

# Stepping higher

Workforce development through  
employer-higher education partnership

## Literature review



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# Introduction

This literature review was prepared by the KSA Partnership as part of the research work for the CBI, Higher Education Funding Council for England (HEFCE) and Universities UK (UUK) project on encouraging workforce development through employer-higher education partnership. It provides a handy digest of recent research in this field.

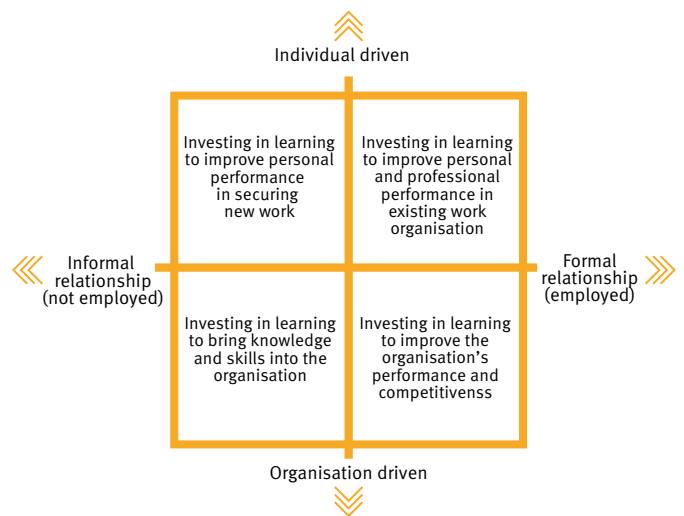
## Focus of this review

Workforce development can be defined as **learning which accredits or extends the workplace skills and abilities of employees** – the up-skilling, multi-skilling and re-skilling of an organisation's employees – at a higher level.<sup>1</sup> Workforce development can be taken to include investment in the learning of employees to improve their personal and professional performance, and investment in the learning of employees to improve performance and competitiveness of the organisation. The different motivations for workforce development are illustrated in **Exhibit 1**.

The purpose of this review is to summarise contemporary literature on how the relationship between businesses and universities is working in practice to address the workforce development and higher level skills agenda. It looks at:

- Motivations and drivers for higher education and business to work together
- The nature and scale of the current activity
- The characteristics of effective practice
- The issues, challenges and sensitivities involved in working together
- Benefits for the employer, employees, and higher education.

## Exhibit 1 Workforce development typology



Source: Nixon, I. Work-based learning: Illuminating the higher education landscape<sup>1</sup>



## Motivations and drivers to engage

This section covers the reasons why universities and businesses might work together to enhance the skills of the workforce, explores which universities and businesses are more receptive to this agenda and considers the circumstances under which universities are the most appropriate provider.

### The employer perspective: improving performance

The drive by businesses to increase the level of higher value-added activity has led to changing skill requirements, particularly in relation to increasing the proportion of the workforce that possess higher level skills. Constant innovation has also led to an increasing emphasis on knowledge creation, exchange and exploitation. Moreover, businesses across all sectors have to respond rapidly to the dynamics of their markets, which continually challenge their business models and the level and relevance of their knowledge base. So while new knowledge and skills are constantly required, the extent to which businesses support education and training varies considerably across and within different sectors, the size of the business, geographical location and the type of market the business is responding to (ie international, national or local).

Attracting, developing and retaining an adaptable and highly skilled workforce have therefore become imperatives for many organisations. Irrespective of their size, businesses that value the knowledge and expertise of their employees, and invest significantly in their development, expect a return on their investment. This return needs to be defined at the outset and identifiable after the learning and development intervention.<sup>4</sup>

The primary driver behind developing the knowledge, skills and expertise of employees is to improve the quality of organisational performance. Alongside this, organisations recognise that demonstrating a commitment to ongoing learning and development will support staff retention strategies.<sup>2</sup> Many university business schools have therefore prioritised this area as a core activity and have established long-term relationships with generally larger businesses to support employee development.

### Drawing on expertise

Another factor behind businesses engaging with HE institutions is where the institution has experience and specialist knowledge in a particular field or sector. Hence, the types of employers that traditionally have allied with universities on workforce

development activities include medicine and allied health professions, and law. Higher education institutions now recognise that there are opportunities to support workforce development in other professions and sectors. Institutions are actively pursuing opportunities in the public sector, especially local authorities and the police force, as well as the private sector, notably the construction, retail and leisure industries.<sup>3</sup> The public sector presents many opportunities as it is compelled to respond to national and regional policy drivers – some of which centre on skills.

In these more specialist areas, the reputation and track record of the university tend to be the influencing factor in an employer deciding to collaborate with a particular institution. For example, the decision by Tesco to develop a foundation degree in retail in conjunction with the University of the Arts London and Manchester Metropolitan University was taken because of the prior experience of these two institutions in providing other retail degrees and the staff delivering the programme had experience of working in the retail industry.<sup>4</sup>

### Convenience and suitability

Location is also a factor which may determine whether a university is the most appropriate provider. Where business-university links have been established to support CPD, the relationship tends to be localised, particularly where small and medium-sized enterprises are concerned. These links with the local institution are typically driven by the business (and its employees) because it ensures employees can study near to their workplace. The institutions themselves tend to be relatively passive in initiating the relationship.<sup>5</sup>

Finally, the extent to which the availability of a suitable HE qualification is the deciding factor in encouraging university-business relationships varies. The achievement of a qualification does not seem of primary interest to an employer, except where legal and regulatory requirements are important. They are more

focused on how the newly acquired knowledge and skills can impact on business performance, often on a relatively short-term time horizon. So the advantage that universities have over many private sector providers of being able to accredit learning does not seem to hold sway, apart from when the learning leads to a high status qualification like an MBA.

### The employee perspective

Employees by contrast are more motivated by the potential to achieve a qualification, as it can provide a means to validate and formalise their existing knowledge and experience.<sup>2</sup> This highlights a potential tension between the interests of employers and employees.

Additionally, employees see such study as a way of developing personally and professionally, and to build on existing qualifications (often obtained several years before) and on relevant work experiences (which in some cases can be very substantial).<sup>6</sup> Other motivating factors for employees include the chance to gain more responsibility and open up new opportunities for career progression, develop a greater understanding, knowledge and expertise in a particular (and possibly more specialist) area, and develop practical skills to enable them to perform a current role better or develop in a new role.<sup>2</sup>

### The higher education perspective

Higher education institutions are beginning to accept that demographic changes over the next decade or so could have significant implications. The declining pool of young people who would have traditionally progressed through HE will possibly mean increased competition for these students among higher education institutions. For many institutions, energy will need to be invested in strengthening existing learner markets and building new ones. Supporting those already in the workforce – 75% of the 2020 working age population are actually in work now<sup>7</sup> – is seen by some institutions as vital to ensuring their financial viability and sustainable growth. Yet it is this ‘greying’ workforce that is least likely to train and engage in HE programmes of study.

Working more closely with businesses on workforce development offers one option for HE institutions to diversify their sources of funding by securing greater levels of employer contributions. Institutions competing for a greater share of this market are, in part, striving to reduce their reliance on public funding.<sup>1,3,19</sup> Moreover, it is those same institutions that have secured, or are seeking, additional funding from HEFCE to build their capacity in responding to the employer-led market for HE provision. The availability of additional funds has provided an impetus to an increasing number of higher education institutions to strengthen business relationships by diversifying their offer.

The other key driver from the HE perspective is in relation to achieving the nationally set participation targets. Prioritising workforce development provides one route to achieving the government’s 50% participation target of 18-25 years in HE and also to bringing about a broader social mix of people benefiting from higher education.

## Nature and scale of current activity

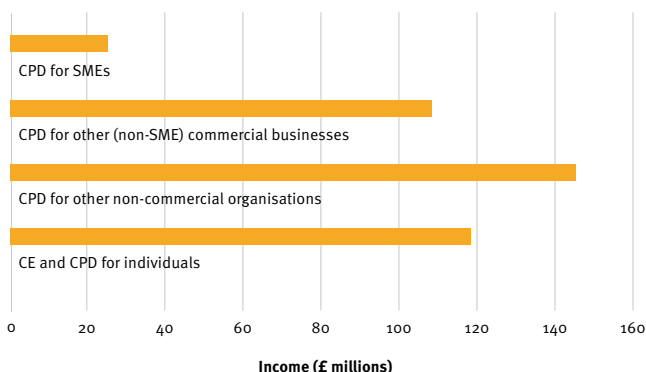
This section describes the nature and scale of the current activity, identifies which types of higher education institutions are engaged and explores where opportunities for further development might lie.

### Size of the market

The market that higher education institutions could compete for, as estimated by the total employer expenditure on all levels of learning and development, is about £5bn annually.<sup>8</sup> The median spend per employee is £272. When split by sector, the difference between the public and private sector spend is relatively small. Those in the voluntary sector, however, appear to spend far more on an employee's development than other sectors, with a median figure of £375 per employee per year compared with £273 in the private sector and £250 in the public sector.

Spend also varies by size of employer, with per capita spending declining with increasing company size – £417 per employee for organisations with less than 250 employees, £250 for organisations with 1,001-5,000 employees, and £73 for organisations with 10,001 or more employees.<sup>9</sup> And the annual expenditure per annum per manager on management and leadership development has been estimated as £1,035 – this equates to an average of 6.3 development days per manager.<sup>10</sup>

### Exhibit 2 Income generated by HE institutions in 2005-06 from CPD and continuing education



Source: HEBICIS, 2007<sup>11</sup>

### Measuring university activity

The total income generated by the HE sector from continuing professional development and continuing education, shown in **Exhibit 2**, equates to approximately £400m annually<sup>11</sup> – the greatest proportion of this income coming from non-commercial organisations. However, the extent to which this data presents a complete picture of the scale of the employer market accessed by HE has been questioned. Higher education institutions have acknowledged difficulties in disaggregating the income generated through their consultancy as against CPD activity. In addition, the income generated through their CPD activity excludes that generated from employers sponsoring their employees to study part-time undergraduate and postgraduate degrees. The latter is thought to be quite substantial and is likely to benefit the post-1992 universities to a greater extent.<sup>1,8</sup>

Despite the crudeness of the calculation, it is clear higher education is accessing only a relatively small proportion of the potential employer market. But the market will only buy products and services that meet its purposes.

Other possible indicators of the scale of the current activity include the proportion of employees working towards a nationally recognised qualification at a higher education level. One survey employers training their workforces indicated that only 19% of all trainees (representing 11.5% of employees from a base of 74,500 employers) were working towards a national recognised qualification. Of these, just under half (9% of all trainees, 5.5% of employees) were working towards an NVQ and, of those, 14% were working towards a level 4 qualification.<sup>8</sup>

Another survey indicated that the learning and development activities most frequently used by employers are on-the-job training (81%) and in-house development programmes (60%). The same survey also indicated that traditional learning methods such as on-the-job training and formal courses were identified as the most effective form of learning. Formal education courses are frequently used in 34% organisations and occasionally used in a further 47% of organisations; and, 71% of organisations expect the use of formal education courses to stay the same while 22% expect it to increase.<sup>9</sup>

With this in mind, the areas where HE has been identified as more likely to be successful in capturing a greater share of the employer market in the future are:

- Tailored or customised, individually negotiated, learning and development
- Accredited programmes delivered on a part-time basis and in the workplace
- Accreditation of in-house learning and development toward a full award at a higher education level
- Integrated programmes that provide progression opportunities from apprenticeships to foundation and undergraduate degrees
- Non-accredited, informal learning particularly targeted at SMEs.

### Some universities heavily involved

When considering which HE institutions have the track record and/or the intent to contribute in a sizeable way to supporting workforce development activity, the picture that emerges is not clear cut. The top 20 performers in terms of revenue from CPD and continuing education are dominated by pre-1992 universities (**Exhibit 3**).

As suggested above, relying solely on the income figures for CPD and continuing education may misrepresent the reality of the situation. For instance, in the north east the majority (52%) of workforce development activity is delivered by the post-1992 universities of Northumbria, Sunderland and Teesside, compared to the 9% delivered by the pre-1992 universities of Durham and Newcastle.<sup>12</sup> Further education colleges contribute 39% of the workforce development activity at HE level. This is perhaps not too surprising given the more vocational orientation of the former polytechnics (the post-1992 universities) and the FE colleges. The mix and balance of provision (and the extent of the workforce development activity) appears to align with the mission of the particular institutions – the universities of Durham and Newcastle as research-led institutions focus activity at a postgraduate level, whereas Northumbria and Teesside focus activity at an undergraduate level.

Furthermore, as higher level skills and workforce development have become a more important policy agenda and taken root within HE institutions, greater interest has been exhibited by the post-1992 universities. HEFCE invited institutions to bid for substantial funds to strengthen their capacity in delivering learning and teaching focused on the workplace and sustaining market-led approaches to building a customer base of employers and employees, alongside growing the contribution of employers (on a co-funded basis) to higher education provision. Post-1992 universities have been prevalent in bidding for and winning these resources.<sup>13</sup>

### Variation by employer size

From an employer's perspective, as businesses increase in size they are more likely to draw on all types of education and training providers.<sup>14</sup> Organisations with over 250 employees are significantly more likely to engage with universities to address the learning and development needs of their workforce.

That is not to say SMEs do not engage with universities, but they do face additional challenges. For instance, they do not have the same financial resources and planning horizons as larger businesses, and often need external funding support if they are to invest adequately in developing their employees. When SMEs utilise the expertise of a university, they do not normally want traditional and off-the-shelf products.<sup>15</sup> Such enterprises prefer more informal approaches to employee development – coaching and mentoring, for instance, are seen as being more effective learning methods than formal programmes of study that lead to a higher education award.

Some universities have worked hard to target SMEs and engage them in informal learning networks. For example the University of Westminster's knowledge and business development networks have over 7,000 network members from across businesses in the digital media and music sector, most of whom work in enterprises with fewer than 250 employees. Similarly, the University of Brighton runs ProfitNet – a learning network programme – which supports knowledge sharing across nearly 500 SMEs in Sussex.<sup>16</sup>

### Exhibit 3 Top 20 performers by income generated in 2005-06 from CPD and continuing education

Institution	Income (£000s)
London Business School	£28,224
Cardiff University	£22,117
Cranfield University	£19,911
Open University	£16,988
University of Manchester	£14,964
University of Strathclyde	£12,191
University of Oxford	£11,460
London Metropolitan University	£10,853
University of Hertfordshire	£9,461
Nottingham Trent University	£7,315
University of Central Lancashire	£7,226
Southampton Solent University	£7,090
University of Portsmouth	£7,086
University of Edinburgh	£6,809
University of the Arts London	£6,529
City University, London	£6,116
University of Cambridge	£6,022
University College London	£5,584
University of Leeds	£5,532
University of Bath	£5,365

Source: HEBGIS, 2007<sup>11</sup>

## Characteristics of effective engagement

This section examines how HE institutions and businesses have responded to the higher level skills and workforce development agenda to draw out the characteristics of effective engagement and practice.

### Infrastructure for engagement

In responding to the drive for higher level skills in the workforce, institutions have begun the process of putting in place the necessary infrastructure to support their market building activities.<sup>1,3</sup>

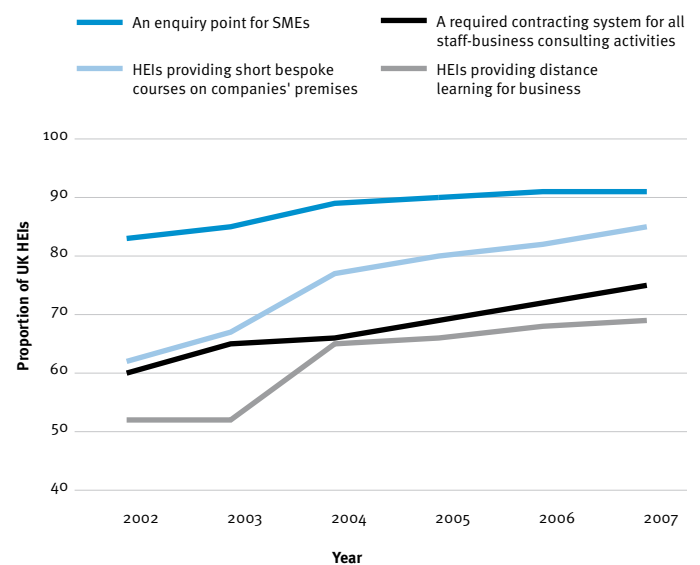
While much of this infrastructure was established to support innovation and knowledge exchange activities, many universities have recognised that business development functions have a central role to play in supporting their workforce development activities. For instance, **Exhibit 4** shows 90% of all HE institutions have a designated enquiry point for small and medium-sized enterprises and the availability of such a facility has grown steadily over recent years. Similarly, 85% of universities are engaged in delivering short bespoke courses on company premises and 68% are providing distance learning to businesses.<sup>11</sup> These findings suggest that HE institutions are now in better shape to respond to this agenda in a professional and client-focused manner.

This activity is underpinned by sector-wide systems (eg funding regimes, quality assurance procedures) which have been set up for the traditional student market. These will need to be adjusted to work well in this new and emerging employer-led market. Considerable internal changes at an institutional level are therefore required, particularly in:

- Managing and sustaining 'business-to-business' relationships
- Improving the speed of responsiveness to enquiries
- Enhancing the delivery mechanisms
- Providing better learner support
- Ensuring the relevance of programmes
- Building staff capacity and capability to respond.

One specific aspect that requires further attention is how customer relationship management systems are being deployed to support an institution's employer engagement activities.<sup>3,17</sup> The culture of HE has been identified as the most inhibiting factor in ensuring the effective operation of a CRM system across all

### Exhibit 4 Indicators of employer engagement activity



Source: HEBCIS, 2007<sup>11</sup>

business-facing staff and units. Consequently institutions are yet to make the most of such systems in informing service delivery and improvement, and helping with planning and making better informed strategic decisions. Only a few institutions are using CRM systems to support business-focused relationships.<sup>17</sup>

## Different levels of engagement

Where relationships have been established, there is a greater level of engagement by the employer, and it is more likely that the programme of study will directly address business needs and the skills requirement of the employee(s), and ultimately the success and sustainability of the programme.<sup>18</sup> The nature and level of employer engagement can be categorised at three levels:

- Advanced engagement where the programme of study is demand driven and the employer is involved in the design and delivery
- Effective engagement where employers are consulted on programme content
- Limited engagement where employers experience minimal consultation on programme content and their involvement is limited.

Most employers need encouragement to be engaged in the design and delivery of programmes of study, and the reasons why they should be involved may not be immediately apparent. Hence, the business and organisational benefits that can result need to be promoted, not only to stimulate demand but also to ensure increased levels of engagement by employers.

Ensuring the programme of study meets the needs of the employer and employees relies heavily on the diagnostic process. The initial diagnosis, whether undertaken by an intermediary (eg Business Link), employer and/or the university, will inform the nature and content of the programme. Dealing with a multiplicity of aspirations and needs will require increasing sophistication and flexibility in the solutions being designed and delivered by higher education.

It has been noted that there is an emergent flexible responsive culture capable of addressing employer requirements which is gaining strength in HE institutions, and concurrently, amongst employers there is an increasing ability to define job roles and competencies that help to inform both the content and the delivery of learning pathways for their employees.<sup>3</sup> According to one survey, 60% of organisations have a competency framework in place and 48% of those who haven't say they intend to introduce one in the next two years.<sup>9</sup>

One means by which to deal with the multiplicity of aspirations and needs is to ensure the learning outcomes are identified and agreed upfront by the employee, employer and the university, and that these outcomes form the basis of a 'contract' which can also take account of prior learning and qualifications.

## Key considerations

The reasons offered by employers and employees for deciding on a particular programme of study include that it:

- Provides flexibility in its content and delivery
- Enables the employee to study at their own pace to fit with work patterns and family commitments
- Is delivered at a convenient location in or near to the workplace
- Meets the individual employee's learning needs and styles
- Is perceived to be directly relevant to the employee's work.

This suggests that some HE institutions are striving to address the criticism by some employers of the lack of flexibility in the provision.<sup>1,2,4</sup> Moreover, institutions are increasingly providing work-based solutions where an element of the learning arises through work. The workplace then becomes the 'context' for the application of the learning. It also means that the 'content' of programmes is driven by the nature of work roles and gaps in knowledge and competency, rather than by academic subject disciplines. This results in a higher education experience that is interdisciplinary, relevant, contextual and meaningful in the workplace.<sup>2</sup>

## Issues and challenges

This section pulls together the issues, challenges and sensitivities that have to be overcome for businesses and universities to work effectively together in addressing higher level skills needs in the workforce.

### Cultural differences and language barriers

One of the most significant issues identified has been the cultural differences that exist between the HE and business sectors.<sup>1,15</sup> This cultural and language divide acts as a barrier to developing strong working relationships. Overcoming these differences will take a substantial investment of time and effort on both sides to ensure new workforce development initiatives do not falter at the first hurdle.

Establishing a shared understanding and expectations of the particular area of focus from both an institution's and employer's perspective has been acknowledged as an essential first step. A great deal of patience on both sides is then needed to sustain the partnership as the design and delivery of a new programme of study can usually turn out to be a complex experience. There is a tendency for employers to expect developments to progress more quickly than HE institutions are used to and some of the hoops that need to be jumped through (eg internal validation processes) can seem laborious. Expectations as a consequence need to be managed throughout the process – business development managers in universities can play a central role in handling the cultural differences and managing the expectations.

### Engaging employers and building a market

Building a market requires HE institutions to proactively target employers. Business development functions will increasingly have a central role to play here, particularly as intermediary organisations (external to HE) which provide a brokerage role have, as yet, to generate significant volumes of leads. For example, evidence suggests that less than 10% of English FE colleges' Train to Gain business has been generated by Train to Gain skills brokers, and 60% of colleges have not seen a single employer or employee 'walk through their doors' courtesy of a broker.<sup>19</sup>

There is also a question over the nature and level of demand from employers. The issue here is that the low skills equilibrium is believed, in part, to be down to a lack of demand from employers for higher level skills. The challenge is therefore to stimulate the latent demand by, in part, motivating employers

and their employees to see value and engage in higher level skills development.<sup>5</sup>

The main reasons given by employers for not supporting learning and development<sup>9,20</sup> include:

- Competing business pressures
- Lack of understanding about the value and impact of learning and development
- Perceived as optional or peripheral, rather than essential
- Lack of senior management commitment and positive role-modelling
- Cost and resource implications
- Lack of training for managers.

### Perceptions of higher education

Many employers, especially SMEs that have little experience of graduates or higher education, are unaware of what is on offer and the developments that have taken place within the HE sector.<sup>4</sup> Many have outdated perceptions of universities as being only able to provide formal courses or qualifications which are not sufficiently relevant to the needs of their employees. They often do not have the opportunity to find out what higher education has to offer them and do not receive much marketing information from higher education compared to the private provider sector. Furthermore, many are unable to assess well what they might need for their employees and articulate that in terms that HE is familiar with.

The negative perceptions of HE held by employers include the irrelevance of programmes, lack of flexibility in the time and place of delivery, high transactional and financial costs, poor standards of delivery, and limited return on investment.<sup>21</sup> These perceptions are compounded by concerns over the retention of employees after investment in their development and the lack of substantive evidence of the benefits to be gained by business.<sup>6</sup> Promoting a better understanding of the role and value of higher education amongst employers will be critical if these perceptions are to be

overcome and if employers are to see HE as a natural provider of learning for their workforce. In addition, poor customer service has been often cited by employers as an issue to be addressed by HE institutions.<sup>22</sup>

### Costing and pricing of provision

Cost is cited as one of the main factors in influencing the choice of provision, particularly where the benefits and return on investment to the employer and employee cannot be clearly articulated at the outset.<sup>1,15</sup> Additionally, employers have identified that working with HE carries a high transactional cost as it takes time to build strong business-university relationships.<sup>3</sup>

The preoccupation of HE with utilising full economic costing models – which see institutions taking an ‘appropriate’ level of overhead based on ‘true costs’ of designing and delivering solutions to meet employers’ higher level skills needs – may also price HE provision out of the market for some employers, particularly SMEs.

The advent of the policy drive for higher level skills and workforce development has though accelerated interest in work-based learning as one means to fulfil employer demand. Evidence suggests that work-based learning can be more resource-intensive than other modes of learning. In costing different types of approaches to learning – including e-learning, distance learning, Foundation degrees, workplace learning and accreditation of prior experiential learning – one study found that all the different modes of learning were identified as being more resource-intensive than conventional campus-based approaches.<sup>23</sup>

Higher education institutions have therefore cited the perceived cost of work-based learning as a barrier to engagement. However, there are some dramatically different perspectives on the issue, with some institutions asserting its expense is based upon its inconsistency with standard costing mechanisms, and others asserting its apparent efficiency in not utilising some of the facilities that campus-based provision would require.<sup>24</sup> So whilst a better understanding of the ‘science’ of costing and pricing provision is required, institutions need to be careful to balance

the drive for full cost recovery with a pricing structure that is commercially viable. That said, as provision is generally reliant on enthusiastic individuals within an institution, it has tended not to form part of a well planned or managed business model.

## Benefits to be gained

Evidence suggests that many employees and employers feel that the HE programmes of study had met or even exceeded their expectations.<sup>2,6,8</sup> Little evidence is, however, yet available on the benefits and impact that HE institutions have gained in building partnerships with employers to address the higher level skills needs.

### Benefits for employees

For employees the benefits can include:

- Increased confidence, higher aspirations and motivation
- Raised personal and professional status through job changes or promotion, and professional recognition and membership
- A greater awareness and understanding of particular issues, and being better able to see other points of view
- More self-awareness as an individual and encouragement to take stock and reflect on their performance
- Development of new and enhanced existing skills leading to improved performance at work
- Positive change in thinking at work and being able to challenge assumptions.

### Benefits for employers

For the employer the benefits of working with HEIs that have been cited<sup>2,6,8</sup> include:

- Improving the skills base and flexibility of the workforce at all levels which leads to better performance at work
- Enabling each member of staff to contribute according to their ability in a system that values the practical alongside the theoretical (eg through foundation degrees)
- Recognising, rewarding and incentivising staff through awards that link to a national framework that can also encourage progression
- Achieving external recognition which can support recruitment and retention in sectors of strategic importance, such as engineering
- Encouraging greater levels of innovation which leads to improved services and products.

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