

**UKCOMMISSION FOR EMPLOYMENT & SKILLS EMPLOYER VOICE PROJECT  
CONSULTATION - PHASE 1 RECOMMENDATIONS**

**1. INTRODUCTION**

The UK Commission for Employment and Skills (UKCES) is undertaking a one year project which aims to maximise the impact of the employer voice<sup>1</sup> on the employment and skills system. To achieve this, UKCES has conducted an initial phase of research to understand, within the current system, where the employer voice is effective, what can prevent the employer voice from having impact and ultimately how employer leadership of the employment and skills system can be improved. The project will result in recommendations to governments across the UK in April 2010.

**We are at the mid-point of the research and are keen to hear your views on findings from the research to date in order to influence our recommendations.** The findings are presented from section 3 below. We would particularly like your responses to the following questions:

1	Have we captured the essence of the problems with the current system – if not, what else should we consider?
2	Are the guiding principles sufficient to strengthen the employer voice and leadership of the system – if, not, what else should we consider?
3	How would we ensure smooth transition from the existing system into one that is driven by the guiding principles proposed in this paper?
4	How would we ensure that sectoral and spatial employer voice mechanisms work together within the policy framework described?
5	Are there any other comments you wish to make or issues you think we should consider?

Please send your views by 21<sup>st</sup> December 2009 to:

[employervoice@ukces.org.uk](mailto:employervoice@ukces.org.uk)

You can respond online via the following link:

<http://www.ukces.org.uk/our-work/strategy-and-performance/employer-voice-project>

If you have any queries, please contact:

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<sup>1</sup> Employer voice refers to the process whereby employers are invited to, or proactively choose to, influence the employment and skills system at a range of spatial levels (UK, national, sub-national) through partnerships with other employers or public sector employment and skills partners. Employer voice does not refer to employers influencing as customers through purchase of employment and skills products and services.

## 2. THE CONSULTATION DOCUMENT

The consultation document consists of a number of sections:

- **Section 3** presents the Story So Far. This is a summary of where we are in terms of policy and the current landscape for the employer voice. It also summarises the key problems that have emerged in the initial research;
- **Section 4** presents a set of guiding principles that we are recommending governments across the UK adopt as a policy framework to maximise employer leadership of the employment and skills system;
- **Sections 5, 6 and 7** present each of the principles in turn together with a range of tools that can be used to strengthen employer leadership by:
  - Clarifying the “deal” between governments and employers in relation to their accountabilities within the employment and skills system;
  - Clarifying roles and responsibilities;
  - Establishing coherence and minimising change and flux within the system.

## 3. THE STORY SO FAR

This section of the paper outlines the purpose of the employer voice from a policy perspective and describes the current situation. It also presents the key challenges identified as a result of the phase 1 research.

The policy of governments across the UK over recent years has determined that employers should have a major role in shaping the employment and skills system. The rationale for putting employers at the heart of policy in an influencing role is to ensure that the employment and skills system delivers services and products that enable increased competitiveness and productivity for businesses in their own right and for sectors and spatial areas and UK plc as a whole. As well as ensuring a responsive system, involving employers in this way also helps to stimulate demand and investment in skills.

In order to achieve this, governments involve employers in a range of areas. This includes: articulating skills needs, supporting policy development, influencing government spend and priorities on training, influencing training content, providing feedback on training or system improvement and increasing their own and other employers' investment in training. The collaborative influence of employers through employer voice mechanisms enables a more strategic approach within a sector or spatial area and added value in terms of efficiencies, value for money and return on investment.

However, the evidence gathered in phase 1 of this project suggests that the range of policies from different governments and government departments have not been clear on the respective expectations between employers and government. As a result of this, collaborative arrangements on the ground have evolved organically, leading to confusion, lack of accountability, ambiguous roles and overlapping responsibilities.

A range of employer voice mechanisms have emerged across the UK at national and sub-national level (regional, sub-regional, city region and local) in response to government policy. There are some fundamental differences between these mechanisms. Some are legal entities, some are not. Some are performance managed against a consistent framework, others are not. Different combinations of government subsidy and employers' own funds support them.

These differences, combined with the use of different terminology (employer voice, employer-led, demand-led, employer-consulted, employer owned) and the lack of a consistently used definition, are confusing. This has led to frustration and disillusionment for both employers and public sector partners and, most importantly, a variation in quality and a lack of impact for both individual employer voice mechanisms and the system as a whole.

The findings show that, at a fundamental level, the policy framework is not coherent. Policy over the last decade appears to be more of series of ad hoc approaches than a conscious statement about what role the 'employer voice' should play.

In summary, as a result of the analysis undertaken so far, the following key policy challenges have been identified within the current system:

- **There is a lack of clarity on what employers are being asked to do by government/s and what accountability they have. The lack of a coherent policy framework has resulted in organic growth and confused architecture. Inconsistent terminology and language (employer engagement, employer leadership, demand-led, employer voice) has caused confusion as to the role employers are expected to play.**
- **The system lacks coherence. There are a range of sectoral and spatial groups without clear roles and responsibilities. This results in lack of connectivity, duplication and tensions between the different mechanisms.**
- **The system is constantly changing as a result of government/s policy and initiatives that do not build on what's already there, causing added layers of complexity on already complex system. This results in many groups continually forming and norming but not getting around to the performing stage.**

In addition, the research tells us that the employer leadership mechanisms that currently exist have very little real power. In many cases, the public sector is the main driver behind employer leadership mechanisms so the idea of employer leadership is a misnomer. There is also lack of real connection to government/s and Ministers and little resulting leverage.

#### **4. GUIDING PRINCIPLES**

To help overcome these challenges and strike a more clearly understood and transparent 'deal' between government/s and employers within a long-term policy framework, we advise that governments adopt a set of guiding principles. These principles aim to maximise employer leadership of the employment and skills system, ensuring the system is able to meet the needs of the employers and employer investment in training is stimulated.

We have not adopted a rationalisation approach to the problems. The evidence tells us that employers are heterogeneous and collaborate in ways that best meets their needs, i.e.,

sectoral, spatial, issue-based etc. and value a range of routes. We, therefore, do not believe that a simplification of structures to identify 1 or 2 “best” mechanisms is the right approach.

The guiding principles are:

- A policy framework is established that is clear about **the deal between employers and government /s and articulates the respective accountabilities**. This can result in a mixed model (sectoral plus spatial area employer leadership mechanisms) but this must be a conscious choice reflecting what specific parts of the UK economy needs rather than a series of random approaches that have arisen out of a lack of clear policy direction.
- A coherent system is established that **explicitly determines the elements of the system that employer leadership mechanisms can take action on** and is directive about who does what and who works with whom to ensure that the system operates effectively as a whole system.
- Ensure that, once this policy framework is established, **it provides a long-term, stable platform to maintain coherence. Any new policy aiming to involve employers in any way must fit within the set of guiding principles** so that the approach is consolidated and employer leadership mechanisms are allowed time to add value and deliver impact.

The linkages from the problems to the guiding principles are shown in the diagram below:

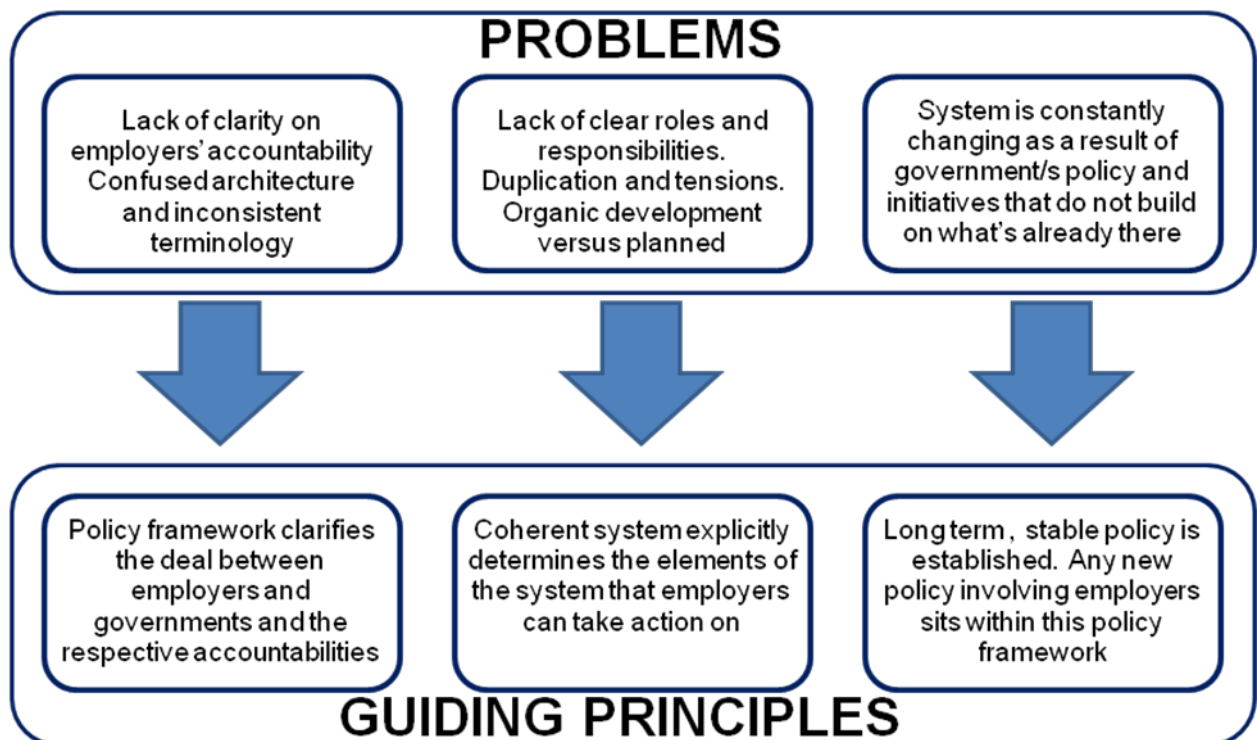


FIGURE 1 - Evidence >Problems >Guiding Principles

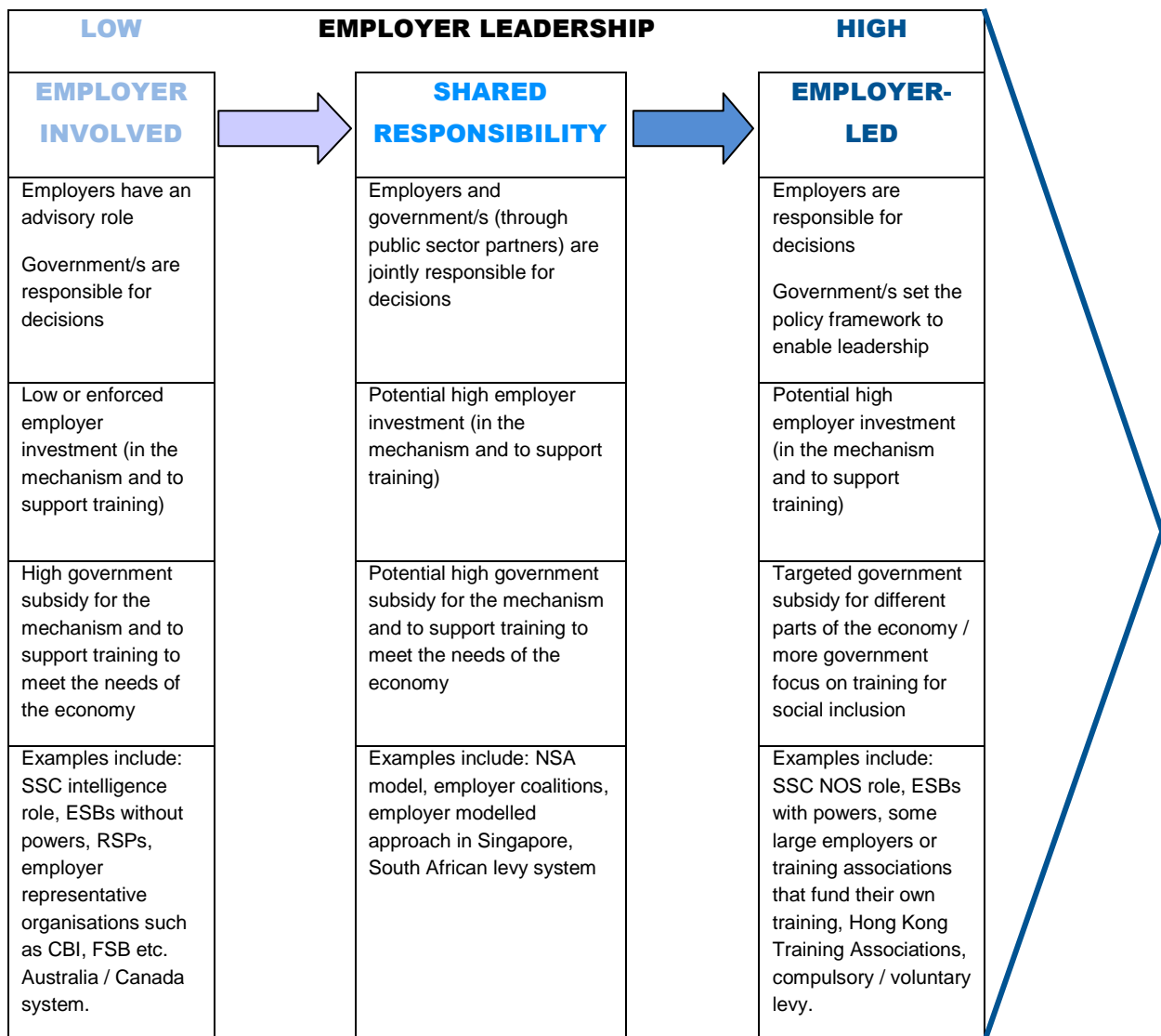
The following sections explain each of the guiding principles in turn.

## 5. PRINCIPLE 1: WHAT'S THE DEAL?

A policy framework is established that is clear about **the deal between employers and government /s and articulates the respective accountabilities**. This can result in a mixed model (sectoral plus spatial area employer leadership mechanisms) but this must be a conscious choice reflecting what specific parts of the UK economy needs rather than a series of random approaches that have arisen out of a lack of clear policy direction.

The model below begins to clarify what levels of accountability employers have or could have within the employment and skills system either through a sectoral or spatial model. It establishes the basis for a policy framework that clearly defines what employers are being invited to do and the extent of their influence on the employment and skills system.

The model presents the relationship and interaction between government and employers as different levels of employer leadership, determined by different levels of accountability and influence, with the aim of achieving a clear match of expectations between both parties. This then becomes the agreed deal (as opposed to a deal imposed on employers by government/s).



**FIGURE 2 - Employer Leadership Continuum**

Employer leadership is the term applied to describe the role that employers agree to play in influencing the system and we identify 3 levels of employer leadership: employer involved, shared responsibility and employer-led. These terms are defined in the model as:

- Employer involved – where employers have an advisory role and Government/s are responsible for decisions on how the system operates and is funded;
- Shared responsibility – where employers and government/s (through public sector partners) are jointly responsible for decisions;
- Employer-led – where employers are responsible for decisions and Government/s set the policy framework to enable leadership.

The examples within the model demonstrate that there are many forms of employer leadership within the current UK system (and also internationally). Some mechanisms also adopt different levels of employer leadership for different aspects of their activity (e.g., SSCs).

To strengthen employer influence will require recognition of the complex political, social and economic environment of the UK and apply different approaches in different settings. The system should recognise that employers are heterogeneous and align with the interest group that makes most sense, is most accessible and meets their personal and business motivations.

This means that the system will be a mixed model of sectoral and spatial employer leadership mechanisms and will not be uniform but setting this within a clear set of expectations for all parties establishes clarity of purpose. We recommend that government/s policy should be explicit about which of the roles described in figure 2 is the deal that employers are signing up to in any given context.

Clarifying the employer deal should be part of **a long-term, deliberate and transparent policy** so that any resulting mixed model is part of a planned approach. This then determines accountabilities. The next step is to provide a further level of clarity in relation to roles and responsibilities for specific elements of the system (see section 6, below).

## 6. PRINCIPLE 2: WHO DOES WHAT?

*A coherent system is established that **explicitly determines the elements of the system that employer leadership mechanisms can take action on** and is directive about who does what and who works with whom to ensure that the system operates effectively as a whole system.*

This principle digs deeper into the employer role and identifies what influencing role within the system employers can be invited to or decide to play. We are suggesting that by clarifying roles and responsibilities using the matrix below, the system will operate in a less ambiguous way and some of the current tensions will be addressed.

The matrix below outlines, in the top row, examples of employer voice mechanisms, and in the left hand column, how employers can influence the system.

	SECTOR SKILLS COUNCIL	NATIONAL SKILLS ACADEMY	REGIONAL PARTNERSHIPS	ESBs with powers – City region	ESBs no powers - City region, sub-region, local	EMPLOYER COALITIONS	TRADE ASSOCIATIONS	CHAMBERS OF COMMERCE	IoD / FSB / CBI
Identifying skills / employment needs									
Policy development									
Influence government spend and priorities on training/ employment									
Standards setting									
Developing qualifications / learning frameworks / employment programmes									
Ensuring quality delivery / developing routes to market									
Providing feedback on system improvement (skills or employment)									
Increasing investment in training / addressing worklessness									

**FIGURE 3 – Roles and Responsibilities Matrix**

The matrix can be used to either analyse the current system or plan roles and responsibilities in a revised system.

If the matrix is used to analyse the current system by allocating roles and responsibilities according to the matrix descriptors, there are clear overlapping roles across most of the descriptors, other than standards setting and qualifications / learning frameworks / employment programmes.

If the matrix is used to revise the current system, roles and responsibilities can show which employer voice mechanisms have the authority to influence in specific areas. It can also be used to identify where employer voice mechanisms do not have a role to play in influencing the system.

The employer leadership continuum detailed in principle 1 can also be laid across the matrix to identify whether employers are or should be influencing in an employer involved, shared responsibility or employer-led way (see figure 2).

## 7. PRINCIPLE 3: SYSTEM COHERENCE

*Ensure that, once this policy framework is established, it provides a long-term, stable platform to maintain coherence. Any new policy aiming to involve employers in any way must fit within the set of guiding principles so that the approach is consolidated and employer leadership mechanisms are allowed time to add value and deliver impact.*

Within our political system, change is a given. Government departments responsible for policy development operate within a democratically-led environment which means change is triggered by revolving ministerial responsibilities and newly elected political parties.

However, some coherence and stability needs to be built into the system in order to minimise the inefficiencies caused by constant flux. This principle, therefore, presents the key criteria that must be met by policymakers when determining employers' roles in any new policy development. Any new policy will:

- Not create a new structure or mechanism outside of the policy framework
- If a new structure or mechanism is required, explicitly demonstrate how it builds on what is already working;
- Clearly demonstrate why employers should have a role.

## **8. NEXT STEPS**

Alongside this consultation a range of supplementary research activities will be undertaken. These include:

- Developing a more detailed understanding of how the employer voice impacts in an HE setting; how the role of employer representative organisations (Confederation of British Industry (CBI), Chambers of Commerce, Institute of Directors (IoD), Federation of Small Businesses (FSB) and others) adds value to wider employer voice mechanisms; and, a detailed analysis of the differences in approach to capturing employer views about matters relating to employment or skills;
- An assessment of the specific arrangements in place in Scotland, Northern Ireland and Wales to develop tailored recommendations for each nation;
- An assessment of the percentage of government spend that is employer-led as per the definition in the model in principle 1;
- A detailed look at impact and how much this varies across different types of employer voice structures.

A final report, based on the findings from both phases of research, is expected to be with governments across the UK by April 2010 at the latest. The final report will contain recommendations on how employer influence on the employment and skills system can be strengthened and will build on the emerging thinking outlined in this paper.