

# **Making a Success of Employer Sponsored Education**

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## **About the Author**

Professor Dave Phoenix is Vice-Chancellor of London South Bank University (LSBU), a member of the Higher Education Funding Council for England's (HEFCE) Strategic Committee for Teaching Quality and the Student Experience, Chair of Million+ and a member of the Universities UK Board. He has been elected to Fellowship of the Royal College of Physicians (Edinburgh) for his contribution to medical research and education, awarded an OBE for services to Science and Higher Education and recognised as an Academician by the Academy of Social Sciences for his work in areas linked to education policy.

A Fellow of the Royal Society of Chemistry, the Royal Society of Biology, the Institute of Mathematics and its Applications and the Royal Society of Medicine, he is actively engaged in the skills agenda, especially related to employer requirements. He has represented the UK on the European Committee of Biological Associations, where he chaired the Pan-European network for professional recognition and has input into various professional bodies and Sector Skills Councils on related issues.

He would like to acknowledge contributions to the debate around sponsored education from colleagues in industry and the professions as well as from across the further and higher education sectors. The contributions of Dr Stephen Barber and Michael Simmons, both from LSBU, to this thought piece require special note and thanks.

# Foreword

**Nick Hillman, HEPI Director**

The Government is committed to expanding the number of students and the number of apprenticeships, including degree-level apprenticeships.

These are welcome policies, but they are being undertaken in a vacuum that ignores the UK's successful history of Employer Sponsored Degrees.

Pioneered and led by newer universities with strong links to specific sectors of the economy – and individual employers – Employer Sponsored Degrees offer numerous advantages, including:

- cost sharing between government, business and graduates;
- lower student debt;
- a better match between the supply and demand for skills;
- more opportunities for mature students;
- a boost in part-time learning;
- greater productivity;
- a good fit with the needs of small and medium-sized employers;
- less staff turnover; and
- an improved learning environment, as students bring their work experience to the classroom.

This paper does not plead for special treatment for Employer Sponsored Degrees. Instead, its principal recommendation is that support should be equalised for Degree Apprenticeships and Employer Sponsored Degrees. To coin a phrase, we need to deliver 'a level playing field' between different ways of delivering the same end of a higher-skilled and more productive workforce.

This would help rebalance the labour market, boost productivity and protect the economy against future shocks – all of which should be among the most important priorities of policymakers.

## **Executive Summary**

*The general view on funding coming through the submissions is that the responsibility for funding the system should be shared between the government, students and employers; that the funding arrangements should make possible such a balance; and that the funding system should help increase the flexibility of the system.*

*The Dearing Report (1997)*

Employer Sponsored Degrees are the original 'earn while you learn' degree courses in which employees undertake degree-level study on a part-time basis (usually one day a week). Employees are salaried, with the employer paying any tuition fees, giving time off for study and providing work-based training. They are internationally recognised and portable qualifications.

With increasing tuition fees, the high cost of studying away from home and employers' demands for experienced staff, there is a case that Employer Sponsored Degrees represent the 'gold standard' for degrees. They are a proven solution for funding higher education which benefits the student, the employer and the taxpayer.

Research by London Economics, commissioned for this paper, confirms Employer Sponsored Degrees offer excellent value for money to taxpayers, who pay much less of the cost, and students, who can emerge with no debt. Employers benefit too, from improved productivity and staff retention.

In addition, Employer Sponsored Degrees provide benefits in terms of broader economic success: improving productivity and innovation through employee exposure to the unique

qualities that university education offers as a component of work-based education. Usually involving part-time study, Employer Sponsored Degrees provide access to higher education for mature students. They also provide a significant tool for the support of social mobility.

Employer Sponsored Degrees provide an equivalent but, for many employers, more straightforward and established route than the Higher and Degree Apprenticeship schemes favoured by the current Government. The central involvement of universities in Employer Sponsored Degrees provides employers and employees with easy and direct access to the UK higher education framework and infrastructure. These are recognised globally for quality and rigour and provide portable qualifications and progression pathways.

While there is much that is good about Modern (including Higher and Degree) Apprenticeships, they are clearly not a silver bullet for the UK's skills and productivity issues. The October 2015 Ofsted report, *Apprenticeships: developing skills for future prosperity*, highlighted a number of issues concerning the take up and effectiveness of apprenticeships. Despite this, Higher and Degree Apprenticeships receive subsidies denied to Employer Sponsored Degrees and the case is made here for funding parity and for the Government to facilitate these valuable university-employer partnerships.

This paper makes the case for rebalancing the burden of university funding among all those who benefit – government, students and employers. Specifically, it addresses the opportunity for raising the prominence of Employer Sponsored Degrees by supporting them properly. It also addresses the need for supporting the STEM and part-time education

infrastructure to ensure there remains the high-quality local educational provision necessary to enable employers to secure a skilled workforce. It suggests these arrangements should be brought to the forefront of the debate about work-based education and higher education finance.

## *Employer Sponsored Degrees and Modern Apprenticeships*

	<b>Employer Sponsored Degree</b>	<b>Higher Apprenticeship</b>
<b>Mode of Study</b>	Part-time or block	Part-time or block
<b>Period of Study</b>	One to five years as required	One to five years as required
<b>Educational Component</b>	Established higher-level qualifications (such as HNCs / HNDs and degrees)	Part of the overall qualification
<b>Skills Component</b>	Determined by the employer and can be built in through work-based learning	Part of the overall qualification
<b>Qualification</b>	HNC, HND, Foundation Degree, Degree	Role-specific apprenticeship, sometimes with educational or professional qualification
<b>Costs</b>	c. £27,000 over five years	c. £27,000 over five years
<b>Funding</b>	Funded fully or in part by employers	Two-thirds funded by government
<b>Structure</b>	Established, flexible and easily accessible to employers of all sizes	Developed by consortia



## Introduction to Employer Sponsored Degrees

1. Employer Sponsored Degrees are valued by the employee-students who take them and their employers who fund them. These employee-students undertake university degree courses on a part-time basis (usually one day a week) and work for their employer the rest of the week, during which time they receive additional on-the-job training. In this way, the employee-students benefit concurrently from the combination of training, education and vocational development. Employer Sponsored Degrees offer the opportunity for people to earn while they learn and can incorporate work-based modules in consultation with employers. Employees can develop both their careers and their productive contribution to their employer through programmes which are developed by universities and employers and are often accredited by professional bodies. The concept is long established in education, law and healthcare and there are many other examples of degrees with workplace learning incorporated successfully into them.

2. Across UK universities, 10 per cent of students are sponsored on Employer Sponsored Degrees, a total of 235,000 students.<sup>1</sup> This appears to be a far higher number than any published ambition for Higher or Degree Apprenticeships. There is, therefore, a national network of high-quality providers of professional and technical education.

3. The top 10 universities for Employer Sponsored Degrees account for over 64,000 students – more than a quarter of the 235,000 Employer Sponsored Degree students. Eight of these are post-92 universities. There are substantial cohorts of Employer Sponsored students around the UK. At LSBU, over one-third of students are sponsored by nearly 1,000 employers.

Half of these sponsoring employers are small and medium-sized enterprises (SMEs) attracted to the Employer Sponsored Degree model by its quality and flexibility. This is noteworthy, since small businesses account for almost half of private sector employment and are central to the Government's enterprise agenda.

4. Employers are already major funders and beneficiaries of higher education. Many employers sponsor their staff through a range of established qualifications such as HNCs, HNDs and degrees and recognise the broad range of qualifications available within the higher education framework. But while Employer Sponsored Degrees are already well established and highly successful, they remain underdeveloped and have further potential to become a staple component of British higher education. There is scope for Employer Sponsored Degrees to be more widespread. This paper makes the case for rebalancing the burden of higher education funding by making it easier and more attractive for employers and universities to work together, and it shows the wider economic benefits of Employer Sponsored Degrees.

5. The paper is intended to stimulate debate and represents an invitation to other parties - including universities and other higher education providers, government, employer groups and students - to build on the core arguments.

*Top 10 UK universities for Employer Sponsored Degrees, 2013/14*

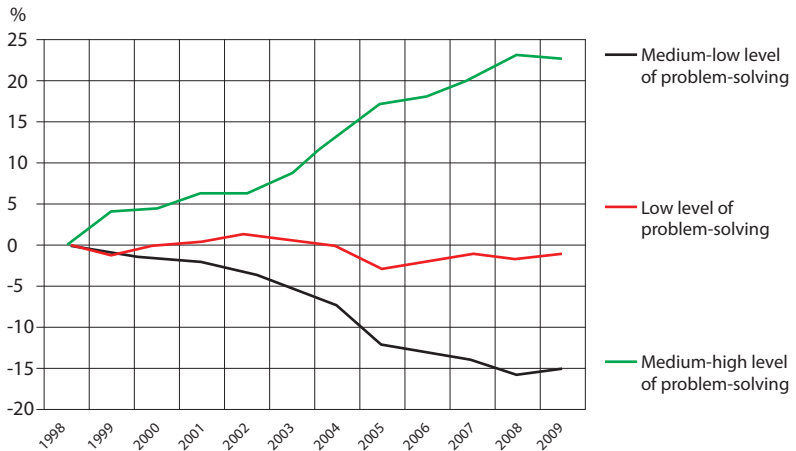
	<b>HE students (FTE) Source of fees: UK government bodies</b>	<b>HE students (FTE) Source of fees: Employers</b>	<b>Total</b>
<b>The Open University</b>	2,120	10,635	12,755
<b>London South Bank University</b>	3,615	3,130	6,745
<b>King's College London</b>	5,735	775	6,510
<b>Anglia Ruskin University</b>	3,455	3,025	6,480
<b>Teesside University</b>	3,660	2,265	5,925
<b>Birmingham City University</b>	3,385	2,225	5,610
<b>Coventry University</b>	2,085	3,345	5,430
<b>Edge Hill University</b>	2,545	2,540	5,085
<b>University of the West of England, Bristol</b>	3,850	1,225	5,075
<b>University of Hertfordshire</b>	3,230	1,765	4,995

## *Universities and skills*

6. Universities contribute to the economy through research, innovation, enterprise, expertise and education. Internationally respected, British universities have a demonstrable ability to generate skilled and employable graduates capable of commanding higher earnings, contributing to output and improving productivity.

7. As a sector, higher education has been challenged to support the economy in an increasingly competitive global marketplace. A key area where universities can do more is in their vital role supporting the UK's economy and productivity by developing higher skills in the workforce. This includes working with employers to offer robust work-based education that draws on the qualities and strengths which are key features of universities. This section argues that universities must be central to the provision of work-based learning, combining this with a broader mission of supporting economic success. The UK Commission for Employment and Skills' (UKCES) Report, *Working Futures, 2012-2022*, projected that between 2012 and 2022 the largest increases in employment across the UK would be for occupations classified as managers: professional; associate professional; and technical. In total, these roles were expected to make up just under 2 million posts, while the total number of jobs in manual occupations was projected to decrease by over 500,000. Access to professional jobs primarily depends on having a university degree or higher.<sup>2</sup> Data from the OCED show a similar trend.

## Evolution of employment in occupational groups defined by problem-solving skills



From Andreas Schleicher's 2015 HEPI Annual Lecture

8. While the UK economy has performed relatively well since it emerged from the shadow of the credit crunch, productivity remains a concern. The Bank of England's Monetary Analysis Directorate notes 'reduced investment in both physical and intangible capital, such as innovation, and impaired resource allocation from low to high productive uses.'<sup>3</sup>

This is a theme echoed in analysis by the UKCES, which argues that:

*Exploring workplace practice, we find ... too many establishments limited in training and offering their employees little variety or autonomy in their work. If the UK is to see lasting gains in productivity, it will need to see some of these workplaces investing in and making use of their employees' skills, pursuing a high performance working culture that nurtures and harnesses talent.<sup>4</sup>*

9. Furthermore, the London School of Economics Growth Commission demonstrated a clear place for universities in strengthening productivity through research and innovation and improving management practices.<sup>5</sup> In 2013 the Confederation of British Industry (CBI) report *Tomorrow's growth: new routes to higher skills reported*,

*The reality of longer and multiple careers over a lifetime means older individuals will have to re-skill and up-skill as technologies and ways of working change. This is already an issue – the recent CBI/Pearson Education and Skills Survey showed greater dissatisfaction among employers with their current workers' skills than with those of recent recruits from school or university. Without continuing investment in their skills, individuals become much more vulnerable in the labour market.<sup>6</sup>*

10. The mission of universities in this respect could be crucial to the long-term health of the economy, particularly if one considers the employment benefits already identified of part-time study, as discussed in Universities UK's (UUK) *The Power of Part-time report*.<sup>7</sup>

11. Dr Ruth Helyer, Head of Skills at Teesside University, says higher education should more actively align itself with work not only for the benefit of students undertaking work-based study but also for those engaged in traditional mode programmes. By aligning these two student types, all students can improve their employability and prospects after graduation.<sup>8</sup> Such skills' development has been shown to be valued by both students and employers.<sup>9</sup> Universities are in a position to help close the skills gap, a problem which at a more basic level for Britain was highlighted in a recent Organisation for Economic Co-operation and Development (OECD) report.<sup>10</sup> One of the advantages of the diversity of universities in the UK is that there are institutions from across the sector willing to address these challenges.

#### *Employer Sponsored Degrees, part-time study and social mobility*

12. There has been limited attention given to what might be described as atypical modes of study. Even the concept of the part-time mode is under-researched, although there are some useful publications which help to inform the case made here.<sup>11</sup> It is important to recognise the value of part-time provision as part of a diverse higher education ecosystem and, if we are to extend Employer Sponsored Education, reversing the recent decline in part-time student numbers is likely to be one result.

13. Universities have a much stronger record of providing high-quality professional and technical education than is often acknowledged. Employer Sponsored Degrees represent an effective and established model for delivering higher-level professional and technical education. A key feature, supported by employers, is the nested approach using HNC, HND and degree level study to provide jumping-off points and flexibility

in following an educational pathway. This route can also allow qualifications of an equivalent level to those already held to support retraining of the workforce.

14. The discussion of higher-level skills almost always omits reference to part-time Employer Sponsored Degree study. However, by their very nature – combining both classroom and on-the-job learning – higher-level technical qualifications are mostly delivered through part-time study. The damage done to part-time (and mature student) provision is damage inflicted on professional and technical education. As part-time courses close, the opportunities for employer-oriented study diminish. From 2010/11-2012/13, part-time students declined by over 40 per cent. More recent figures show that, between 2013/14 and 2014/15, there was a further fall of 10 per cent, bringing the total fall to 55 per cent on the 2010/11 numbers. Across the board, further education (FE) colleges and universities are pulling out of providing part-time courses.

15. Historically, 30-40 per cent of all part-time students received financial support from their employers. However, the evidence is that this has been dropping and in 2010/11 only 28 per cent of England-domiciled part-time students received some financial support from their employer towards their course.<sup>12</sup> It is believed this has fallen further since the increase in tuition fees. The core contention of this research is that this model could and should become more central to the future provision of higher education. It has positive implications for both higher education funding and for universities meeting the more explicit needs of industry, not to mention HM Treasury.



In 2013 the CBI report, *Tomorrow's growth*, highlighted the importance of part-time education in upskilling the workforce:

*The flexibility provided by part-time study is especially crucial to ensuring that re-skilling and up-skilling of existing employees can fit with business requirements. For fast-developing sectors such as low carbon and advanced manufacturing, which will require significant re-skilling and up-skilling, the availability of part-time study for employees can be a key enabler of growth.*<sup>13</sup>

16. Today higher education is a large and diverse sector with students studying in differing modes, pace and flexibility with delivery on and off-site, all alongside the traditional full-time degree. However, most of the debate focuses unduly on the 'traditional' model of three years of full-time consecutive study away from the parental home. It is worth noting that while the commitment of the Blair Government to 50 per cent participation in higher education is often criticised, the intention was never that this would be delivered by an expensive boarding school model, but that part-time and employer-sponsored provision would play an increasing role. One key observation was made by David Maguire, Vice-Chancellor of the University of Greenwich, who argued in a previous HEPI publication, 'that the sector would be better served by a system focused on the concept of flexible study that views all learners as the same irrespective of the intensity with which they study.'<sup>14</sup>

17. Employer Sponsored Degrees could have a significant role to play in delivering the Government's ambitions for a substantial increase in the diversity of those who go to university. According to recent figures published by the

Department for Education, parts of the sector have fallen further behind in delivering a diverse student body.<sup>15</sup> If the Government is to achieve its diversity ambition, the part-time employer-sponsored model and the universities that support it are more likely than any other to make the key contribution.

18. Many of those seeking part-time routes are working adults who have a more instrumental attitude to higher education.<sup>16</sup> These mature students recognise the benefits to their careers in developing the skills needed by employers but see it as a costly pursuit. They may be deterred from studying by a greater aversion to debt among those with family and other responsibilities.<sup>17</sup>

### *Universities and professional and technical education*

19. Technical education has been defined by the Gatsby Foundation as 'STEM-related education and training from level 3 (equivalent to A-levels) to level 5 (HND/Foundation Degree qualifications)'.<sup>18</sup> Some UK universities have particularly focused on providing high-quality professional and technical education, such as Employer Sponsored Degrees, and have developed the specialist expertise in part-time teaching as well as the industry-standard facilities that are needed. While there have been suggestions of a need to create new institutions to deliver this kind of education, these universities already provide a UK-wide network of institutions capable of delivering the best in professional and technical education. This has been built over many decades and includes a range of courses co-developed by universities and employers, including HNCs, HNDs and undergraduate and postgraduate professional degrees. At LSBU two-thirds of courses are accredited by professional bodies and the rest are developed in partnership with employers.

20. Many employers indicate the need for educational provision to work across the FE-HE divide (i.e. across Levels 3 to 5). It is often recommended that FE institutions should take on more responsibility for delivering professional and technical education at the higher education level. However, while there are a number of colleges providing excellent employer-linked qualifications, this is not universal. Indeed the Lingfield Review (2012) highlights the weakness in delivery even below degree level: 'If further education in England is to play a leading role in the delivery of technical and professional qualification at sub-first degree level, consideration needs to be given to the standards of teaching and the paucity of links to practice in the workplace.'<sup>19</sup> In presenting the October 2015 *Ofsted Review of Apprenticeships*, Sir Michael Wilshaw said: 'Despite the increase in numbers very few apprenticeships are delivering the professional, up-to-date skills in the sectors that need them most. Employers and providers involved in poor quality, low-level apprenticeships are wasting public funds.'<sup>20</sup> There also needs to be recognition that the facilities required for Levels 4 and 5 can be high – especially in areas related to science, technology and creative industries.

21. A self-evident solution to some of these issues is that those institutions that have a mission and track record on the delivery of employer-facing education, whether they are universities or colleges, should be more actively encouraged and supported to become involved in delivering professional and technical education. In this way, universities can develop work at Level 3 as well as degree level in order to provide better vocational pathways for students and employers, thereby improving progression routes from Levels 3 to 5. A range of specialist colleges covering Levels 3 to 5 could be developed in line with government recommendations, by building on excellence

where it exists rather than focusing on a one-size-fits-all model. In this way, the artificial divide that we have created between further education and higher education can be bridged to the benefit of employers and society at large.

22. There is a strong case that Employer Sponsored Degrees offer the robust premier route to professional and technical education demanded by the Government and employers. Employers pay universities to deliver high-quality, accredited educational programmes, which in many cases are designed in partnership with the relevant professional bodies as well as the employer. In tandem, employers deliver the skills necessary for their employees to perform effectively in their own work environment. The degree provides an accredited, portable qualification; the employer training enables employees to contribute directly to their employer's productivity. This approach avoids the criticisms made of some apprenticeship models, which often require unwieldy levels of bureaucracy. Surveys such as the annual *CBI/Pearson Skills Survey* show that employers want to be involved in designing qualifications, but also want stability in the system and do not want greater control over funding other than over the funding which they provide themselves.<sup>21</sup> In this context, aside from the generous government financial support available to apprenticeships, Employer Sponsored Degrees seem to fit their needs very well.

23. Some employers may be suspicious that study is less about improving an employee's current job (in terms of job skills, pay, promotion or satisfaction) and more about improving their long-term career. This may be an issue when trying to get employers to engage with higher education, as working adults and employers appear to have different motivations for involvement. For employers, engagement with HE is

about upskilling their workforce, but for individuals it is about progression.<sup>22</sup> However, where an employer recognises the potential value of an employee, this need not be with another employer. Recent research addresses this, with a longitudinal study demonstrating that graduates who remain in the same job generate substantial work-related gains via support from their education.<sup>23</sup> That is, employers benefit directly from workers engaged in higher education. The case study from Crofton Design below demonstrates this further.

24. The pathway for Employer Sponsored Degrees often involves breaking down a degree into accredited parts – HNCs/HNDs/ Foundation Degree/Bachelor’s Degree. This provides significant flexibility for employers both in terms of the length of time they support an employee and the funding they commit. Educational pathways through higher education using Higher National qualifications as a component part of a degree are keys to the success of this model. Any disruption to Higher Nationals risks dismantling these pathways and having a detrimental effect on the employer-funding model. Similarly, because employers are not compelled to fund the degree fully, there is the opportunity to enter into a more balanced relationship between employer and employee in terms of financial contribution. This might be thought of in terms of the student contributing something for their future earnings and the employer contributing something for enhanced productivity and staff retention. If government would also commit to this, it might be possible to create a truly sustainable model for HE, especially in those areas where a more educated workforce delivers directly to productivity. This model also provides a means for government to support directly those subject areas, such as STEM, in which employers are more willing to invest.

25. While government a decade ago indicated its support for greater employer involvement in higher education, by establishing the Leitch Review, little of this has been reflected in the public debate.<sup>24</sup> A clear illustration is the experience of the 2015 general election, where debate revolved around the perceived unpopularity of the decision to raise student tuition fees to £9,000, and Labour's commitment to cap them at £6,000. But there is a vanity of small differences here and an unwillingness to address properly the more complex questions of higher education's sustainability and the balance of funding. The big issues are not only about who is going to pay for universities, but also when and how.

26. A survey by the National Union of Students (NUS) shows that in 2015 as many as 77 per cent of students were undertaking work to help fund their studies, up from 59 per cent in the previous year.<sup>25</sup> Sadly, this work is generally not directly related to the student's area of study and its value is therefore limited to the financial support it provides. It would be preferable for that part-time work to be directly relevant to the future career of the student and to release lower-skilled jobs to other parts of the workforce. It would benefit the student, the employer and, ultimately, the economy. More emphasis on Employer Sponsored Degrees involving some level of financial support for employers could in many cases enable students and employers to align this work directly with study, and so benefit both students and employers. This would also be likely to increase loan repayments due to the higher graduate earnings which come with greater experience and higher-quality employment.

## *The value of Employer Sponsored Degrees and the case for rebalancing the burden of funding*

27. Research from the Department of Business, Innovation and Skills (BIS) calculates a degree is worth on average £168,000 for men and £252,000 for women, when compared to comparable non-graduates over a lifetime of earnings.<sup>26</sup> Separate analysis by Green and Henseke suggests the wage premium for graduates relative to matched non-graduates has increased over the past couple of decades from 89 per cent to 104 per cent.<sup>27</sup> That is good news for graduates, but also for the Treasury, which reaps its original investment many times over in additional income tax, not to mention wider productivity and output advantages resulting from a higher-skilled workforce.

28. New analysis by London Economics commissioned for this report shows the financial benefits of Employer Sponsored Degrees for graduates, employers and taxpayers.<sup>28</sup> It models two scenarios:

- a baseline case where the funding comes mainly through student support (including the associated write-off costs); and
- an employer-sponsored case where employers fund most of the costs.

29. The second approach has clear benefits for the Exchequer and students and graduates, with no adverse consequences on the funding of higher education institutions. In both cases, higher education institutions receive £27,534 (present value terms over the whole course) but there are stark differences beyond this.

- In the first scenario, **£14,973 comes from HM Treasury**, which is made up of £6,215 from tuition fee loan subsidies and £6,084 from maintenance loan subsidies, plus £2,674 from HEFCE teaching grant. **For students and graduates, the contribution is £12,561**, made up of the proportion of their maintenance and fee loans that they pay. (They also face indirect costs in foregone earnings of £25,322, while HM Treasury loses £592 in income tax.)
- Under the employer-funded scenario, **approximately £2,674 comes from the Treasury** in HEFCE teaching grant. The rest is from **employers, who make a net contribution of £31,412 to cover the fees (£24,860) as well as other associated costs. Students benefit to the tune of £6,552** each as their productive effort does not amount to the full value of their salary combined with the employers' costs for delivering supervisory and administrative support.

30. When student background is taken into account, the return on investment of an Employer Sponsored Degree may outweigh the course or type of institution attended. The Sutton Trust's recent report *Earning by Degrees* analyses graduate starting salaries by university type and subject of study. It provides comparative adjusted figures, which take into account a range of factors, including: degree subject; gender; mature student status; domicile; UCAS tariff; study mode; degree classification; parental education; parental occupation; and private school attendance. Based on the Sutton Trust's adjusted figures, the average starting salary for graduates from LSBU, where over a third of students are sponsored, is £24,451. This is higher than that of graduates in any subject area of the Sutton Trust's top



13 most selective institutions. This is a clear indication of the value of Employer Sponsored Degrees to employees as well as to employers and the Treasury.

31. While the total costs to the employer in terms of fees, supervision and salary are seemingly high for many SMEs and other employers, they are clearly balanced by the benefits of a more loyal, well-qualified and suitably skilled workforce. Also, they must be seen in the context of the overall salary, tax and recruitment costs of employing staff. Additional government support for this model would draw in further employer funding with significant benefits to students and the Treasury.

#### *Possible balanced funding model*

The cost of part-time sponsored degrees could be covered as follows:

- i) The student pays up to one-third but with the benefit of a salary sacrifice scheme and the added benefit of a salary, no student loan and highly beneficial work experience.
- ii) The Treasury pays one-third, which is less than it pays for a Higher Apprenticeship for students funded by the Student Loans Company (SLC).
- iii) The employer pays one-third or the balance, which is less than they do currently with Employer Sponsored Degrees, but the same as they would for a Higher Apprenticeship.
- iv) The funding incentives for employers which are offered for Higher Apprenticeships could also be paid for those employers funding Employer Sponsored Degrees.

This model has the additional benefits of:

- i) low levels of bureaucracy compared to Higher Apprenticeships;
- ii) higher education with guaranteed work experience for the student (and employer); and
- iii) relatively low costs compared to other models for the Treasury, the student and the employer.

### *Comparing Employer Sponsored Degrees with Modern Apprenticeships*

32. Governments over two decades have pursued and promoted the concept of the Modern Apprenticeship as the way of meeting the educational requirements of individuals and industry. There is a raft of literature exploring the benefits of the model, which has experienced continuous reform since it emerged in the 1990s.<sup>29</sup>

33. Despite pressures on budgets, government continues to fund these schemes and now provides two-thirds or more of the cost, with employers funding one-third or less (depending on the level of additional incentive payments secured by employers). Because of the substantial government funding, there is a suspicion that less scrupulous employers could be tempted to use the schemes to subsidise a temporary low-paid workforce. Without a rigorous educational component and clear outcome-based measures, this risk is likely to increase. The significant number of former apprentices who move into full-time education not only raises questions about some schemes' value but also suggests that there is not an automatic expectation that completion of a programme means moving

into a permanent job with that employer. This section compares the two schemes with the motivation of arguing for funding parity between apprenticeships and Employer Sponsored Degrees.

34. A 2015 BIS report showed an increasing number of apprentices are entering higher education. Between 2004/05 and 2009/10, nearly 36,000 advanced-level apprentices progressed to higher education. The report shows that until the 2009/10 cohort, a much higher proportion of students progressed to HE in FE colleges than to HE in universities. Afterwards, nearly half were in universities.<sup>30</sup> For some, the progression of apprentices into higher education will be seen as a positive indicator that apprenticeships are working effectively as a pathway into higher education. For others, it will be seen as a weakness of apprenticeships that they are failing to deliver an outcome that is meeting the needs of employees (and perhaps, therefore, employers). From either point of view, what is clear is that once these apprentices have experienced a further educational step in the form of their apprenticeship, they seek to undertake higher education as a means of enhancing their personal and professional development. In other words, the apprenticeship supplements or complements, rather than replaces, higher education.

35. While there are examples of high-calibre apprenticeship programmes leading to long-term careers, there are other examples which indicate that the progression into permanent work is less direct than political rhetoric suggests.<sup>31</sup> Research from the UCL Institute of Education and the University of Southampton acknowledges the value of what it terms 'expansiveness' in apprenticeship programmes. This approach immerses the apprentice in the values of the employer, to

learn from the experience of others and to develop skills and knowledge as part of career progression. Conversely, some schemes might be characterised as 'slipping' towards 'restrictiveness', focused on the needs of a limited job and without a portable qualification.<sup>32</sup> This is the difference between transferable and non-transferable skills. A significant increase in volume targets with a focus on entry rather than output could undermine further the reputation of the high-calibre apprenticeships that do exist.

36. The focus of the new apprenticeship programme is almost entirely role-specific. The short-term target of creating a workforce suitably trained only at a single point in time should be rejected in favour of the long-term aim to ensure an educated workforce that is enabled to progress financially, socially and professionally as individuals and in terms of a skilled contribution to employers. Higher education should be about fulfilling lifetime careers, not just the next job. Britain needs well-trained employees with relevant skills but, if we are to improve productivity, they must also be educated sufficiently to contribute actively to employers, and to develop as work, skills requirements, markets and economies change. Simply training to meet the current role without also educating for a career will lead to a lack of innovation and require the need for constant reskilling, which undermines productivity and costs more in the long run.

37. The delivery mechanism for Modern Apprenticeships is complex, involving consortia of employers and dual funding routes, and they are time-consuming to set up. None of this makes them attractive to SMEs which often need to be able to dip in and out of such programmes easily and to avoid unmanageable upfront time commitments. Employer

Sponsored Degrees are comparatively easy and flexible for employers to access. Over half of the employers funding Employer Sponsored Degrees at LSBU are SMEs, but SMEs appear reluctant to engage with apprenticeships due to the bureaucratic cost of entry, constant changes and the time involved meeting externally-imposed training requirements.

38. While governments of all shades have been committed to making apprenticeships work, they have overlooked the fact that high-quality work-related education already exists in the form of Employer Sponsored Degrees and their component Level 4 and 5 qualifications. To meet the country's educational requirements more fully, these need more government support to enable them to blossom. They are less bureaucratic than apprenticeships and are based on international norms in the shape of a university degree. They are easier to deliver and cheaper for the Treasury. Furthermore, Employer Sponsored Degrees could be more attractive and agreeable to schools and parents than Modern Apprenticeships, due to the recognised qualification framework to which they link.

39. Apprenticeships have sometimes struggled to gain traction with employers and students. Employer Sponsored Degrees have a strong track record of providing value to all concerned, providing education beyond training and being linked to the broader benefits of universities. They satisfy the positive feature of work-based development in the dual identities of 'workers and learners'.<sup>33</sup>

40. Employer Sponsored Degrees are perhaps at their most relevant where there is greater competition for staff, for example in STEM subjects, which are also Government priorities. Moreover, the return on investment for employers in these areas has meant many have been willing to bear the full

cost. However, if the aim is to extend the benefits to a wider group of employers, there must be a case for applying public funding currently directed to apprenticeships to this route too. Such funding could be provided directly or by considering mixed models, such as programme funding and tax incentives for companies engaging in training. There is also the option of allowing employers to access the Apprenticeship Training Levy. Whatever the arrangements, funding parity should be achieved and the Government needs to demonstrate its backing for Employer Sponsored Degrees if they are to reach beyond the current core users of SMEs in technical sectors.

41. The proposed Apprenticeship Levy, which is due to be introduced in April 2017, has been set at 0.5 per cent for employers with a payroll of over £3 million, and is expected to raise £3 billion annually. Employers will be able to recover their payments when they spend on apprenticeships, including Higher and Degree Apprenticeships. They will receive an allowance of £15,000 to offset against payments of the Levy and may be able to reclaim more than they actually pay in. Smaller employers will still be supported by government to deliver apprenticeships. Employers and employer organisations, including the CBI, have expressed many concerns about the Levy. In their *Response to the Government's Consultation on the Introduction of an Apprenticeship Levy* (September 2015), the CBI particularly highlight the administrative burden, claiming the working assumption of BIS officials is that the system will cost the Government 25p for every £1 levied. This raises questions on the value for money compared to tried-and-tested Employer Sponsored Degrees.

42. The CBI response also highlights the impact of the Levy on other areas of employer training and continues:

*Employers should not need to repurpose effective and rewarding existing apprenticeship training programmes to meet a new and more bureaucratic system in order to avoid paying twice. As far as possible, therefore, the new system should accommodate what is already working well for larger employers.*

## Case Study: Crofton Design

Crofton Design is a small business providing electrical, mechanical, structural and civil engineering design for the construction industry. The company has worked on a wide range of major projects and won many prestigious awards for its work. Founded in 2000 by LSBU alumnus Steven Hale, Crofton employs 50 staff, many of whom are LSBU graduates who have been sponsored through their degrees. Crofton is committed to developing its staff. Junior staff have the opportunity to work towards chartered status as part of Crofton's well-established training programme. As a result, annual staff turnover is just 4 per cent, well below the national average. Steven Hale, Managing Director, talks about the benefits of sponsoring students:

*As a company we are committed to developing our staff partly because we believe in supporting young people, but also because of the financial benefits to Crofton. Put simply – it saves us money. Usually we recruit people at 18 when they leave school. We then start them on a part-time degree while they work with us four days a week, learning professional skills on the job. It costs us about £21,000 to sponsor a member of staff through a four-year part-time degree. But on average these staff stay with us for seven years by which time they will, at 24 or 25, have become an incorporated or chartered engineer. Through the normal graduate route, that would usually take until they are around 28.*

For Crofton, the alternative to sponsoring their own staff is to hire graduates on the open market through a recruitment agency. With an average stay of just two years before they are lured elsewhere, the cost of recruitment alone over seven



or eight years is more than £25,000. Hale continues:

*When you take into account the higher billings we can achieve by people becoming qualified more quickly, and the better productivity of our own longer-serving staff – our home-grown staff are perhaps 25 per cent more productive overall – it's a very straightforward financial equation. And that's before you take account of the pleasure we get in seeing these people develop and become part of the company. This is genuine win for us and a win for the staff.*

Tal Ramsay's first connection with Crofton Design was through a two-week placement. This subsequently grew into paid work during the holidays while he was studying mechanical engineering at the University of Glasgow. After two years, Crofton offered to sponsor Tal and to pay for his degree whilst he worked and studied part-time at LSBU. Tal says:

*While it's hard work combining employment and part-time study, it's made easier because you're studying the same things you're working on. It also means there are people around you all the time at work to help and support you. Combining the two also offers the chance to develop academic knowledge whilst building professional skills and experience. Having four years' practical experience when you graduate is a huge advantage as it means you're already developing a career. And of course, because you're earning and the company's paying the university fees, you don't have tuition or maintenance loans to pay.*

## Case Study: Laing O'Rourke

Laing O'Rourke is a multinational construction company with its headquarters in Dartford, Kent. Founded in 1978 by Ray O'Rourke, it is the largest privately-owned construction company in the UK. Throughout the recession Laing O'Rourke has been consistent in sponsoring students. It has invested over £250,000 with LSBU in the last three years (2012-15) and currently has nearly 60 students on the degree programmes in construction and engineering, including MSc programmes.

Its Cadet programme focuses on sponsoring school and college leavers to undertake a part-time degree. Students are recruited aged 18/19 for a range of functions including civil engineering, building services engineering, construction management and surveying. They earn while they learn, attending university on day release whilst working the remaining four days. The Graduate Development Programme recruits graduates to the same functions as the Cadet Programme. There are also a small number of graduates with degrees outside surveying that are taken on as trainee/graduate Quantity Surveyors.

Laing O'Rourke expects that in future the number of Cadets studying their degrees part-time will exceed the number of graduates recruited directly, partly because Cadets are very loyal and provide a high return on investment. However, this will depend on the continued availability of part-time provision.

## Conclusion

43. Policymakers have long highlighted the benefits of vocational or professional and technical education, including the value of apprenticeships. However, there needs to be a commensurate understanding of the diverse higher education landscape required to deliver this. It is important for the future of individuals and communities that we provide access to higher-level technical education, not simply training, to ensure the development of lifelong learning.

44. One of the strengths of the UK higher education system is its diversity. A key feature of the system is the number of universities that are well placed to address the demand for professional and technical education. For the most part, professional and technical education will be delivered by institutions which:

- have a wide ranging part-time education offer;
- provide a welcoming environment for mature students;
- offer courses that provide professional accreditation; and
- are close to the populations and employers that require upskilling.

45. This is rather different from the traditional model of students who enter higher education at age 18 with three A-Levels and live away from home on what has been termed the boarding-school model of higher education.

46. There is a need to build the reputation of professional and technical education with the public and key stakeholders. This can be done by looking at key indicators – for example, the starting salaries of those undertaking such courses – which

show the extent to which appropriately-qualified individuals are sought by employers.

47. We need a simple and comprehensible system that utilises and promotes existing well-understood qualification frameworks, rather than creating more complexity with further qualifications that are too variable to be portable. If the quality is not appropriately assured, there is the potential to undermine the reputation of high-quality professional and technical education.

48. Universities do, and should continue to, facilitate economic growth in Britain including via the production of skilled, employable graduates. Graduates, government and employers are all beneficiaries and we need to rebalance the burden of funding to recognise this. Employer Sponsored Degrees are attractive because they are transferable qualifications that combine education, skills and sustained professional experience within internationally-recognised qualification pathways that can be 'debt free'. They should be acknowledged as a mainstream way of funding higher education and be considered alongside traditional routes when regulatory changes are proposed.

49. The political debate over the funding of higher education in Britain must move beyond the sterility of student fees to encompass the balance of funding between the beneficiaries. It is essential that universities are not left attempting to deliver education, innovation, knowledge transfer and applied research on an increasingly squeezed income.

50. Employer Sponsored Degrees offer broader and bigger returns within a globally-recognised quality framework. Despite this, apprenticeships enjoy privileged status in terms

of attention and subsidy. There should be parity between the way that apprenticeships and Employer Sponsored Degrees are funded, allowing the schemes to compete on an equal footing and for employers to engage with higher education through existing portable qualification frameworks such as HNCs and HNDs, as well as degrees, masters and professional doctorates.

51. We need diverse, including non-residential, routes to higher education if we are to upskill our existing workforce cost effectively and engage school leavers and older learners from a wide range of social and ethnic backgrounds, who may be put off from study by the perceived high cost of tuition and maintenance. Part-time study, including Employer Sponsored Degrees, has a key role to play in improving social mobility.

52. Employer Sponsored Degrees produce employees ready to do the job and develop with their employer. They balance an already recognised qualification – Higher Nationals or degrees – with the skills employers demand. New education boards, institutions or qualifications are not necessary to deliver them. Employer Sponsored Degrees are simple, stable, reliable, up-to-date and high quality.

53. There is research and anecdotal evidence of the productivity benefit to employers of employer-sponsored study, reflecting the powerful role that universities can play in supporting broader economic success. The financial value of higher education can be quantified for graduates while for government, support for Employer Sponsored Degrees could prove to be highly cost effective – particularly during a time of continuing austerity – compared to other modes of higher learning.

## Recommendations

54. Employer Sponsored Degrees should be promoted in schools and through the media in order to help employers attract suitable employees who want the opportunity to develop a career without incurring substantial debt.

55. There should be funding parity between apprenticeships and Employer Sponsored Degrees to encourage employers to engage. Apprenticeship Levy funds should support Employer Sponsored Degrees as well as apprenticeships or there should be other incentives that are comparable with those for apprenticeships.

56. Local Economic Partnerships should have a role in monitoring part-time higher education provision and, where it is threatened by market failure, supporting provision. Localised use of the Apprenticeship Levy should be considered in order to support Employer Sponsored Degrees on a targeted basis.

57. The part-time premium, which recognises the additional costs arising from part-time provision, should be reinstated to enable higher education institutions to maintain provision: in 2011/12 the premium was £66 million but, by 2013/14, it was only £26 million after being phased out for most part-time subjects.

58. Further consultation should take place between the Government and those universities committed to delivering professional technical education from Levels 3 to 7, with the specific aim of breaking down the Level 3 (FE) to Level 4 (HE) barrier rather than compounding it. This should include examining the simplification of funding and regulatory regimes.

59. The impact of policy on Employer Sponsored Degrees and part-time professional and technical education should be considered for their effect on social mobility, equality and diversity, in line with wider official commitments.

60. The Government should investigate the introduction of a Higher Education Salary Sacrifice Scheme to support students in employment. Upfront payments would be made to the education provider by the employer and then the student would pay their employer back each month through their before-tax salary.

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What are Employer Sponsored Degrees? What benefits do they offer students, employers, universities and taxpayers?  
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