their pitfalls such as technical challenges and the fact that online delivery may require employers and/or their staff to have desk-based access. Providing training/information on technical aspects can help solve these issues in part.

Figure 5.1: Solutions to employer engagement issues



The challenges identified above and in Figure 5.1 can be writ large when seeking to engage with SMEs. In particular, they can lack capacity and/or resources to input (including through employer contributions) and to take on graduates, apprentices etc. They can also be more dispersed, which can adversely affect engagement routes.

Moreover, a key issue, which is partly embedded within the point in Figure 5.1 that a "one size fits all" product does not necessarily work, is that SMEs want products and training offers to be cognisant of their specific needs.

Despite these challenges, some projects have worked effectively to engage with SMEs, with evidence that demonstrates the progress made. Key examples are referenced later in this section.

5.2.2 Activities engaged in by employers

There has been breadth in the nature of activities engaged in by employers and across projects and funding rounds. This has shown, that the roles played by employers vary by employer and stage of the project; and it has also highlighted the need for investment organisations to manage different types and intensity of engagement with their employer communities. A number of issues are highlighted in the evaluations, or have arisen from the synthesis of this evidence in relation to this:

- To some extent, earlier funding rounds have focussed on the pre-existing employer engagement routes that investment organisations had, and these could be readily drawn upon by SSCs in particular (Zaidi and Howat, 2013).
- There is an important distinction between 'deep' and 'active' engagement and 'narrow' and 'broad' engagement. It may be that only a small group of employers are engaged deeply as part of project design and development (e.g. through a task and finish or steering group), with a wider set of perspectives drawn in through shallower engagement processes (e.g. through events and consultation) (Cook et al., 2012). Howat and Zaidi (2013) found that SSCs had plans for achieving a high level of in-kind contributions through broad, shallow and relatively passive engagement through using conferences and workshops as part of project design. Having said that, they also found that there was a sense that employers were contributing more of their time, experience and knowledge to support the EIF and GIF initiatives than originally anticipated.
- The implications of the above are that engagement needs to be a mixture of active and passive, deep and shallow. The active side involves consultative inputs that will shape projects in design, development and delivery so that they meet employer needs and expectations; whilst less attractive to many employers, investment organisations need to find and engage only small numbers of these types of employers. The passive side may inform refinements, and crucially act as market testing, and raise awareness and take-up.
- A further implication is that employer leverage has a quality element to it. In-kind contributions of employers are, pound for pound, worth more if they are active than if they are passive; though the passive contributions are arguably much easier to achieve.
- In ensuring demand-led solutions, bespoke survey research with employers has been found to be critical. In particular, this was found to have helped: identify particular barriers and challenges to take-up (of training, apprenticeships etc.); inform the products / services developed; identify issues to inform skills diagnostic services; and test different product/service options, including testing pricing models. These have helped to develop project models as well as inform sustainability planning.

There is a range of examples of both 'active' and 'passive' employer engagement, as set out in Table 5.1, including where active employer input has been well-defined and short in terms of the time commitment (see IT Industry Readiness project), and where projects have balanced the active role of smaller numbers of employers with a broader engagement (see Talent Bank project). Some of this active engagement involved employers essentially taking leadership roles for projects – two examples of which are highlighted in following boxes.

Case Study – Skills for Health's EIF projects, including Quality Mark

An Employer Reference Group was established, which aimed to provide an employer focussed 'sounding board', as well as advice and guidance, to ensure that projects remained relevant to healthcare provision and workforce development needs. The Group comprised senior employer representatives from a range of healthcare organisations including large and small healthcare providers and/or commissioning groups, and voluntary organisations. The Group was of particular value to the Quality Mark in order to agree the shape and character of the work, which resulted in consulting and negotiating with interested employers about the commercial product and what it might offer (including pricing and terms and conditions). (Skills for Health, 2014).

Case Study – People 1st EIF projects

People 1st delivered EIF projects within each of the devolved UK nations. These were aimed at aligning employers and stakeholders to deliver sustained growth and were driven by employer-led panels, who were responsible for taking the lead in developing and taking forward the strategic plans in their respective nations. Some progress was made in each of these, including tackling customer service skills needs, activities to help people into work, and the setting up of a Group Training Association. (People 1st, 2014).

Table 5.1 Examples of employer engagement

Project	Nature of engagement
Local Logistics	Employers provided staff time for the development of products, participating in research or enterprise days acting as mentors and in Made in China days. **Active, and significant time input to design and delivery.**
Aligning employers and stakeholders to deliver sustained growth through skills (mix of EIF projects)	This involved developing and taking forward strategic plans in the devolved administrations for hospitality, tourism, travel and passenger transport sectors. The work was driven by employer-led panels in each of the three nations. **Active input.**
IT Industry Readiness	'Mentoring March' engaged hundreds of employers and students to have at least 3x 30 minute mentoring sessions around personal and career development. Feedback was positive on both sides, and many of the relationships will continue. The key lessons to take from this success are the specific, measurable, achievable and (if desired) limited nature of the activity. A 90 minute commitment within a month period is very 'doable' for most employers, and the specific and structured nature of the initiative meant that boundaries were set clearly. **Active input to delivery, yet manageable in terms of time commitments.**
Talent Bank	Contributions as part of design and development varied, including time to participate in research, commitment to 'early adoption/implementation' and advisory roles. **Mix of active and passive roles.**
Quality Mark	Employer reference group provided an employer focussed 'sounding board', as well as advice and guidance, ensuring the projects remained relevant to healthcare provision and workforce development needs. Focus groups and surveys to gauge wider employer views. **Mix of active and passive roles.**
Intelligence Logistics	Participation in workshops/meetings, employer contribution and readership of Logistics Magazine, employer testing and usage of Skills Calculator, employer participation in a research survey. **Mainly passive roles.**

Source: SQW, drawing on evaluation evidence

Emerging findings from the programme-level impact evaluation suggest that projects have engaged employers in design and development in line with employer ownership. The employer survey report from the programme level evaluation takes the perspective of those ultimately benefiting from projects (i.e. as recipients that take up services and products of projects). This indicates that a significant proportion of employers that have ultimately benefited from schemes have also been engaged in some way in design or set up: overall, 44 per cent of beneficiaries were involved with the design or set up of an activity (Ipsos MORI, forthcoming). Within this, there is evidence of collective action:

- 50 per cent of beneficiaries said they had worked with other employers in the previous 12 months, most commonly to make training more relevant to the needs of their business (42 per cent)
- beneficiaries also said that they had worked with other employers to make it easier to access training (38 per cent), improve the quality of training they receive (37 per cent) and reduce training costs (32 per cent).

5.3 Where has engagement worked well?

Sector structure alongside the quality of leadership from the investment organisations can be attributed to the effectiveness of employer engagement. The on-going programme level impact evaluation has found that employer engagement through supply chains has been notably effective, in particular in the energy and utilities, life sciences and engineering/ manufacturing sectors. This is, to some extent, a by-product of the nature of how these sectors work: supply chain relationships are close, and can be used to engage with employers. The box below provides more details.

Case examples – Supply chains and employer engagement

Cogent developed its SME Gold Standard based on a competency framework, role profiles and set of standard training requirements using the system devised by a major employer in one sub-sector. This system was widely recognised as good practice across the sector and therefore had reputational credibility for smaller employers that were targeted as customers within supply chains.

EU Skills established a supply-chain focussed project to rationalise training provision used in the utilities sector. Much of the success in engaging with small contractors was achieved through larger contractors, which were able to use their purchasing power influence to encourage the participation of smaller contractors. By gaining agreement of the major firms to a standardised training approach for key roles, smaller firms in effect would no longer be able to work for the major contractors unless they put staff through an approved training programme and registered their competence.

Semta ran supply chain network workshops which were led by large employers. These workshops engaged smaller businesses before projects started to help 'warm up' small employers and build a pool of potential customers. This approach helped to facilitate subsequent initial contact from Semta staff who were promoting a skills diagnostics service linked to apprenticeship brokerage and graduate brokerage projects.

In addition to supply chains, sector structures were found to have been used elsewhere to facilitate employer engagement. For example, projects in the automotive sector used clear routes (i.e. from marques through to dealerships) in order to engage with employers, including with SMEs. In other cases, strong leadership and a variety of mechanisms have been a core part of successful engagement. For example, one lead organisation was identified in project evaluations as having profile and leadership within the sector, and has utilised various approaches such as online platforms, peer-to-peer networks and employer champions, and employer panels to facilitate engagement.

In terms of effective SME engagement, the examples in the box below identify areas of success and key mechanisms of effective engagement.

Case examples – SME engagement

- ELISA – Cornwall Marine Network. The new Apprenticeship Training Agency model, launched by the Cornwall Apprenticeship Agency has created 327 Apprenticeship vacancies. Of major significance is the fact that 85% of the vacancies created have been in SMEs. The project has used specialist sector based advice and brokerage to support SMEs, and the use of the Cornwall Marine Network brokers, with local and sector-based knowledge has been key to the effective engagement. (Wickes, 2014).
- Direct Employment of Graduates into the Advanced Manufacturing and Engineering sector – Semta. This project has successfully facilitated entry into employment within SMEs of 200 unemployed graduates. A key factor in this has been the provision of financial incentives. (Semta, 2013).
- Group Training Association –SkillsActive. Although findings are based on small sample sizes and self-reported additionality, project evaluation suggest that nearly 30% of those employers engaged were 'new to the skills system', and that approaching one-half of the 200 apprenticeships amongst SMEs would not have occurred without the GTA. SMEs were found to be receptive to the GTA and one of the key lessons in terms of engagement was that direct face to face and telephone contact have been critical to engaging with SMEs. (Skyblue Research, 2013).
- Life Sciences Placements – Cogent. The evidence indicates that employers have invested in students' placements. Key lessons in engaging SMEs and HEIs have been using a variety of events such as recruitment fairs and careers labs, regular contact with Cogent through the placement website, webinars and promotional events including networking. (Warwick Economics and Development, 2014).

6 Sustainability

Chapter Summary

The UK Commission has previously defined sustainability as “the continuance of a project 12 months after funding has ceased”. However, policy thinking around the potential models for sustainability has developed over the period of the portfolio. As well as the continuation of project funding and delivery, there is increasing acknowledgment that sustainability can also be achieved by embedding culture change amongst employers.

The review of project-level evaluation evidence found that many projects did have a plan for sustainability in place. However, in most cases, it was not clear from the evaluation report the stage at which this had been considered by investment organisations. This is partly because some of the research was undertaken at early stages of, or during, project implementation when plans for sustainability had yet to be refined.

This review identified a six-stage continuum of sustainability exhibited by EIF and GIF projects. These included: discontinuation; surviving; continuing with public funds; continuing with employer contributions (including as part of Industrial Partnerships); scaling up through wider roll out; and being handed over for continuation by other organisations.

In terms of the factors which support sustainability, these were found to include the need to plan for sustainability at an early stage of development, identify and respond to changes in demand during the lifetime of the project, and engage with employers both at the design stage and as part of on-going market testing. Where feasible, projects had sought to charge employers on a subscription or fee basis as a means to secure financial sustainability. However, the evidence suggests that there was a need for care in determining fee structures.

Several lessons were highlighted as being important considerations in achieving sustainability of projects. The first was the need for projects to plan sustainability into early development. Secondly, as part of planning, employer engagement was found to be crucial both in ensuring that the design meets specific needs and results in tailored solutions, and to test future models (including pricing). Thirdly, flexibility is important, e.g. by identifying and responding to where demand may be limited, which can inform changes to project models. Finally, different funding options may be applicable, including further matching between employer contributions and public funding.

6.1 Introduction

Sustainability was a key principle of EIF and GIF, with the expectation being that projects would become self-sustaining in some way following pump-priming investment from the UK Commission. However, expectations with respect to sustainability were not specified at the outset of the funds being launched and thinking in respect to this has evolved over the course of the investment fund rounds. In an internal sustainability report, produced by UK Commission, sustainability is defined as "the continuance of a project 12 months after funding has ceased". The longer term goal of the UK Commission is that some of the projects will continue independent of public funds and become employer-owned solutions. However, sustainability could also take other forms, such as the achievement of sustained change in the attitudes and behaviours of employers.

It is worth highlighting that the UK commission was non-prescriptive in terms of how sustainability should be carried out or planned for, both in terms of the initial bidding process and as part of contract management processes. It is also noted that not all of the projects were expected to be sustainable in the longer term. By the nature of innovation, it was anticipated that some may simply run their course through the funding period, and indeed some may achieve embedded changes in employer behaviour that would make specific initiatives redundant.

This section looks at the extent to which projects have been able to achieve different types of sustainability and the lessons from this in terms of when sustainability was considered, how it was planned for and how it was achieved.

6.2 Unanswered questions from the evidence

The project and programme-level evaluation evidence provides some examples of EIF and GIF projects that have achieved of sustainability of outcomes, and identifies some of the lessons from these. This includes some limited evidence on the scaling up of projects, where this was actively considered as an option, although the review found no evidence on replicability.

However, there are some gaps in the evidence. Three-quarters of the 73 project and programme level evaluation reports reviewed referred to sustainability. For the majority of these reports, it was not possible to establish when sustainability had been first considered nor the level of detail that existing plans had reached. This may reflect the fact that many projects had a sustainability plan in place at the time of the evaluation, but that these were high level.

It is worth noting that some of the evaluation evidence reviewed relates to case study research undertaken at early stages of project implementation, when sustainability had not been a top priority for investment organisations. Other evaluation evidence varied in its coverage of sustainability issues, with evaluations focussing on what UK Commission investments had achieved, rather than what was to come next. The review of evidence contained within this section should therefore be read with these caveats in mind.

6.3 Sustainability outcomes

The review found a number of different examples of how projects had considered sustainability and the types of model being used to ensure that projects would be sustained going forward. These can broadly be divided into six categories:

1 **Discontinuation** – these projects, or parts of projects, were simply not continuing beyond the end of the funding, for example due to changing requirements or lack of employer demand.

2 **Projects surviving** – these projects had stalled at the end of UK Commission funding, and so investment organisations were currently looking at ways to keep them going or were continuing with some elements but with reduced scope.

3 **Continuation with public funding** – these projects had received further funding from public sector sources to continue.

4 **Continuation with employer contribution** – these projects included some contribution from employers as part of continuation, for example through subscriptions or registration fees. In addition, some projects were being transitioned to Industrial Partnerships as part of successful bids for EOP funding, which included employer contributions.

5 **Scaling up** – project activities were being scaled up or investment organisations were actively looking for means of bringing this about.

6 **Projects handed over** – these projects, or elements of the projects, were being taken on by other organisations for continuation.

It should also be noted that there were a small number of examples where it was too early at the time of the evaluation evidence examined by the review to say whether the project would be sustainable for the future and if so, in what capacity.

Table 6.1 below, provides project examples of each of the six different models found in the review.

Table 6.1 Examples of models of sustainability

Model	Project examples
Discontinuation	• Development of 14-16 vocational programme, in which the AutoStart programme will discontinue whilst other elements continue, due to changing policy and curriculum requirements. • For the Creative Force project some products and services will discontinue due to absence of funding. For example, large scale events in particular will not be able to continue beyond the funding period.
Surviving/stalled	• Local Logistics, where the Local Logistics Community Networks (LLCNs) will remain active via electronic communication channels only rather than physical meetings[16]. • Talent Bank, where the project needs to pause whilst employer demand and willingness to pay is tested. • The Employer and Workforce Research Panels, which were developed as part of the Creative Intelligence strand of Creative Force are waiting whilst sponsorship from industry is actively sought for continuation.
Continuing with public funding	• Cyber Security Programme, which has been enhanced with BIS grant funding to support the formation of a national skills standard. • Creative and Cultural Skills Ambassadors and Skills Academies, where around 80% of the EIF activity is continuing as a result of establishing four ambassadors in the South East which has led to £3.9milion of Local Growth Fund money to extend.
Continuing with at least some employer contributions	• Management and Leadership, which will be financially self-sustaining via registration fees that are paid in the main by employers, alongside assessment fees. In addition, IMI has developed an accreditation model that will be financially self-supporting through registration fees which are paid by employers. • Creative Ambition's engagement with employers identified ongoing skills needs in parts of sector e.g. visual effects. They have gained co-investment funding for training through an Industrial Partnership under EOP Round 2 • Talent Bank – bringing together employers in the energy industry with no history of collaboration, and overcoming competitive tensions in the Supply Chain to standardise training, gave impetus and credibility to the possibility of fostering employer co-operation in the future, leading to industrial partnership funding.
Scaling up	• ELISA/Cornwall Apprenticeship Agency (CAA) – the investment organisation has identified wider roll-out as the key to achieving the higher numbers of apprenticeships needed to reach financial sustainability. It has expanded the CAA offer into the East of England and South East of England, and is discussing possible options in other parts of England, Wales and Ireland.
Being taken forward by others	• Aligning employers and stakeholders, where the WorldHost element is being rolled out as part of a broader tourism strategy by the Northern Ireland Tourist Board.

Source: SQW, drawing on evaluation evidence

[16] The subsequent closure of the relevant investment organisation has created some uncertainty around the future of the LLCNs.

The UK Commission has carried out some work internally, which provides further evidence on the sustainability of EIF and GIF projects; this was based on discussions with Investment Managers relating to sustainability plans and progress against these. The findings broadly reaffirm the six stage categorisation (albeit into a smaller number of categories), as shown in Table 6.2 below. There are two further points to note. First, the UK Commission research has also identified a further category around embedded change in culture and attitude. Second, under the UK Commission's categorisation, the most common sustainability type was through employer purchase of products and services, though this reflects the focus of the research on testing how projects have been sustained without public funding. As shown in the six stage categorisation in Table 6.1, SQW's review has also identified the importance of public funding and a mix of public and private funding for project sustainability, in particular immediately after EIF/GIF investment has completed before projects may become self-financing (without public funding).

Table 6.2 Models of sustainability identified through UK Commission internal work

Model	Total
Sustained (with wider investment by intermediary/umbrella organisations)	2
Sustained through employer purchase of products and services - employer mix	6
Sustained through employer purchase of products and services – private	32
Sustained through ongoing private sector employer sponsorship and/or investment	11
Embedded change in culture & attitude to investment & training	4

Source: adapted from UKCES internal Sustainability Report

There are a number of lessons that the review has identified from those projects achieving sustainability or where decisions were taken to scale back or close projects:

- The need to plan sustainability early so that it is embedded throughout the project. There was one example of where it had been developed halfway through delivery, which was felt to be the reason why sustainability had not been achieved.
- As part of planning, bespoke research was used to test different models. For example, early testing of pricing models for apprenticeship brokerage was carried out to explore sensitivities and potential barriers to service take up, and resulted in the skills broker services being free, with a fee charged instead for the apprenticeship service. More broadly, evidence indicates that engagement with employers to inform design is critical in developing solutions that genuinely meet demand and in ways that employers will respond to. For example, pre-application market testing with SMEs identified the best sectors to include for a networking initiative.

- Once the project is active and employers are engaged, a common model adopted has been to charge registration fees or subscriptions to provide continuation of funding for the project. Two examples illustrate this: for one, organisations that wished to feature on a website were charged fees; and for another employers were charged registration fees.
- Evidence on levels of employer demand (and willingness to pay) can be gathered during project delivery and used to inform the reallocation of resources or adaption to lower cost models, such as online tools or smaller events. For example, the engagement toolkit of one project will remain as a resource on the web only going forward based on feedback received from employers.
- Funds for continuation can use a combination of contributions, including both employer and public funds. For example, some projects have transitioned into Industrial Partnerships using employer contributions as part of successful bids for the Employer Ownership Pilot (EOP).

Running across these lessons, the role of investment organisations as intermediaries is critical. This starts in project design to ensure employer input to this process, and continues through ongoing collation of feedback from employers to gauge demand and pricing solutions, as well as to identify where changes in the delivery model might be required. In addition, intermediaries have been important in leading the process of sustainability planning and identifying where employer funds might be used alongside other funding options.

6.4 Expectations on sustainability

The scoping consultations with UK Commission staff/Commissioners indicated that there were no formal expectations at the outset of EIF and GIF in terms of what would reflect strong performance in terms of projects' sustainability. It is important to recognise that this was in the context of a new way of working for the UK Commission and investment organisations, and so EIF and GIF partly formed a test-bed to see what could be done in terms of pump priming before projects became self-sustaining. The evidence from the internal review conducted by the UK Commission indicated that, out of 96 projects reviewed, 16 were on the way to becoming sustainable and 39 were making good progress. This provides at least an initial indicative benchmark against which to track and compare future performance, with around 50-60% of projects likely to achieve sustainability for at least 12 months post funding.

There are two related issues worth highlighting. Firstly, there could be greater acceptance within the community of investment organisations that certain activities will not work or will not be able to be sustained. Secondly, behavioural research indicates that 'loss aversion' can discourage organisations / people from closing initiatives that are now working and the review has found evidence that some project activities may fall into this bracket.

7 Conclusions

This report has set out the findings from a systematic review of the performance of EIF and GIF, based on analysis of available management information and evaluation evidence pertaining to the funds. The nature of this evidence has meant that the review has predominantly focussed on lessons from the delivery of projects, supplemented with early evidence on the outcomes as reported by project evaluations. In addition, emerging findings from both the quantitative and qualitative strands of the programme-level impact evaluation have also been incorporated. In this final section, the key lessons arising from the review are summarised along with the implications of these for funders, delivery partners and employers.

7.1 Lessons for the UK Commission and other funders

7.1.1 Project success factors

The review identified a number of factors associated with successful delivery of EIF and GIF projects. These provide a useful steer for funders in terms of what they should look for in future bid applications and also what they should aim to encourage and support through the contract management process. They include effective leadership within investment organisations; stability in project teams; effective communication between all stakeholders involved; streamlined reporting processes; ensuring sufficient lead-in time to establish and develop new relationships; and consideration of the wider policy and delivery landscape.

7.1.2 Performance monitoring and evaluation

The findings from the review highlight the difficulties associated with developing output metrics for projects that are focussed on building capacity within a sector, and also when the set of projects is heterogeneous in nature. This often results in a tension between output metrics required to trigger payments and the measures of success that are more important for ensuring that projects became self-sustaining. The challenge here is in developing monitoring frameworks that are suitably rigorous, but also flexible enough to adapt and evolve during project implementation.

Within this context establishing appropriate output targets is challenging, with a need to strike a balance, taking account of several issues:

- **Milestones** need to be set out clearly to reflect the journey towards sustainability with interim indicators, such as the launch of a product, complemented by those that measure the progress in gaining traction with the sector.

- There is a need to build in **flexibility** to account for project changes, which are to be expected, especially for projects requiring more development work.
- The heterogeneous nature of the portfolio led to a wide range of output categories initially being identified, making aggregation challenging. The UK Commission invested considerable resource into a refresh of the MI in order to address this and simplify the categories for which data are collected. The lesson for funders to ensure **appropriate monitoring systems and processes are in place at the outset of investments** to enable tracking and reporting of performance.
- The previous point has been exacerbated by apparently different reporting behaviours by investment organisations. A key lesson is to provide **more consistent guidelines** on how achievements should be counted and measured.

7.1.3 Innovation

The understanding of what is 'innovative' and how innovation may be designed into projects has developed over time. Categorising innovation is challenging and to some extent subjective. It is also noted that innovation is not the same as risk, though the two are closely related. Going forward, as the UK Commission seeks to understand more about innovation, it would be useful to seek to more **formally classify different types innovation**, along with 'risk' and 'proximity to market' (the last two have been regularly captured by the UK Commission through its MI). Of course, all three of these may change over the course of an investment as projects develop and change.

One of the challenges in managing the portfolio from the UK Commission's perspective has been deciding **when to call an end to investments that are not working**, and in particular those that are innovative and so testing something novel and interesting. The UK Commission has processes in place through its investment management team and Investment Sub-Group to review project progress. The question has arisen over learning from those risky projects that have worked or not. The extent to which project success factors were in play is part of this answer. In addition, and in line with the principle that investment programmes seek to test novel ideas, a further option that could be explored (e.g. as part of the Futures Programme or subsequent programmes) is **to test novel ideas in multiple contexts**, e.g. different types of sector, with different lead organisations, and with different project delivery structures.

7.1.4 Sustainability

Whilst the review found evidence that some projects had been sustained beyond the period of EIF / GIF funding, it is not clear what proportion the UK Commission were hoping would achieve this. It would be useful for the UK Commission to **track sustainability achievements** of EIF and GIF (and also subsequent funds such as EOP and the Futures Programme) so that benchmarks can be developed. This might help stimulate a culture shift in relation to projects of this nature, with failure after testing being an acceptable outcome provided that learning feeds into future investment.

A final point of learning for funders is to bear in mind that the process of bringing about transformative change is **gradual and incremental**. Whilst there have been some signs of progress and potential, the journey in reaching ultimate objectives around changed employer attitudes and ownership, resulting in improved performance and productivity, is an additive one. This all takes time and highlights the importance of sustainability and the role of individual projects as part of a broader vision and package of interventions for a particular sector/supply chain/employer community.

7.2 Lessons for delivery partners

7.2.1 Engaging employers

There are a range of barriers to employer engagement, many of which are well-understood by delivery partners and the UK Commission, such as fragmented nature of sectors, challenges in reaching SMEs in particular, lack of capacity and resources amongst employers, and general lack of awareness and information. Many solutions have been deployed to address these through EIF and GIF, with **intermediaries playing a key role in identifying and facilitating the right solutions**. In some situations, the structure of the sector, including supply chains and/or peer-to-peer networks can be effective in addressing these challenges (as has been found in certain sectors such as advanced manufacturing and energy and utilities). In other situations, strength of leadership alongside adoption of a range of methods has been critical.

In engaging with SMEs, there are few shortcuts or easy fixes. As has been found, having the **right people with sector knowledge** (and in some cases appropriate local knowledge) to broker relationships has been effective, and other evidence has demonstrated the importance of **regular contact** and the use of reasonably intensive face-to-face and/or telephone communication. This is required to ensure that the offer meets the specific needs of SMEs, as well as liaison to encourage take-up.

The review has found that a **combination of active and passive engagement** by employers can be appropriate. For example, mixing a narrow group of active participants alongside broader yet shallower market testing as part of design and development. In measuring this, it is important to note that the simple in-kind valuation of employer time can be misleading as a day's worth of active participation is likely to be worth much more than a day of passive engagement.

7.2.2 Innovation

Innovation was one of the core principles of EIF and GIF and investment organisations have led the process of developing concepts into project ideas and applications for funding. They have had a key role here given their capacity and capability to bring together research, project development and employer engagement functions. The development of the initial project concepts has involved engagement between investment organisations and employers, with varying degrees in the extent to which project concepts have emerged bottom up from employers or top down from investment organisations. There is **no strong evidence** on what is necessarily the most appropriate approach. It is clear, though, that top-down development of projects needs to include employer engagement to test the models as fully as possible and begin the process of ensuring employer buy-in.

7.2.3 Sustainability

Several lessons were highlighted as being important considerations for delivery partners in achieving sustainability of projects. The first was the need for projects to **plan sustainability into the early development**. Secondly, as part of planning, **employer engagement is crucial** both in ensuring that the design meets specific needs and results in tailored solutions, and to test future models (including pricing). Thirdly, **flexibility** can be important, e.g. by identifying and responding to where demand may be limited, which can inform changes to project models. Finally, **different funding options** may be applicable, including further matching between employer contributions and public funding. The most common model that used solely employer contributions involved some form of charging engaged employers, e.g. registration fees or subscriptions.

7.3 Lessons for employers

The focus for the review was on capturing lessons from delivery of EIF and GIF for funders and delivery partners. However, some lessons were identified that could also be useful for employers in informing their engagement with future projects of this type, as well as the skills system more generally. These include the importance of:

- **Articulating demand** – EIF and GIF projects were designed to address skills issues and challenges faced by employers. The extent to which they were successful in achieving this was partly dependent on the quality of the information available from employers relating to current and projected future skills needs.
- **Working collaboratively** – evidence from EIF and GIF projects suggest that there is value in employers working collaboratively on the development of skills solutions. This helps ensure consistency across sectors and supply chains in the solutions developed.
- **Getting involved in project design** – employer input at the design stage is critical in ensuring that the skills solution being developed is aligned to and meets requirements.
- **Communicating availability** – in engaging with delivery partners and skills providers, it is helpful for employers to communicate upfront how much resource they have available to commit and to alert project teams to any points when they will not be available to contribute. This enables project timetables and delivery plans to be designed to maximise the likelihood of participation.

Appendix A: Key research questions

Table A.1 Research questions informing the review

Theme	Questions
Delivery	What is the balance and nature of the investment portfolio in terms of factors such as: • Activity type – demand-side/supply-side; careers advice, training, new qualifications, apprenticeships • Infrastructure type – e.g. accreditation and licensing, brokerage • Participating employers – size, sector, first tier or supply chain • Employer contribution – cash, in-kind or a combination of both • Target beneficiaries – young people, unemployed, existing workforce • Risk – high / medium / low • Innovation – as measured by proximity to market at outset Other aspects of delivery: • How have packages of complementary interventions been delivered and is this associated with success? And how have intermediaries facilitated this? • What internal factors are associated with successful delivery, such as quality of leadership, engaged leadership, strength of team? How have external factors affected delivery e.g. being too far ahead of the market?
Outputs and outcomes	How have projects performed against contracted outputs? Are there particular outputs where there has been over/under-performance? How have projects performed in relation to anticipated outcomes? Are there particular outcomes where there has been over/under-performance? Are there any discernible patterns relating to the characteristics of successful and less successful projects in terms of achieving outputs and outcomes – e.g. by innovation, risk, other internal project factors, external factors? What is the distribution of outputs across the portfolio? Is there evidence of where projects have been effective in driving up quality, even if not numbers of outputs/ outcomes? Have there been any unintended outcomes? What are the lead-in times to benefits and do these vary by types of projects?
Innovation	How have innovative ideas been seeded and where have innovative projects come from? To what extent have EIF and GIF stimulated transformative innovation? Related to this, is context-specific innovation easier to sell to and engage employers? For a sub-set of the most innovative / high risk projects: • How have these performed overall? • Have any generated transformative effects (and what is the balance of strong to weak performance)? • Why have projects stalled and what are the lessons from this, particularly where they have recovered? • How do intermediaries facilitate / add value to the delivery of innovative projects? What are the lessons from the most successful of these, particularly those that might have wider application?

Employer engagement	What have been the main barriers faced in engaging employers and how have these been overcome? What are the differences in the levels and types of engagement from employers? What roles are attractive to employers in terms of their involvement? Are there any discernible relationships between the scale and nature of employer contributions/ engagement and the performance / sustainability of projects? To what extent have projects managed to engage employers not previously involved in the development of skills solutions?
Sustainability	How well have projects worked towards sustainability? How early has this been considered/embedded and with what evidence of success? Which sustainability models (including replicability and scalability) have been found to work well and which have worked less well? What are the success factors? Are there differences in the types of sustainability achieved by projects? For example, those that continue to receive public funding, relative to those that do not. How sustainable are the new networks that have been established through EIF and GIF? To what extent have behaviours emerging as a result of EIF and GIF projects been sustained? Is there any link between project sustainability and organisational sustainability?
Policy - general	General policy lessons will be drawn from the above questions, in particularly on: • Effective employer leadership, collaboration and the creation of employer networks • The role of intermediaries Replicability and scalability.
Policy – three rungs	For projects identified as relevant to the **lowest** rung: • What are the lessons in engaging employers in offering work experience, apprenticeships or employment opportunities to young people? • What are the barriers faced in engaging employers in this activity – do they tend to be on the employer side, the learner side or the education/provider side? • Are there any examples of projects that have successfully brokered relationships between businesses and education that could be scaled up? For projects identified as relevant to the **middle** rung: • Are there any examples of projects that have successfully developed vocational pathways to mid-level occupations? • Are there any lessons that can be drawn from leadership and management projects that have worked particularly well? • Is there any evidence of the wider business improvements resulting from engagement with projects, esp. those involving skills diagnostics? For projects identified as relevant to the **highest** rung: • Are there any examples of colleges or higher education institutions playing a role in projects where they have worked closely with employers? Are there any examples of where this has worked well? What are the success factors? What are the lessons from projects that have used employer placements, e.g. as part of FE/HE courses, or employer-based vocational training models?

Source: SQW

Appendix B: Overview of evaluation evidence

Introduction

A total of 76 reports were included within the review of evaluation evidence. These were made up of:

- 63 x project-level evaluation reports
- 10 x project level case study reports from programme-level evaluations
- 3 x programme level evaluation reports.

This means that at over 70 individual EIF and GIF projects were incorporated within the review of evaluation evidence – over two fifths of the total of 158. The actual figure is in fact higher as some evaluation reports covered more than one project, although this is balanced slightly by the fact that there was also some duplication of projects that were covered within both the case study evidence and project-level evaluation reports.

Profile of projects reviewed

A cross-check on the profile of projects covered in the evaluation evidence against the MI for the portfolio as a whole, suggests that they are broadly representative. The main differences are that there were:

- More SSC-led projects in evaluation evidence (91% relative to 85%)
- More projects with cash-only employer contributions (10% vs 6%) and fewer with cash & in-kind contributions (61% vs 65%)
- A slightly higher share of projects that were close to market (47% vs 44%) and fewer at development stage (17% vs 22%) than across the portfolio as a whole
- More high and low risk projects in the evaluation evidence and fewer medium risk (41% vs 52%)
- Fewer brokerage projects (23% vs 29%) covered in evaluation evidence
- Above average representation from automotive; health and social care; and creative & digital sectors. Under-representation of agriculture; built environment and energy.

In interpreting this, it should be noted that the MI excludes EIF 1 and GIF Dev projects and so is incomplete and therefore not fully representative of the portfolio as a whole.

Quality and type of evaluation evidence

Coding was applied to each of the evaluation reports included within the review to record study type, design, implemented and depth of interpretation and conclusions. The results of this coding are set out in the following four summary tables.

Type of evaluation	Total	% of Total
Process only	22	27%

Type of evaluation	Total	% of Total
Impact only	3	4%
Process and Impact	38	47%
Programme Evaluation Case studies	13	16%
Not sure	5	6%
None of the codes above	0	0%

Evaluation Design	Total	% of Total
Qualitative design	53	36%
Case studies	24	16%
One group of beneficiaries (ex-post)	23	16%
One group of beneficiaries (pre and post intervention comparison)	7	5%
Two groups, but with no formal matching / statistical analysis to account for selection bias	5	3%
Use of monitoring data	30	20%
Not sure	5	3%
None of the codes above	0	0%

Implementation of research methods	Total	% of Total
Limited or no primary research, incorporating narrow breadth of perspectives, weak or unclear methodology	10	13%
Some primary and secondary research, but small / unrepresentative sample, limited breadth of perspectives or other methodological limitations	36	47%
Robust methodology drawing on evidence from primary and secondary sources, as well as perspectives from a range of beneficiaries and stakeholders (e.g. individuals, employers, providers)	23	30%
Not Sure	8	10%
None of the codes above	0	0%
Total	**77**	**100%**

Interpretation and conclusions	Count	%
Limited interpretation and weak / no conclusions or lessons learned	14	18%
Some interpretation, but lack of in-depth conclusions (including consideration of alternatives) and identification of lessons	33	43%
In-depth analysis / interpretation of findings resulting in valid conclusions and identification of lessons learned	24	32%
Not sure	5	7%
None of the codes above	0	0%
Total	**76**	**100%**

Weighting evaluation evidence

All of the evaluation reports incorporated were reviewed in full. However, reviewers were instructed to spend more time and effort on coding those evaluation reports that were deemed to be of high quality, both in terms of implementation of the research methods and the depth of interpretation, conclusions and identification of lessons. As a result, a higher weighting has been given to this evidence within this report, particularly in relation to the chapters on policy lessons.

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