

The demand for higher level skills in Inner London

Linking London LLN

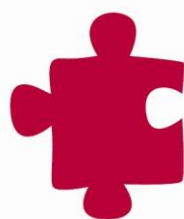
Report

15 January 2009

FINAL

James Kewin

Carole Sanchez and Rachel Smith



LINKINGLONDON
LIFELONG LEARNING NETWORK

Contents

Contents.....	2
Executive summary	3
1 Introduction.....	5
2 Research method.....	10
3 The extent of demand.....	12
4 The nature of demand: organisations that train in HLS.....	14
5 The nature of demand: organisations that do not train in HLS.....	25
6 Conclusions	28
Select Bibliography	30
Appendix 1: survey respondents by sector	31

© CFE 2009

For further information please contact a member of the project team:

James Kewin (james.kewin@cfe.org.uk)

Carole Sanchez (carole.sanchez@cfe.org.uk)

Rachel Smith (rachel.smith@cfe.org.uk)

**CFE brings practical insights to policy questions.
We create actionable ideas and then we add the research
and management expertise that can bring them to life.**

CFE / Phoenix Yard / Upper Brown Street / Leicester / LE1 5TE
T 0116 229 3300 / F 0116 255 3011 / W cfe.org.uk

Executive summary

Background

This report has been commissioned by Sue Betts, Director of the Linking London Lifelong Learning Network, to support partner institutions with their employer engagement strategies. The key objectives of the research are to:

- identify the extent of demand for higher level skills from employers;
- assess the nature of this demand;
- establish the market share of providers delivering higher level skills to public, private and third sector organisations.

The research is set against the backdrop of the Leitch Review of Skills which recommends that 40% of the working age population should be qualified to Level 4 or above by 2020.¹ As 70% of the 2020 workforce has already left compulsory education, it is more important than ever for providers of higher level skills training to engage effectively with employers.

A total of 302 employers from organisations based in Inner London took part in the survey, which was conducted by telephone during October and November 2008. The survey focused on organisations employing more than 50 staff across the public, private and third sectors.

Key findings

Employers that do...

In total, **61%** of the employers we surveyed *had* undertaken higher level skills training in the preceding 12 months:

- Public sector organisations (75%) were more likely to train at Level 4 or above than those in the private (52%) or third sectors (68%).
- The majority (52%) of organisations use a university to deliver the training. While universities dominate the market for academic qualifications, FE colleges and private training providers have a more significant share of the professional and vocational training markets.

¹ Leitch Review of Skills (2006) *Prosperity for all in the global economy - world class skills*, HM Treasury, http://www.hm-treasury.gov.uk/media/6/4/leitch_finalreport051206.pdf [Accessed 1st August, 2008], p. 3. (In Leitch, qualifications are accepted as being an imperfect but necessary proxy for skills.)

- Employers in Inner London expect higher level skills training to result in a qualification. In choosing a provider, this is as important as cost and more important than the time, location or method of delivery.
- Linking London's partner institutions have a known (24%) share of the market, and are more likely to deliver training to public and third sector organisations than to private sector enterprises.
- Significantly, 19% of organisations that had undertaken higher level skills training had used a university or FE college, but could not recall the name of the institution.
- The most popular subject for training was human resources (19%), followed by education/teaching (14%) and accountancy (11%). There was more demand for this sort of cross-cutting provision than for training that was sector or industry specific.
- Overall, 57% of employers reported that they had met the full cost of their training. Private sector organisations are more likely than those in the public or third sector organisations to meet the full cost of training.
- Organisations that undertake higher level skills training tend to do so because it forms part of their wider human resource strategy (93%), and the vast majority report that the training had a positive impact on their organisation.

Employers that do not...

The remaining 39% of organisations we surveyed had *not* undertaken higher level skills training in the preceding 12 months. When asked why:

- The most frequent response was a lack of need: 32% indicated that the skills were already available internally and 25% reported that their recruitment policy met their requirements in this area.
- 31% of organisations saw no benefit to their business from training at higher levels, either because (as above) the skills were already available or because their business model did not require them.
- Significantly, only 11% of organisations cited financial costs as a barrier to higher level skills training.
- 28% of employers indicated that they would 'definitely' or 'maybe' undertake higher level skills training in the next 12 months, although 63% reported that they were 'unlikely' or 'definitely not' likely to do so.

1 Introduction

Background

- 1.1 In March 2008, CFE published *Known Unknowns*, a research report that assessed the extent and nature of demand for higher level skills from businesses in the East Midlands.²
- 1.2 The report was set against the backdrop of the recommendation in the Leitch Review of Skills that 40 per cent of the population aged 19 to State Pension age should be qualified to Level 4 or above by 2020.³ This is a formidable target – in 2005 the figure was estimated to be around 28 per cent.
- 1.3 As 70 per cent of the 2020 workforce has already left compulsory education, the Review indicated that:

*'Further improvements in the UK's high skills base must come from workforce development and increased employer engagement.'*⁴
- 1.4 In *Known Unknowns*, we contend that public policy focuses too narrowly on the need to reform the supply of higher level skills. In our view, supply side reform must be informed by a more sophisticated understanding of the extent and nature of the demand for higher level skills from businesses, which, to return to the title of the report, is very much a *known unknown*.
- 1.5 The findings in *Known Unknowns* were drawn from a survey of employers in the East Midlands. The report was positively received – in June 2008 the Higher Education Funding Council for England (HEFCE) commissioned us to repeat the survey in the West Midlands and Yorkshire and Humber regions.⁵ We are now also working with a range of Lifelong Learning Networks and Higher Education Institutions to deliver bespoke research relating to their employer market.
- 1.6 This report has been commissioned by Linking London Lifelong Learning Network (LLN) to assess the extent and nature of demand for higher level skills from public, private and third sector employers in their Inner London catchment area.

² James Kewin, Paul Casey & Rachel Smith (2008) *Known Unknowns: The demand for higher level skills from businesses*, CFE, available to download at www.cfe.org.uk.

³ Leitch Review of Skills (2006) *Prosperity for all in the global economy - world class skills*, HM Treasury, http://www.hm-treasury.gov.uk/media/6/4/leitch_finalreport051206.pdf [Accessed 1st August, 2008], p. 3. (In Leitch, qualifications are accepted as being an imperfect but necessary proxy for skills.)

⁴ Leitch, *World Class Skills*, p. 68.

⁵ Both reports should be available on the CFE and HEFCE websites in February 2009.

The London Context

- 1.7 London has a unique position in the UK economy, due to being one of the most successful cities in the world, a leader in international business and financial services. In 2007 it created 18.8% of total UK gross value-added (GVA) and 14.8% of the UK's jobs.⁶
- 1.8 Due to London's successful economy there has been high inward migration with well-qualified individuals being attracted from within the UK and abroad. Around 45% of workers have migrated to the city from other UK regions, 30% from overseas with only the remaining 25% coming from London.⁷
- 1.9 This has resulted in London having an increasingly highly skilled workforce with around 43% of jobs requiring qualifications at level 4 and above; this is expected to increase to 50% by 2020 (compared to a UK average of 42%)⁸ This means that young people in London need to achieve better qualifications than average in order to find and retain employment and businesses need to invest in developing their workforces in order to maintain their position in a competitive market place.⁹
- 1.10 While London's labour market is one of its key assets due to the availability of skilled employees and employment opportunities, it still suffers from high rates of worklessness and reported skill shortages. The 2007 Employers Skills Survey reported that 8% of vacancies in London were hard to fill due to skills gaps compared with 4-5% in other regions¹⁰.
- 1.11 In 2009, the economic downturn has already impacted on some of London's most thriving sectors (particularly the financial sector). Predicted job losses in London over the next 2 years have ranged from 25,000 (Cerb 2008) to 40,000 (JP Morgan)¹¹ and it is increasingly likely that the UK will 'officially' be in recession by February 2009. However, Oxford Economics forecasts are optimistic for London's future position - even although growth is likely to be restricted over the next year or so, it should have rapid growth from 2011 onwards, putting London's economy back on track.¹²
- 1.12 In this context up-skilling the current and future workforce is more important than ever. The London Development Agency is investing £150 million to support London businesses and boost employment. The London Skills and Employment Boards five year strategy from 2008-2013 includes working with

⁶ London's Place in the UK economy 2008-09. The London School of Economics and Political Science. October 2008; Table 2.1 P11

⁷ *ibid*

⁸ London Skills and Employment Board, London's Future: The Skills and Employment Strategy for London 2008-2013, Mayor of London, 17 July 2008.

⁹ *ibid*

¹⁰ London's Place in the UK economy 2008-09. *Op. Cit*

¹¹ *ibid*

¹² *ibid*

employers to improve employment and skills. In this strategy they are seeking to:

- work with employers to better support them in providing more job and skills opportunities to Londoners, to the benefit of their business and to keep London's economy competitive;
- support Londoners to improve their skills, job and advancement prospects through integrated employment support and training opportunities;
- create fully integrated, customer-focused skills and employment strategy.¹³

Linking London LLN

- 1.13 Linking London is one of thirty Lifelong Learning Networks (LLNs), set up in September 2006 and funded until July 2010 by the Higher Education Funding Council for England (HEFCE). Linking London is part of a nationwide strategy to facilitate progression through the education system, using a number of pathways, leading onto higher education. It works to create new learning opportunities; forge agreements across institutions on how qualifications are valued and to produce publicity to help people understand how they can progress through the system.¹⁴
- 1.14 Linking London supports a number of institutions in this role. Its member institutions consist of a large and unique partnership of thirty-four¹⁵ educational establishments, fifteen universities, thirteen FE colleges and four adult focused institutions based in and around central, East and North London. These institutions have chosen to work together to improve opportunities for vocational learners
- 1.15 Linking London is one of five LLN's covering London. It has predominantly focused on the public sector, covering education, health (including sport) as well as public, community and voluntary sectors. However from September 2008 Linking London has been looking towards expanding their work into new employment sectors.
- 1.16 Their area covers the following twelve boroughs of the Greater London Authority: the City of Westminster, the London Borough of Camden, the London Borough Enfield, the London Borough Hackney, the London Borough Haringey, the London Borough Islington, the London Borough Lambeth, the London Borough Lewisham, the London Borough Newham, the London Borough Southwark, the London Borough Tower Hamlets and the Royal Borough of Kensington & Chelsea
- 1.17 The aims of Linking London network are to:¹⁶

¹³ London Skills and Employment Board, London's Future: *Op. Cit*

¹⁴ <http://www.lifelonglearningnetworks.org.uk/site/about-lln/>

¹⁵ Includes two Associate Members that joined the network at the end of 2008

¹⁶ <http://www.linkinglondon.ac.uk/homePurpose.php>

- 'bring greater clarity, coherence and certainty to vocational progression opportunities;
- fill progression gaps by developing new curriculum;
- listen to employers and help them to fill skills gaps in their workforce;
- develop flexible, work-based and e-learning provision;
- facilitate collaborative working between members of the network and employers;
- enhance the knowledge of learners and employers about learning opportunities;
- provide appropriate information, advice, guidance and support for learners, employees and employers;
- evaluate our work on the basis of quality, impact and effectiveness and share best practice.'

1.18 This research was conducted to inform a number of the aims outlined above. In particular it allows Linking London to 'listen to employers', 'facilitate collaboration' between the network and employers as well as providing further information which can be used to support learners, employers and partners. Partners in particular can use this research to support both their individual and collaborative employer engagement strategies.

Research objectives

1.19 We approached this project in classic market research terms: a customer (Linking London) wants to advise their partners on how to deliver more products and services to a particular market (employers in their catchment area). To do this successfully, HEIs and FECs must first develop a clear idea of what the market looks like, what its needs are and how these needs are likely to develop in the future. The bottom line question is: *what is the current and potential market for our services?*

1.20 On this basis, the project set out to fulfil three primary research objectives:

- to identify the extent of demand for higher level skills from businesses;
- to assess the nature of this demand;
- to establish the market share of providers delivering higher level skills to businesses in Linking London's catchment area.

1.21 While this report provides a 'snapshot' of the demand from both public and private sector businesses in a specified area at a particular time – we believe our findings can be used to inform the thinking of policymakers at a national, as well as a regional level. It is our contribution to the ongoing debate between the higher education sector, government and business around the most

effective way to improve the supply of, and increase the demand for, higher level skills.

- 1.22 The report is structured as follows: **Chapter 2** summarises the method used to undertake the research. In **Chapter 3** we summarise the extent of demand for higher level skills from businesses in Linking London's catchment area. **Chapter 4** provides a more in depth analysis of businesses that told us they had undertaken higher level skills training in the preceding 12 months and **Chapter 5** presents our findings on the businesses that had not. To conclude, **Chapter 6** outlines the conclusions from our research and the important questions we believe it generates.

2 Research method

- 2.1 Our research set out to assess the extent and nature of demand for higher level skills from employers in Linking London's catchment area and to identify the market share of higher level skills providers.
- 2.2 The definition of 'higher level skills' used in the research encompasses a broad range of training and development activities. It was originally developed in consultation with colleagues at HEFCE and has been used in similar projects for Lifelong Learning Networks, individual HEIs and regional university associations. The definition was read out in full to respondents and can be found below:

Higher Level Skills

Training and development which is all or just elements of a degree, post graduate certificate, diploma, masters or doctorate. Equally, it can be studying for an equivalent level professional or vocational qualification at Level 4 and above, perhaps through an industry or trade body, for example, accountancy or law.

These higher level skills can be acquired through long, short or distance learning without necessarily leading to a qualification and can be offered in part or in full by universities, further education colleges, private providers and in-house training facilities.

Approach

- 2.3 The survey focused on employers:
 - based in Linking London's catchment area (covering twelve London boroughs);
 - that employ 50 or more staff ;
 - from a cross-section of public, private and third sector organisations;
 - that have conducted staff training in the preceding last 12 months.
- 2.4 There was a clear rationale for focusing on organisations that employ more than 50 staff. First, these employers account for 60% of London's workforce¹⁷. Second, we know that a significant proportion of micro and small employers do not provide any training for their staff, let alone at higher levels. The National Employer Skills Survey 2007 identified that companies employing less than 25

¹⁷ London Annual Business Survey 2006 London Development Agency

staff were much less likely to invest in general training compared to those employing 25 or more.

*“Size is a key determinant of likelihood to train ... establishments with 25 or more staff are considerably more likely to provide training than smaller establishments. Smaller establishments are less likely to provide training - only just over half of those with fewer than five staff had provided any training in the last 12 months”.*¹⁸

- 2.5 The survey was conducted with individuals in each organisation identified as having overall responsibility for skills and training (e.g. CEO/Director, senior manager, HR Manager); using a structured questionnaire. Respondents were asked to think about and base their responses on the most recent staff member to have undertaken work related higher level skills training. All interviews were conducted by telephone between October and November 2008.
- 2.6 Employers were asked an initial screening question to identify if the organisation had undertaken staff training at any level during the preceding 12 months.¹⁹ From a total of 312 responses, 10 employers had not undertaken any work related training in the preceding 12 months (3%).
- 2.7 The analysis that follows is based on the responses provided from 302 organisations. This equates to 9% of all employers based in Linking London’s catchment area that employ 50 or more staff. The achieved sample covers the public (31%), private (61%) and third (8%) sectors and broadly reflects the characteristics of employers across the 12 boroughs. A detailed breakdown of the sectors included in this research can be found in the appendix at the end of the report.

¹⁸ The Learning and Skills Council (2008) *National Employer Skills Survey 2007: Main Report*, <http://research.lsc.gov.uk/LSC+Research/published/ness/ness2007.htm>

¹⁹ Respondents were asked, “Over the past 12 months have you or your staff undertaken any training or development that was delivered by an external organisation or by internal staff?”

3 The extent of demand

3.1 In this section we present our findings relating to the extent of existing demand for higher level skills training in the region.

Extent of training in higher level skills: original results

3.2 The responses to the initial screening question indicated that only 3% (10) of organisations had not undertaken any internal or external training in the preceding 12 months. The remaining 97% of organisations that *had* undertaken some form of general skills training were then asked if they had undertaken any *higher level skills* training during the same period.

3.3 The original results to this question show that 65% (195) responded 'Yes' and 35% (107) responded 'No'. Our previous research suggests that some employers tend to overestimate the degree of higher level skills training they have undertaken

3.4 On this basis, we checked the data and cross referenced each case with the responses to three subsequent questions that addressed:

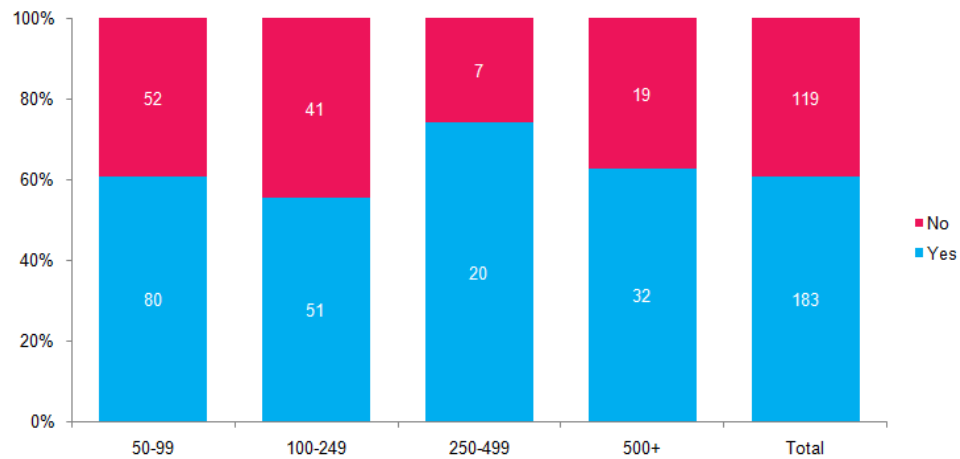
- Where the training was undertaken
- The name of the course
- What, if any, qualification it resulted in

3.5 After this analysis it became clear that 12 of the 195 employers, who reported they had undertaken higher level skills training, had not. The majority had *actually* studied for a qualification at Level 3, or had undertaken training that 'felt like' it was at a higher level.

3.6 This suggests that the concept of higher level skills eludes clear definition and the qualification levels in the National Qualifications Framework do not resonate with employers. Even with the comprehensive definition used in this research, a small number of employers struggled to differentiate between higher level skills and general skills.

Extent of training in higher level skills: revised results

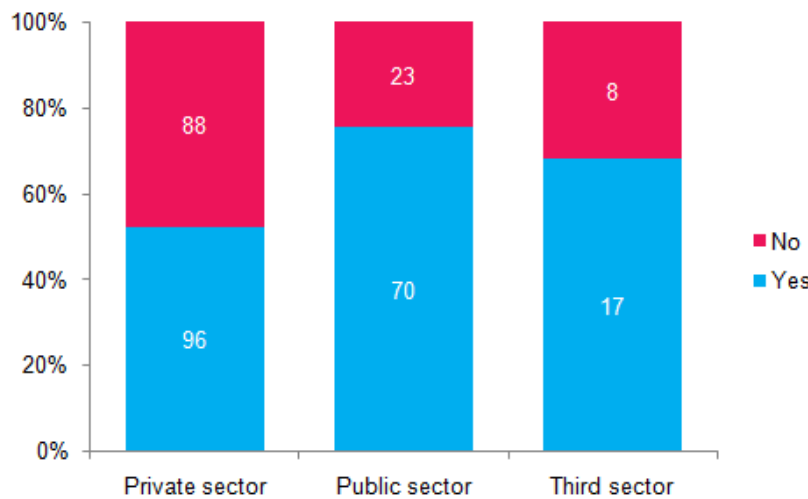
3.7 By filtering out these 12 cases we are presented with a more robust picture of the extent of demand for higher level skills in the 12 boroughs. As figure 1 illustrates, higher level skills training had actually been undertaken in 61% (183) of the organisations surveyed.



Base 302

Figure 1: Undertaken higher level skills training by organisation size (revised results)

3.8 Public sector organisations are more likely to train at Level 4 or above than those in the private or third sector – as figure 2 illustrates, 75% of respondents from the public sector responded ‘yes’, compared with 52% of those in the private sector and 68% in the third sector.



Base 302

Figure 2: Undertaken higher level skills training by private/public and third sector

4 The nature of demand: organisations that train in HLS

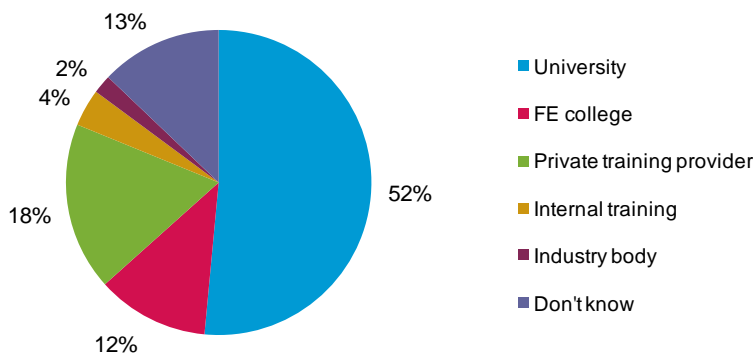
4.1 In this section we explore the *nature* of demand from the 61% (183) of organisations surveyed that are existing consumers of higher level skills training. We begin by examining the market share of the various providers of higher level skills in the target area which acts as a useful barometer of employer demand. We will then explore the more specific training preferences of employers, how they fund higher level skills training and their motivations for undertaking these activities.

Market share of higher level skills providers

4.2 For the purposes of this study, we divided providers of higher level skills into five categories:

- Universities;
- Further Education colleges;
- Private training providers;
- Internal training;
- Industry bodies.

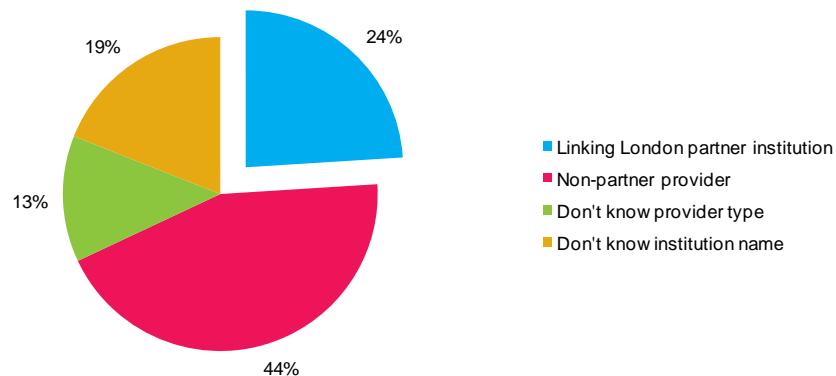
4.3 Figure 3 highlights the relative market share of these five broad provider types. Universities have by far the highest share (52%) of the existing market for delivering higher level skills in Inner London. FE colleges are responsible for 12% of delivery, and private training providers 18%.



Base 183

Figure 3: Market share by provider type

4.4 This data can be presented in another way to highlight the market share of Linking London’s partner institutions:



Base 183

Figure 4: Linking London partner institutions market share

4.5 Partner institutions have a *known* share of 24% of the market - 44 employers in our survey had used a Linking London partner institution to deliver their higher level skills training in the last 12 months.

4.6 A further 44% of organisations (80 employers) had used non-partner providers. Within this segment, the market share of the five broad provider types followed a similar pattern: universities and private training providers were most popular with a market share of 41% and 40% respectively. Non-partner FE colleges were used by only 6% of employers, industry bodies by 4% with the remaining 9% conducting their own internal training.

4.7 Significantly, 19% of organisations that had undertaken higher level skills training in the preceding 12 months, had used a college or university but could not recall the name of the specific institution. Of the 35 employers who could not name the institution, 24 had used a university and 11 had used a college.

4.8 This suggests that universities and colleges in London must do more to forge a *long term* relationship with employers. The prospect of repeat business is remote if employers cannot recall the name of the institution that delivered their training.

4.9 The methodology used in this research is similar to that deployed in previous surveys. In the West Midlands survey only 4% of employers were unable to name the university or college they had used. The only significant deviation in method is our focus on employers with 50 or more (rather than 25 or more) staff.

Market share of individual partner institutions

4.10 Figure 3 highlights that 64% of employers used a university or FE college to deliver their higher level skills training. The data can be interrogated further to identify the market share of individual institutions as shown in figure 5. Linking London partner institutions (indicated in blue) feature prominently in this list, with London Metropolitan University being the most frequently cited by respondents. Non-partner institutions are indicated in red.

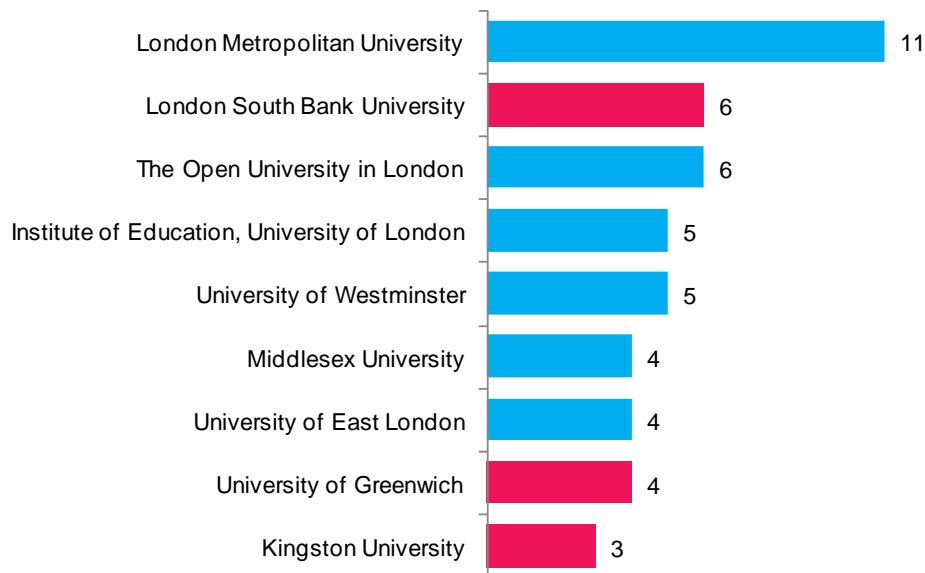
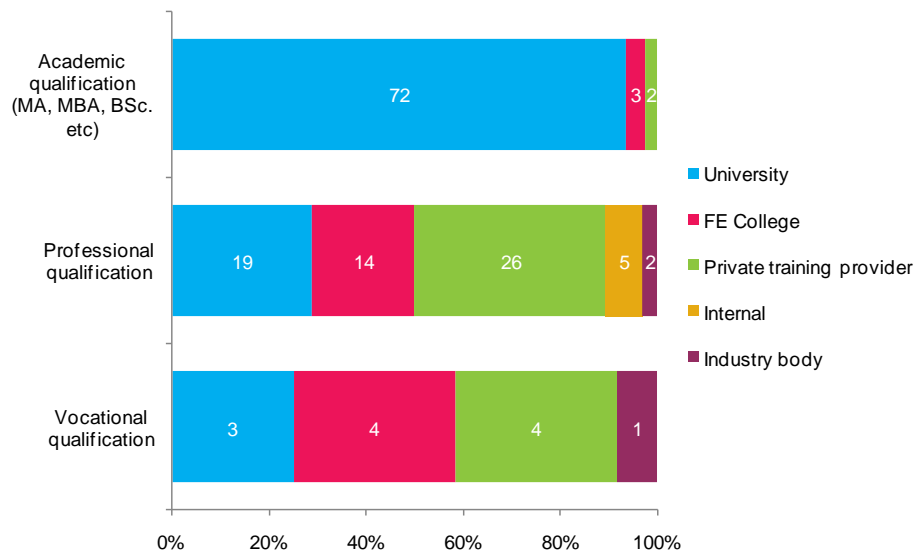


Figure 5: Market share by Institution (includes institutions cited 3 or more times)

Training preferences of organisations

Qualifications

- 4.11 Existing consumers of higher level skills exhibited a strong preference for training that resulted in a qualification. If we take the 61% of employers that had undertaken higher level skills training in the past 12 months, 96% reported that the training they undertook resulted in a formal qualification.
- 4.12 As figure 6 illustrates, the more 'traditional' academic qualifications are clearly the preserve of universities. In terms of Masters degrees such as MSc and MA qualifications, 51 of the 53 were delivered by universities. Universities provided all of the seven MBA qualifications which employees were taking or had undertaken in the last 12 months. They also were the preferred source for undergraduate degrees, delivering 14 of the 17 qualifications.
- 4.13 The market for professional qualifications was more competitive, with universities delivering 29% of the total. FE colleges provided a further 21%. Of the remaining 50%, private training providers delivered 39%, industry bodies, 3% and employers that provided qualifications in-house accounted for 8%.



Base 157 (Don't knows excluded)

Figure 6: Qualification by provider type

- 4.14 Of the 12 vocational qualifications recorded, 3 were undertaken at a university, 4 at an FE college and 4 with a private training provider. Only 4 employers reported that they or their employees had worked towards a foundation degree during the preceding 12 months. This chimes with recent research that estimates less than half a percent of the entry to HE has resulted from employer funded foundation degrees.²⁰
- 4.15 As expected, the market share of universities increases as one moves through the vocational, professional and academic qualification categories used in our research. The professional and vocational markets appear to be the most competitive, with all four external provider groups vying for market share.
- 4.16 Figure 7 highlights the different types of qualifications undertaken at Linking London partner institutions. Almost half (47%) of the training for an academic qualification from organisations in Inner London was undertaken at a Linking London partner institution. A quarter (25%) of professional qualifications and 4 out of 10 vocational qualifications were undertaken at one of the partner institutions.

²⁰ Sastry T & Bekhradnia B (2007), *op.cit*

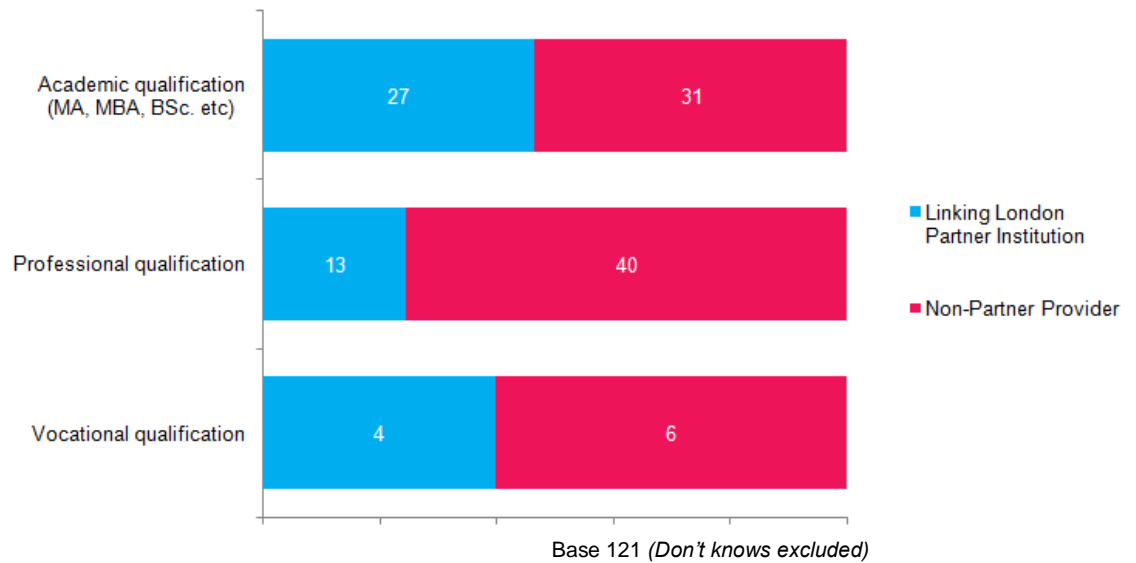
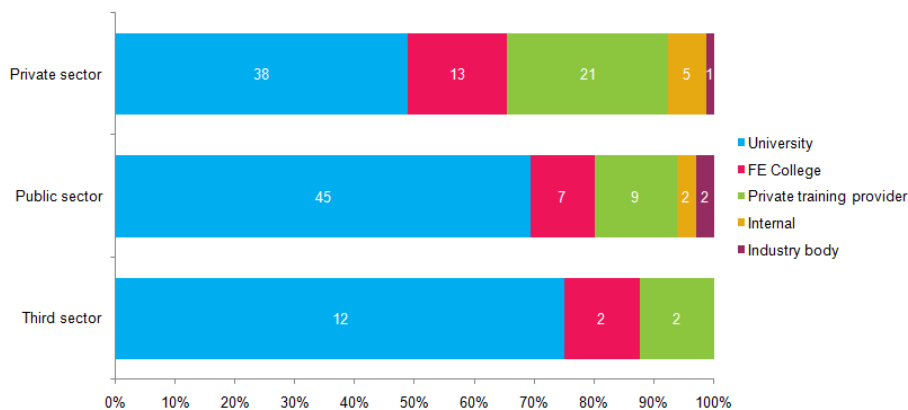


Figure 7: Partner institution by qualification type

4.17 There are several differences in the training patterns of public, private and third sector organisations. Public sector organisations were more likely than private organisations to train for academic qualifications, rather than a professional or vocational qualification. Over half, 58% of public sector organisations studied for an academic qualification compared with 42% of private sector organisations.



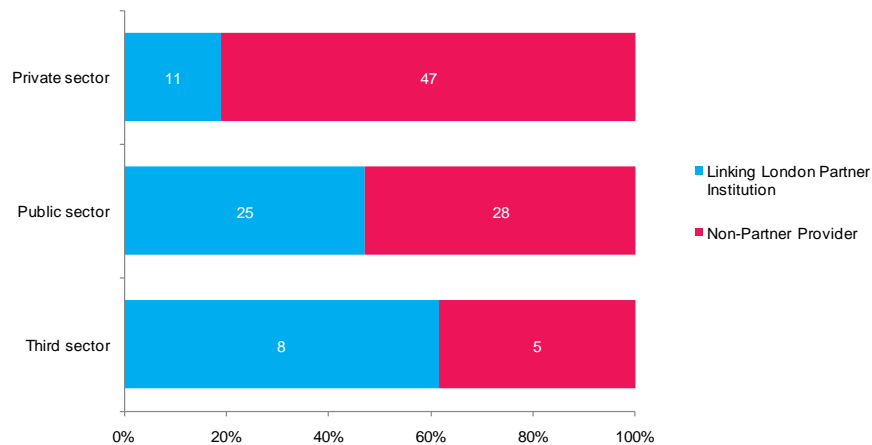
Base 159

Figure 8: Public/private sector by training provider

4.18 Figure 8 demonstrates the differences between the different types of organisations and where they buy their training from. Public and third sector organisations are much more likely to use universities than private sector

organisations. Private sector employers are almost twice as likely to use private training providers than public sector employers.

4.19 Public sector organisations are more than twice as likely to buy their training from Linking London partner institutions as organisations from the private sector. Just 19% of employers from the private sector used Linking London partner institutions compared to 47% of public sector organisations (see figure 9).

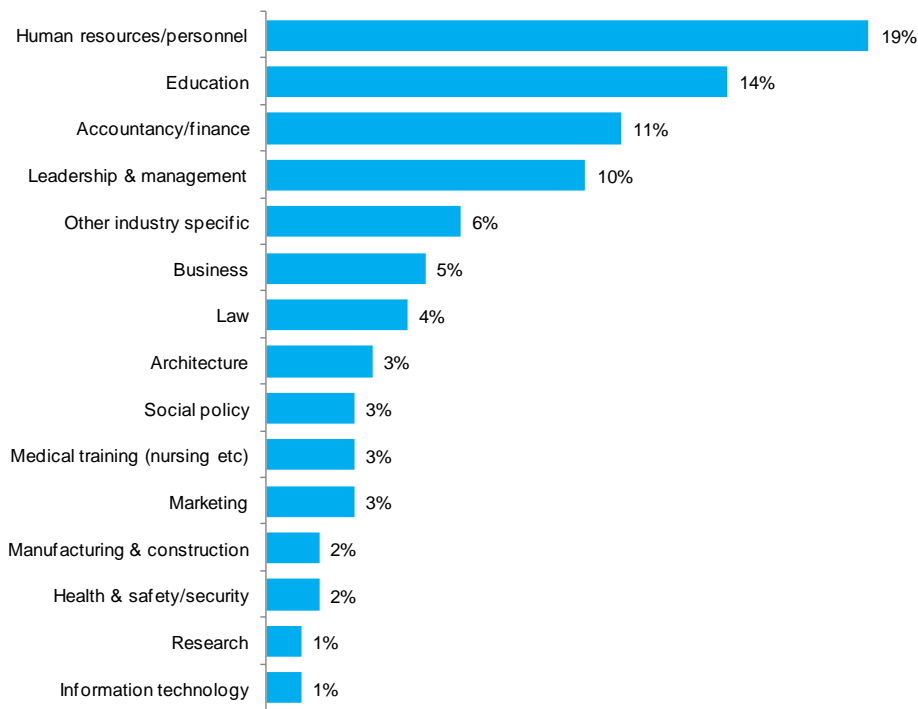


Base 124 (Don't knows excluded)

Figure 9: Public/private sector by Linking London partner institution

Subject studied

4.20 Based on public, private and third sector organisations, training that is *not* sector-specific was cited most frequently: almost one in five of all higher level skills training was in the human resource field. Accountancy & finance and leadership & management are also non-industry specific areas frequently cited (11% and 10% of training, respectively). The 26 organisations that carried out education-based training were entirely from the public sector.

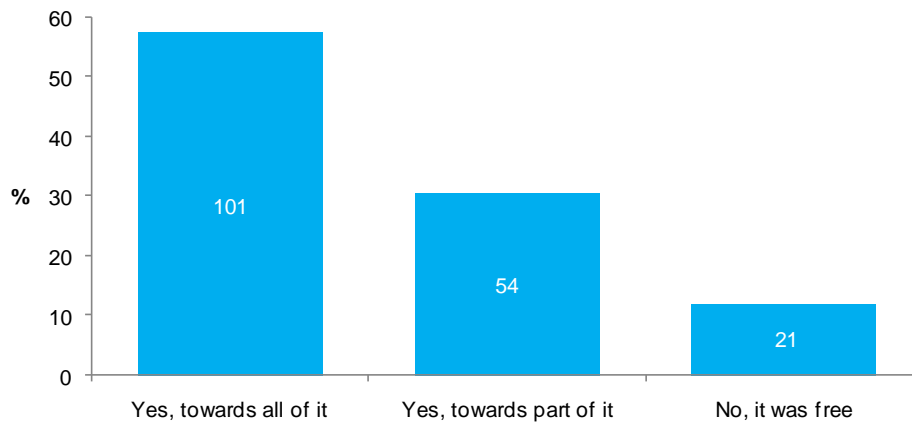


Base 157 (Don't knows excluded)

Figure 10: Subject of training

Funding of higher level skills training

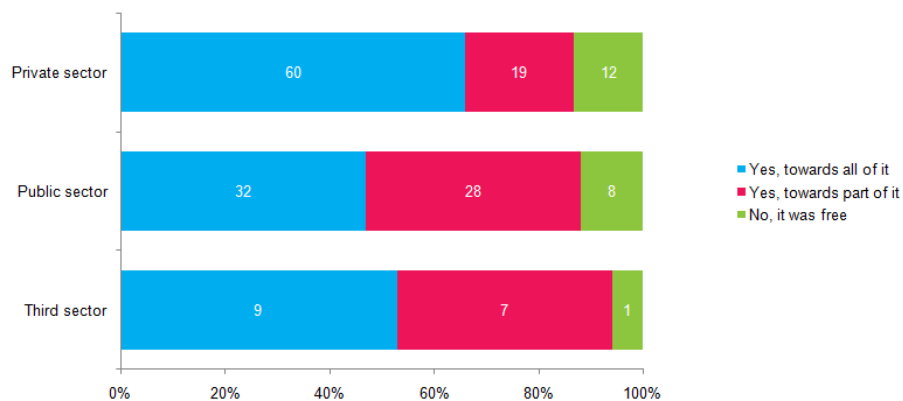
4.21 Lack of funding is often cited as one of the key barriers that prevent employers from undertaking higher level skills training. As figure 11 shows, our survey found that 57% of employers actually met the full cost of their higher level skills training.



Base 176

Figure 11: Financial contribution made towards training

- 4.22 Employer perceptions are important here. It is likely that some employers reported that they had met the full cost of their higher level skills training because they paid the fee charged to them at the point of delivery. For training undertaken with providers in the private sector this is likely to be the case. For qualification-bearing courses delivered by HEIs it is equally likely a *partial*, rather than a *full* financial contribution to the actual cost of the training has been made (e.g. by paying an employee’s tuition fees).
- 4.23 It is equally likely that some employers will have *underestimated* the overall cost of training to their organisation. While payment of course fees might in their view constitute meeting the ‘full cost’ of training, this does not include the costs incurred for things like study materials, specialist equipment and study leave. With these caveats in mind, we can observe (figure 12) that private sector organisations are more likely to pay for their training in full than public sector organisations. 66% of private organisations paid for their training in full, compared with 47% of private sector organisations.



Base 176

Figure 12: Public/private and third sector by financial contribution

Reasons for training

- 4.24 In understanding the nature of employer demand for higher level skills, the reasons and motivations of existing consumers can provide valuable insights. To this end, we asked employers to specify their principal reason for undertaking higher level skills training.
- 4.25 As figure 13 shows, human resource issues such as improved retention, increased staff motivation and particularly the personal development of the employee was by far the most frequently cited reason (93%). A significant proportion of organisations (56%), undertook higher level skills training to achieve goals embedded in their business strategy such as increased sales, productivity and profitability. Most organisations appear to invest in higher level skills training *primarily* for strategic reasons and not as a response to shorter term developments in customer behaviour or the labour market.

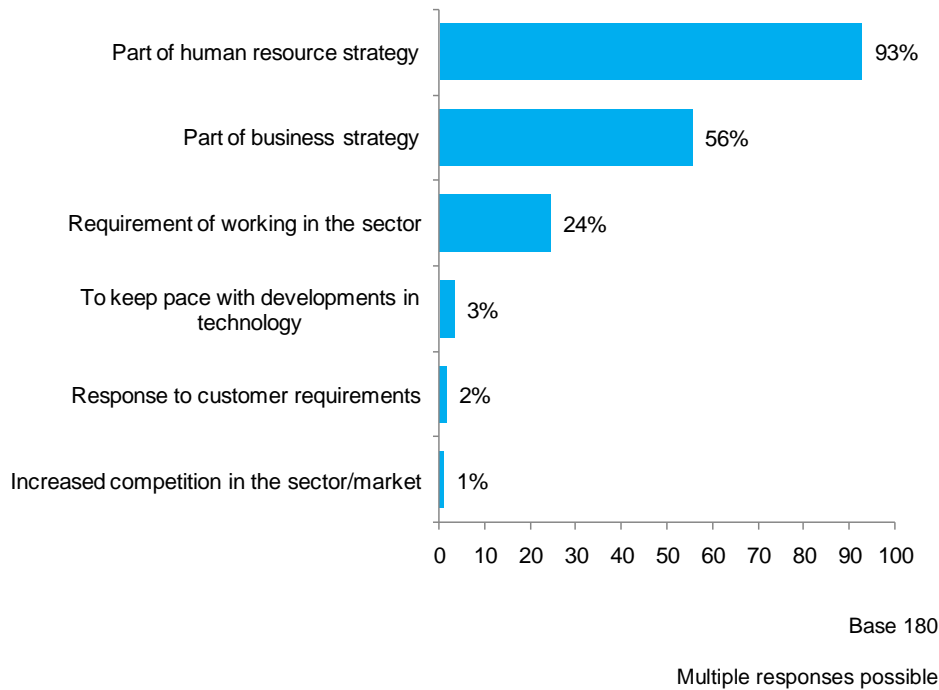


Figure 13: Reasons for training

4.26 We then asked respondents to rate (on a scale of 1-10 with 1 lowest and 10 highest) the importance of five key issues when reflecting on the process of choosing a provider of higher level skills. We have already observed the preference of employers for higher level skills training that leads to a qualification; significantly this was rated as one of the most important of all five factors by employers, along with cost (see figure 14).

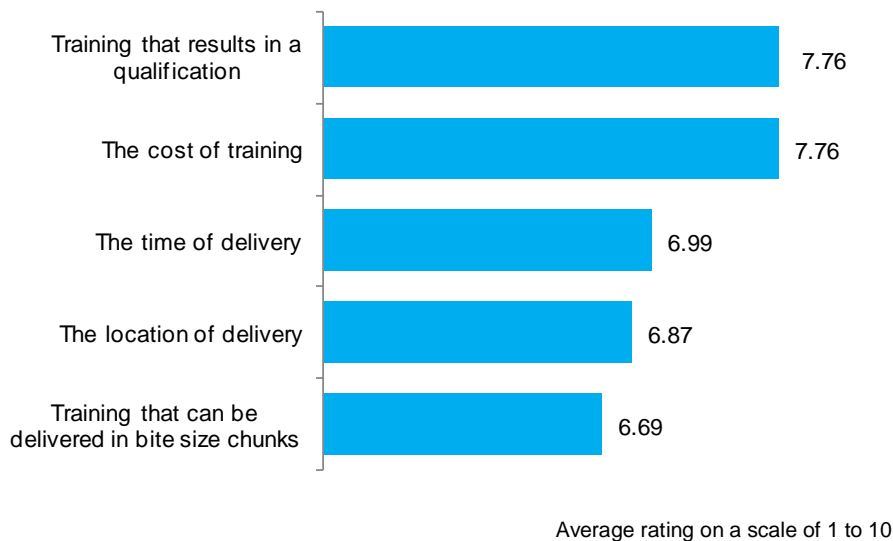


Figure 14: Importance of factors in choosing a training provider

The impact of training

4.27 As figure 15 illustrates, in the majority (79%) of cases, higher level skills training was reported as having a positive business impact.

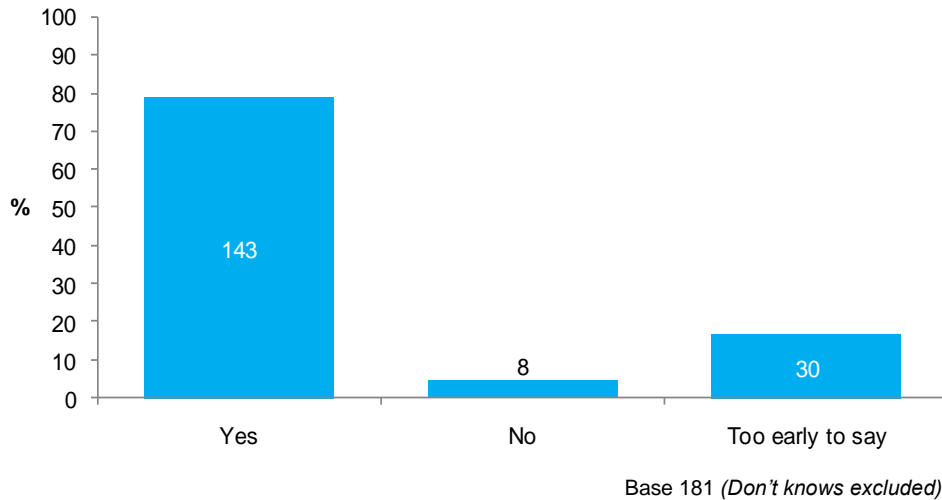


Figure 15: Has the HLS training had a positive impact on your organisation?

4.28 All respondents that answered 'yes' were then asked to rate the impact of the training on 5 key areas of the organisation. On a scale of 1 (lowest impact) to 10 (highest impact), staff motivation was the area where the most positive impact was reported.

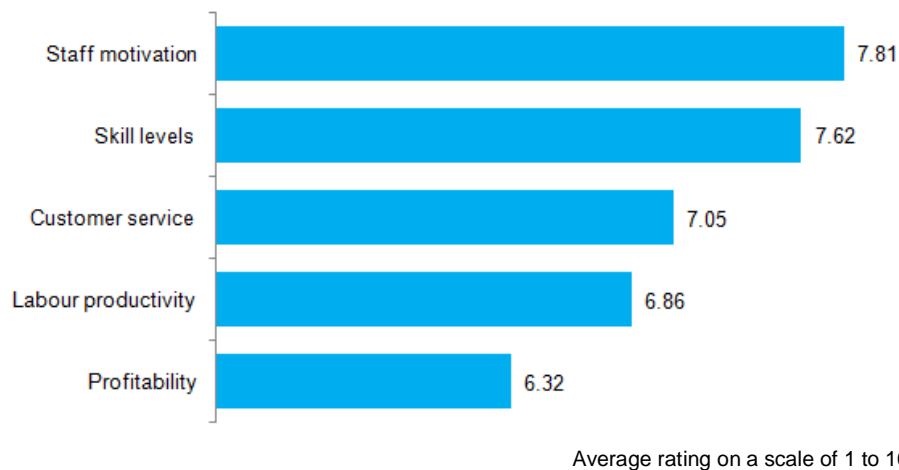


Figure 16: Impact of HLS on key areas of business

Summary

4.29 Several key messages can be drawn from our findings relating to the nature of demand for higher level skills:

- The majority of organisations that undertake higher level skills training do so with universities;
- Linking London partner institutions have a quarter of the overall market for higher level skills training;
- While universities dominate the market for more traditional academic qualifications, the professional and vocational markets are hotly contested with other provider types;
- Public sector organisations are more likely to train for an academic (rather than vocational or professional) qualification, and to use a university to deliver the training
- Most organisations had non-sector specific training, such as training in human resources, accountancy and management. Training that is specific to the individual industry accounts for less than one third of all training mentioned;
- Private sector businesses are more likely than the public or third sector organisations to meet the full cost of training;
- Organisations that undertake higher level skills training tend to do so because it forms part of their wider human resource and/or business strategy, and the vast majority report a positive impact on their organisation;
- Most organisations expect higher level skills training to result in a qualification which, along with the cost of training is the most important factor when choosing a training provider.

5 The nature of demand: organisations that do not train in HLS

5.1 In the previous section we explored the nature of demand from the 61% of employers surveyed that are existing consumers of higher level skills training. In this section we focus on the remaining 39% (119 employers) that *had not* undertaken such training in the preceding 12 months to establish:

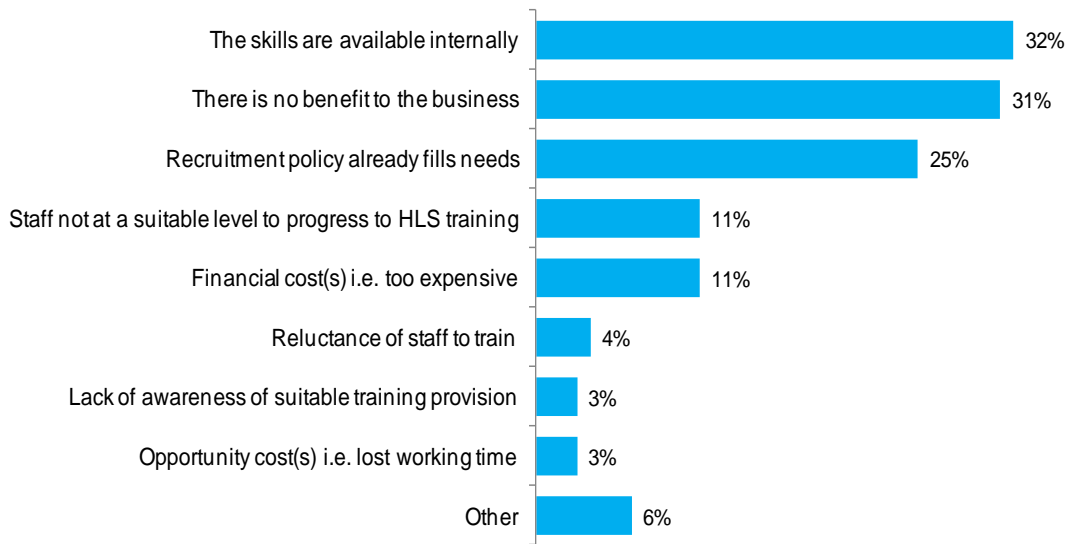
- Why they had not undertaken higher level skills training
- The likelihood of them doing so in the future and the form that this training might take

Reasons for not undertaking higher level skills training

5.2 Strikingly, 32% of organisations that had not undertaken higher level skills training in the last 12 months, had not done so because the skills were available internally. This does not point to a particular failure of supply – the lack of demand reflects the fact that the skills are already available in-house.

5.3 A further 31% indicated that they saw no benefit to their organisations by undertaking this type of training – see figure 17. It is worth remembering that these organisations had invested in *general* skills during the preceding 12 months and so have acquired the ‘habit’ of training. Another quarter of employers reported that their recruitment policy already catered for their skills needs.

5.4 The results show that the fundamental reason why employers are not investing in higher level skills training is *a lack of need*. Even in these turbulent economic times, just 11% cited financial expenditure as a disincentive to train and only 3% cited lack of awareness as a reason for not training.

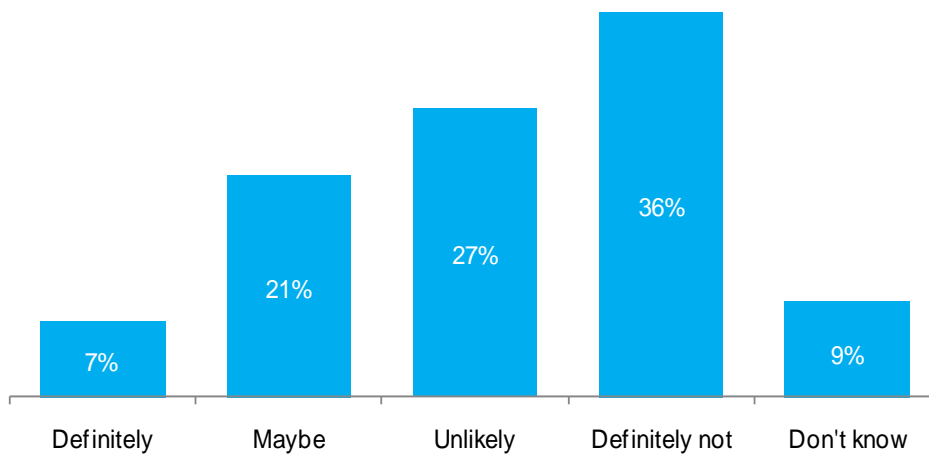


Base 98 (Don't knows excluded)

Figure 17: Reasons for not undertaking higher level skills training

Likelihood of undertaking Higher Level Skills in next 12 months

5.5 When asked about their future intentions, 28% of employers that had not undertaken higher level skills training reported that they would 'definitely' or 'maybe' do so at some point in the next 12 months (see figure 18 below).



Base 111

Figure 18: Likelihood of undertaking higher level skills training in the next 12 months

5.6 The remaining 63% of employers (discounting the 9% of 'don't knows') are likely to be a tough group to penetrate for high level skills training; not only have they not undertaken higher level skills in the past 12 months they have

also reported that they were 'unlikely' or 'definitely not' inclined to do so during the next 12 months.

Summary

5.7 We know that 39% of organisations in our survey had not undertaken higher level skills training in the preceding 12 months. When asked why:

- The most frequent response was a lack of need: 32% indicated that the skills were already available internally and 25% reported that their recruitment policy met their requirements in this area.
- Only a small number of employers cited financial costs as a barrier to undertaking higher level skills. We identified earlier that most organisations that do train at this level tend to meet the full cost. Taken together, this suggests that policy interventions aimed at making higher level skills more financially attractive to businesses will – in isolation – have only a limited impact.
- Although around a third of these organisations (28%) indicated that they may undertake higher level skills training in the future, the majority (63% discounting the 9% of don't knows) reported that they were 'unlikely' or 'definitely not' inclined to do so during the next 12 months.

6 Conclusions

- 6.1 The proportion of employers undertaking higher level skills training in Inner London (61%) is considerably higher than that identified by CFE in similar surveys. The average across the East Midlands, West Midlands and Yorkshire & Humber regions is just 33%. Although these surveys focused only on private sector enterprises employing more than 25 staff, this is also likely to reflect the more highly skilled nature of the Inner London workforce.
- 6.2 Qualifications matter to the organisations that do invest in higher level skills. A resounding 96% reported that the training they had undertaken had resulted in the award of a qualification. Along with cost, this was cited as the most important factor when choosing a provider. Universities (and FE colleges that choose to do so with Foundation Degrees) are in the unique position of being able to design and award higher level qualifications and should capitalise on this demand from employers.
- 6.3 The combined market share of HEIs and FE colleges in Inner London is broadly in line with that of the three regional studies (64% compared to an average of 69%). However, it is striking that 19% of respondents that had undertaken higher level skills training with a university or FE college could not recall the name of the institution. In part, this could be the result of surveying larger organisations (i.e. those employing 50+ rather than 25+ staff) but it perhaps also suggests that universities and colleges could do more to develop strategic rather than transactional relationships with employers.
- 6.4 While universities dominate the market for academic qualifications, they enjoy less success in the professional and vocational markets. Recent research by CFE suggests that many employers have entrenched views of what universities can offer:
- 'Many businesses were unaware that some universities could offer the sort of bespoke provision offered by private training providers; HEIs were commonly viewed as providers of (high quality) 'traditional' academic qualifications, delivered in a 'traditional' way.'*²¹
- 6.5 With different provider types vying for market share in the professional and vocational training markets, Linking London is uniquely placed to highlight where it would make more sense to collaborate rather than compete. For example, in areas where FE colleges are well established, universities might be better placed to validate their HE provision rather than attempting to deliver directly to employers.

²¹ Kewin, J., Bowes, L., & Hughes, T., (2008) *Beyond Known Unknowns: a further exploration of the demand for higher level skills from businesses*, CFE, available to download at www.cfe.org.uk.

- 6.6 It is also clear that private training providers have a well established reputation in the professional training market and do not suffer from the same negative perceptions that can encumber universities and FE colleges²². Working *through* these providers would perhaps be a more effective route to this market.
- 6.7 In line with our previous research, it is clear that organisations that invest in higher level skills do so as part of an overall strategy. For all employers, there has to be a business case to train. As organisations overwhelmingly report the positive impact of higher level skills training, there would be real value in capturing these success stories for marketing purposes.
- 6.8 We must accept that for many of the organisations that do not invest in higher level skills, this also forms part of a rational strategy. The vast majority of these employers reported that either they had the skills already, or did not need them.
- 6.9 While universities and FE colleges have a role to play in *stimulating* demand for skills, it is clear that this involves more than improved marketing or increased financial support. Only 11% of employers that had not invested in higher level skills cited financial cost as a barrier to doing so and just 3% cited a lack of awareness of suitable training provision.
- 6.10 As a starting point, universities and FE colleges that are serious about developing a presence in the training market must first understand their position within it. An individual market assessment of the type we have developed through this research would provide a useful baseline and a foundation on which to build.

²² Kewin, J, Bowes, L, & Hughes, T, (2008) *Beyond Known Unknowns: a further exploration of the demand for higher level skills from businesses*, CFE, available to download at www.cfe.org.uk.

Select Bibliography

HM TREASURY (2006): Leitch Review of Skills, Prosperity for all in the global economy - world class skills, HMSO 2006

http://www.hm-treasury.gov.uk/media/6/4/leitch_finalreport051206.pdf

HM TREASURY (2005): Leitch Review of Skills: Skills in the UK: The long-term challenge, Interim Report, HM Treasury http://www.hm-treasury.gov.uk/media/2/3/pbr05_leitchreviewexecsummary_255.pdf

http://www.hm-treasury.gov.uk/media/2/3/pbr05_leitchreviewexecsummary_255.pdf

KEWIN. J, CASEY. P, & SMITH. R, (2008): Known Unknowns: The demand for higher level skills from businesses, CFE, available to download at

<http://www.cfe.org.uk/page.php?p=130>

KEWIN. J, BOWES. L, & HUGHES. T, (2009): Beyond Known Unknowns: A further exploration of the demand for higher level skills from businesses, CFE, available to download at

<http://www.cfe.org.uk/page.php?p=130>

LEARNING AND SKILLS COUNCIL (2006): National Employers Skills Survey 2005: Main Report [online]. Learning & Skills Council, June 2006. Available at:

<http://readingroom.lsc.gov.uk/Lsc/2006/research/commissioned/nationalemployersskillssurvey2005mainreport-re-june2006.pdf>

THE LONDON SCHOOL OF ECONOMICS AND POLITICAL SCIENCE (2008): London's Place in the UK economy 2008-09.

http://www.cityoflondon.gov.uk/Corporation/LGNL_Services/Business/Business_support_and_advice/Economic_information_and_analysis/Research_publications/

LONDON SKILLS AND EMPLOYMENT BOARD (2008): London's Future ; The Skills and Employment Strategy for London 2008-2013

<http://www.london.gov.uk/lseb/docs/londons-future-exec-sum.PDF>

<http://www.london.gov.uk/lseb/publications/londonsfuture>

LONDON DEVELOPMENT AGENCY (2006): London Annual Business Survey 2006;

<http://www.lda.org.uk/server.php?show=ConWebDoc.2248>

SASTRY, T. & BEKHRADNIA, B (2007): Higher Education, Skills and Employer Engagement. Higher Education Policy Institute.

<http://www.hepi.ac.uk/downloads/30HEskillsandemployerengagementfull.pdf>

Appendix 1: survey respondents by sector

Sector	Number of respondents	Proportion
Agriculture	2	0.7%
Manufacturing and production	17	5.6%
Mining/quarrying/utilities	1	0.3%
Construction	12	4.0%
Motor trades	2	0.7%
Wholesale	4	1.3%
Retail	15	5.0%
Hotels and catering	34	11.3%
Transport	9	3.0%
Post & telecommunications	17	5.6%
Finance	18	6.0%
Property and business	38	12.6%
Education	54	17.9%
Health	14	4.6%
Public administration	25	8.3%
Third sector	25	8.3%
Other	15	5.0%