

Episode release date: 16 March 2023

Host:

- **Bart van Ark**, Managing Director of The Productivity Institute and Professor of Productivity Studies at The University of Manchester (BvA)

Guests:

- **Jen Nelles**, Senior Research Fellow with the Innovation Caucus and co-director of the Oxford Regions, Innovation, and Enterprise Lab at Oxford Brookes Business School (JN)
- **Ben Verinder**, Founder and Managing Director of Chalkstream Ltd (BV)

**BvA:** What do further education colleges mean for the creation of skills, innovation and productivity in our regions, cities and towns? How do they work with firms, local government and other schools? And how do further education colleges know what skills businesses really need? And how do they contribute more broadly to the development of communities? We are going to find out. Welcome to Productivity Puzzles.

Hello, and welcome to a brand new season of Productivity Puzzles, your podcast series on productivity brought to you by The Productivity Institute. I am Bart van Ark and I'm a Professor of Productivity Studies at the University of Manchester and a Director of The Productivity Institute, a UK-wide research body on all things productivity in the UK and beyond.

Welcome to this episode of Productivity Puzzles. In the past year, the labour shortage problem in the UK, but also in other countries, has received a lot of attention. On the demand side, businesses are struggling to find the people to do all the work. And on the supply side, the number of people in the workforce hasn't really recovered yet from pre-pandemic levels.

However there's another shortages problem that has been there for much longer and it's at least as pressing, namely that businesses struggle to find the people with the right skills. Especially practical skills, such as those of engineers and technicians, but also qualified machine operators and specialised aftersales service workers, and medical staff. They all have been in limited supply for much longer than just the past few years.

Further education colleges play a critical role in providing those skills. They're also relatively close to the business and civic communities in the place they operate in. They are therefore very well positioned to identify the demand and the needs and match it with the skills that are required. However, further education has been a topic of debate for decades. While everyone recognises their importance, there have been many concerns. Are FE colleges creating the skills most needed? Are they attracting the right type of students? Are they well tied in with businesses and government

Skills, Innovation, and Productivity: Further Education Colleges and Place

and are they sufficiently resourced and funded? And many reports have been written and policies tried to improve the performance of further education colleges.

But do we, the stakeholders and the general public, do we really understand where FE colleges succeed and where they struggle? At the Productivity Institute, we recognise the importance of further education and what may help the local or regional ecosystems of businesses, government, education and the community to perform better. We are therefore happy to receive some support from the Gatsby Foundation to take a closer look at further education colleges by really looking at what's happening on the ground.

And we commissioned that work to two persons with the task to find out from 16 FE colleges how they operate in practice when it comes to the provision of skills, innovation and productivity in their areas. And our luck today is that we have both of these researchers on our podcast. First, Jen Nelles is a Senior Research fellow with the Innovation Caucus, a network of social scientists working on innovation systems, and the Co-Director of the Oxford Regions Innovation and Enterprise Lab at Oxford Brookes Business School. Jen has worked across the area of innovation, productivity and regional development using an ecosystem approach. Jen, welcome to this podcast.

JN: Thank you.

BvA: And our second panellist is Ben Verinder. Ben is the founder and Managing Director of Chalkstream, which is a strategic consultancy firm in the area of education and professional associations. And formally, he was a Communications Director at the Association of Colleges, and therefore a very well networked practitioner in the field. Ben, great to have you on this podcast as well.

BV: Thank you very much for inviting me.

BvA: Great. So Jen and Ben together conducted this research that we'll be discussing today, and a summary of their insights is available on our website at [productivity.ac.uk](http://productivity.ac.uk) and you can also find a link in the show notes, as always.

So Jen, let's just start right away at a very sort of high level about sort of the...as I mentioned in the introduction, sort of the pre-conceptions of FE colleges, what do they do, how do they operate? What haven't we really well understood? There's a lot of common wisdom on how FE colleges actually perform, so what is the common wisdom that many people think FE colleges are about?

Skills, Innovation, and Productivity: Further Education Colleges and Place

JN: Yeah, I mean, there is a lot of thought out there about the role of FE colleges and innovation and productivity, and it's not all great. One of the things that comes up is that they're part of the problem in some cases. I mean, at least in academic circles and in our literature, that they're somehow failing to interpret the signals of the labour market correctly and make the connections, and then execute and provide the courses needed to fill those gaps. And part of that is a big critique that's out there, is that part of the reason that's happening is because there's sort of a weakness, at least, in engaging with businesses and employers in their areas. So that's part of the reason that they're not getting the feedback and it's not really part of their mission.

And I think this is all linked into, at least from an academic and possibly a policy perspective, a bias to thinking that FE is just about skills provision, in that if there is a skills gap, then it must be because they're falling or failing in some way. So I think those are the two highest level thoughts that are out there currently.

BvA: So we'll talk a little bit more about that in depth. But I think when we spoke about this research, both of you were actually surprised by some of the things that you found, that common wisdom was actually challenged when you did the interviews. So at the very high level, what were the sort of most challenged perceptions that we need to talk a bit more about in this podcast?

JN: We did a lit review prior to this report and that's sort of where I'm basing a lot of my academic perceptions on. And really that perception that further education doesn't engage much with employers or effectively with employers is something that I think our current research challenges a lot. From the interviews that we did, we found lots of evidence of engagement, lots of creativity in engagement, lots of varieties of engagement, and lots of reasons for it. And again, we'll get into that I think as we unfold this podcast a little bit. But that degree of engagement, that commitment to it, that centrality to their mission took me aback a little bit. I had expected that it would be, oh yeah, we do that, kind of as a bolt-on, but it is absolutely fundamental to every single one of the colleges that we spoke to.

The other thing is that the way that they perceive themselves, I think coming from an innovation systems policy and productivity kind of background, again, I kind of come at this, you know, being in higher education and studying higher education, I kind of look at these things as economic actors. And that's the framework that I came to it with, oh yeah, like they're going to contribute to their economies. But in essence, the way that further education colleges see themselves, is way more nuanced than that. They obviously do see themselves as economic actors to a degree, in providing skills to their ecosystems, but they actually perceive themselves more as embedded in their communities.

## Skills, Innovation, and Productivity: Further Education Colleges and Place

And so when they see what their contribution is and their engagement is and with the way they perceive it and the way they talk about it, it's more about community, where their sort of economic piece is just like one piece of the puzzle that helps their community grow, their ecosystem grow, increases opportunities for their learners. And so it's a much more nuanced picture.

**BvA:** So, Ben, the great thing of having the two of you on is, as you said, Jen, you're sort of the academic, Ben is more the practitioner, you've worked with further education colleges for a very long part of your career. Still, when you did these interviews, you were surprised too, I think about a couple of things. So in addition to what Jen said, what were you struck by?

**BV:** I think I was particularly struck by this point about the strength of feeling and strategic intent in relation to colleges considering themselves as a community or civic asset. And I think it's a factor that's underexplored, as Jen explains in the literature, that they are community-focused isn't much of a surprise. I remember conducting a national study of brand in relation to colleges in 2011, if I remember rightly, and one of the key themes there was that the general public – it was a general public set of respondents – identified colleges as being very much community-focused. But what I was surprised by is how that plays out in relation to the breadth of the offer to the community, whether that's outreach, whether that's very specific student services, whether that's provision of facilities. And again we're going to talk in more detail about that. But that's what, it was the breadth of it that was particularly surprising to me.

**BvA:** So before we dive in a little more, let's briefly talk about the set-up of the research so that our listeners have a little bit of an idea what you actually did. So, Jen, can you briefly take us through how you went about this?

**JN:** We interviewed 16 principals and CEOs at the colleges around the country. We did eight participating in the local skills improvement plans, the Trailblazer programmes, and that was linked to strategic development fund pilots. So we picked that group because it seemed like an obvious group that might have some linkages obviously with their ecosystems through these mechanisms, and so we knew we would find something there. And as a sort of control, we picked eight others that were called their counterparts that were selected from the FEC population in England. And that was not done at random. We used a framework that I'm not going to get into today, it's not really relevant here, other than the fact that we... What we wanted to do was select colleges that were in different geographies, so that meant in different parts of the country and to make sure that we weren't all concentrating on one part.

We also wanted colleges that were in different contexts, so really urban places, really dense urban places, smaller urban places and more rural and other types of areas. So we tried to get diversity across those by looking at

Skills, Innovation, and Productivity: Further Education Colleges and Place

both the density of higher and further education in the area, just to get a sense of like what the context was that they're in, as well as looking at the specialisation of their economies.

**BvA:** So you were interested in the way they were interacting with other players in the region, in the city, the town that they were serving, on how to develop the skill base that was needed there. So what were the interactions that you were after?

**JN:** I mean, we were focused on all types of interactions and I can talk a little more if you want about the way that manifested. But the types of actors that they connected with, obviously we're primarily interested in employers, but we knew that there was more to the story than that. So we are also looking at what their connections were like with, say, local or regional authorities. Other further education and higher education, we thought that might be an interesting story there about partnership or collaboration or competition, as the case might be, in trying to find their place in the ecosystems. Schools obviously as feeders to students. Funding agencies and other strategic advisers in that further education space. Regulatory bodies, and then also broader community groups. As Ben sort of alluded to, community groups, charities, other civic institutions that they might connect with. And they do those both in terms of outreach to those groups, but also to the extent that those are employers as well.

**BvA:** So when I read your great summary, which I would really recommend for listeners to take a look at, the sort of question that came up, because there's a lot of dutchmen here on the leaders of these FE colleges that you speak to, so you would think, okay, what is the other side thing? What does business think or what does government think about FE colleges? That wasn't part of your task at the moment, but what makes you confident that actually having these 16 interviews, you still have a pretty good objective view of how these FE colleges interact with these other players.

**JN:** Yeah, I mean, that's an excellent point. We obviously didn't do the whole full circle or 360 talk to everybody kind of approach, this was really just the FE perspective. I mean, I think we're reasonably confident because of the consistency across our cases. Again, large colleges, small colleges, urban ones, ones that were in groups, we were getting a very similar message from all of them. And I have to say I've been doing interviews for a really long time in all sorts of different types of settings and it was just really fun to talk to, this was a really genuine scrappy group of people who are really committed to what they do. And while I don't think that that gives me tons of confidence from a rigorous methodological perspective, I do think that's interesting and important, that everyone we spoke to fit into that category, that was relevant.

The other thing is that we've done... I don't have the government piece at all but we have done, through the Innovation Caucus and with Gatsby,

## Skills, Innovation, and Productivity: Further Education Colleges and Place

some previous research on the business side of things. And I think that is really important. And this is, in some ways, one of the reasons why I was so surprised, because our business research really painted a fairly pessimistic picture of this, like, oh, the colleges don't really have what we need. And again, as we unpacked the challenges that are involved in engaging with employers, we can explain why that happens, but partly it's sampling.

There are thousands and thousands and thousands of businesses. Colleges have bilateral relationships with maybe hundreds of them, but there are lots of businesses out there who may not see the value, that don't have those relationships. I mean, it's not very difficult. What we'd have to do is just interview their partners, but I think that would be a really great next step in trying to understand that.

BvA: Yeah, that would be a good next step.

BV: A couple of comments. We conducted, as a consultancy, quite a lot of research with the partner employers of colleges or the client employers. And so what I would say is that findings are consistent with some of our key themes here. Secondly, just to repeat that point, Jen's point about sampling and weighting, we've seen a decline in recent years in employer investment in skills, and therefore that might be reflected in some of the more pessimistic or maybe ill-informed respondents. There may be a correlation between familiarity and favourability. But also focus of research is often determined by the commissioning body and that's typically the Government or the Department for Education and a lot of further education research involving employers. And it's commonly focused on the impact or progress of government initiatives. They want to research things that they've funded.

So it's often partial, or focused really, in that regard, it's perhaps not as holistic as this study, which also involved over 30 minutes per interview, there's a lot of words, a lot of detail. So I would also say there's quite a lot of additional detail beyond what we're going to talk about today.

BvA: So let's zoom in a bit more on the findings now. And as you've already said in your remarks so far, that there were sort of two sides to this. One is the relationship with the business community, so let's pick that up first. And then we'll talk a little bit more about the broader relationship with the community as a whole, which has been a very important part of what came out of your work.

But let's zoom in on the business relationships first, Ben. How would you summarise the most important results here? How strong and how established are these relationships between FE colleges and the business community? Are they ad hoc, are they more long-term, are they more strategic? What did you find?



BV: We found that they were varied in their depth and breadth in terms of different relationships with different employers. But they were not typically transactional, they were generally deeper. So I think there's a stereotype really that colleges and other types of training providers in the FE landscape have a relatively transactional relationship with the employers in terms of just delivering skills. We found that that's not really the case, that actually it stretches into asking employers for very specific assistance to support student progression into employability, so work experience of very many different flavours. A lot of curriculum development partnerships, sometimes at quite considerable depth, and sometimes at a governance level. So, for instance, with the Institute for Technology, employers would be really embedded within the governance, the make-up of that institution.

Obviously quite a lot of depth and breadth in relationship to apprenticeships, and then direct support going the other way from colleges into employers, sometimes with quite a high level of additional service. So for instance, there's a quote I'm thinking about from one set of senior leaders in one college talking about how all their business employer engagement account managers are undergoing training to become accredited recruitment consultants in order to support their businesses.

And another gentleman, principal, as I've remembered, I'm just thinking about, looking at a quote here: Our business development team works with employers, even if there's no business initially, with a basis to try and sell a product. But we have additional arms within the college who will look at the softer relationships around work placement and work experience and masterclasses for our students. So it's much more...it's broader and deeper than that simple transactional kind of stereotype.

JN: I would back that up too. And some of the people that I spoke with actually sort of went head up at that transactional aspect and that stereotype and preconception. And one of them said: I've a team here and my aim is always to be a partner, not a provider. And the difference is that is the longevity of the relationship. So he said, if you simply have a transactional relationship with your provider, if there's a bump in the road and something doesn't go right, you'll just immediately move to another provider. Why wouldn't you? Whereas if you have a partnership, you've got an invested interest in fixing problems that come along. And I think that really neatly summed up the kind of gist of everything that we're hearing across the board.

BvA: Let's go to that other side which you alluded to earlier, sort of the really interesting outcome and that these relationships go way beyond how FE colleges work with the business community, but a much more broader involvement with civic society as a whole. And there seemed to be sort of critical anchor institutions in society. So what did you find there, Ben?

BV: So to give you one example, I'm thinking of a CEO of a large group who very specifically, and in common with many of the other respondents,

## Skills, Innovation, and Productivity: Further Education Colleges and Place

described the institution, the group of colleges, as a community resource. And that's as in physically, as in buildings and premises, but also in terms of the staff and the students and their engagement with their local community. So that would be on many different levels. So on one hand, you might be going to Rolls Royce, in the case of this particular group, and saying, well, how can we deliver apprenticeships for you? But the other hand, you might be going out into the community and repainting a youth club or working with a local hospice to generate much needed funds.

And that was very purposeful and very much about their mission. And interestingly enough, what this means is that they typically see employer engagement as a civic responsibility, because that's one of the stakeholders within their local community. And you need to engage with employers to ensure that students are getting meaningful outcomes and meaningful destinations. So again, it's also about a broader picture of a mission of supporting students as stakeholders. So the framing I think is really important.

JN: I totally agree with that. That was very consistent with what I found as well across the interviews that I did. And I think the other thing, too, and just to build on that thought a little, is that the FEs seeing their mission as civic rather than economic is really key here. So they will be involved in politics, they'll talk to combined authorities, they'll be involved in crafting economic development plans, they'll have a seat at the table, so they see it through economic eyes, certainly. But I think another thing that they do is that they're also advocates for different parts of the community. So while many of those sparkly economic plans and skills plans are focused on high tech industries and high growth and high value added industries, they're actually quite interested in the less advantaged communities in their places and trying to make sure that there are opportunities there too. And they are cognisant that that's not always, okay, you go and become a tech entrepreneur, or work at Google or whatever it is. And so they have a very broad perception of what that role is because of that civic hat that they wear.

BvA: What I really get from this is that sort of linear thinking around a college, like, okay, they input skills into students and these students then become an output that businesses pick up in order to become more productive. That linear thinking doesn't work and I think a lot of the policymaking that we'll talk about a little more later on, that thinking behind policymaking doesn't work. It's a much more kind of feedback loop. As you said, it's a civic asset and therefore it becomes much broader. It also very much feeds into...I think at the Productivity Institute that you've got economic and business productivity which is straightforward input/output. Or what I would call societal productivity, which is basically you strive for certain outcomes: a better place to live, healthier people, more wellbeing in the place.

And for that you need to have these kind of institutions that work together and collaborate and that seems to be coming through from that research



## Skills, Innovation, and Productivity: Further Education Colleges and Place

quite a bit, which I find very interesting. And we're going to pick up a little bit more because we also of course should be cautious here and say we have to recognise they operate in a very difficult business environment, a very challenging policy environment, there are many demands on them, actually, because of these multiple roles. So it would be ludicrous to suggest that everything is fine with FE colleges and nothing to worry about.

So after the break, we are going to look at some of those main challenges that FE colleges face and what can possibly be done about that in order for them to sort of fulfil their work? But before that, let's first hear about what else is happening at the Productivity Institute.

“The Productivity Institute aims to pinpoint why UK productivity has flatlined and how to create the foundations for a new era of sustained and inclusive growth. Visit our website at [productivity.ac.uk](http://productivity.ac.uk) to find research covering topics such as business investment and innovation, skills and further education, foreign direct investment and trade, and the transition to net zero.

The productivity Institute also investigates how levelling up and devolution can help to raise across the UK's regions and devolved nations. On our website you can find deep dives into how leaders can improve productivity within their firm or public sector organisation. While you're there, sign up to our newsletters for regular updates on what productivity means for business, workers and communities, as well as the latest on how productivity is measured and how it truly contributes to increased living standards and wellbeing.

The Productivity Institute is a UK-wide research organisation funded by the Economic and Social Research Council. The Productivity Institute, productivity together.”

**BvA:** Welcome back to Productivity Puzzles and today's discussion of the role of further education colleges with Jen Nelles and Ben Verinder. Now before the break, we discussed how diverse and how broad-based the role of the FE colleges is, not only in relation to firms and businesses but also in relation to the community as a whole.

So, Jen, let's now dive a little bit deeper into that. Because the research still showed that there were quite a lot of challenges, particularly also when it came to the employers' need. It doesn't seem to be so much due to the lack of engagement by FECs, as we just discussed earlier, and nor is it necessarily about the failure for them to understand what the labour market needs are. But there are still a lot of key issues that makes it hard for them to fulfil that sort of primary task, if you like, to respond to the business needs when it comes to skills of the workforce.

JN: Yeah, I mean, we have a pretty long list actually of these, so I'll cover a couple of them and then handover to Ben to mop up the ones that I didn't cover. But I think that one of the big ones is the way these relationships are conducted are bilateral. So it's a college and a business, each one of those relationships is independent and it's unique. And as you can imagine, that takes a lot of time and effort, but also, in trying to extract value from that relationship from both sides, there are issues in that interface. And so thinking about how to get an understanding of employer needs and trying to understand what value you can add is difficult in businesses if you just think about this again, a completely crazy business environment where firms are just trying to survive for the most part.

In lots of cases they have other goals. They have difficulty thinking about the future sometimes, but they're also, even in the best cases, where the conditions are quite good, turnover in employers kind of means that each one of those relationships might need to be rebuilt from scratch. You might have someone who is very pro a relationship with further education and then be replaced in a leadership role with someone who isn't. And that all needs to be built from scratch again. You can imagine how...multiply that by hundreds, that creates problems. Also multiple points of contact within a firm creates complexity in managing those relationships. So if you've got a relationship with the CEO but then the people who are administering, apprenticeships are in a different department, that again multiplies the number of points and time that it takes to do those relationships and information that you get.

Depending on the point in time, the contact person you're talking to, and the immediate challenges that they're facing, you can get very wildly different perspectives of what they need, like right now. And I've got a great quote that I'm going to bring out in a second. Resource constraints obviously create problems where businesses would love to engage but they just don't have the people to do it, or they don't have the people right now. And so they can't even have that conversation in some cases. Those are issues that I think are related, that are common across all businesses.

Again, you have mentioned that...I think Ben mentioned this, too, that there's been a bit less willingness to invest in skills and training, and so that has coloured opinions and a willingness to engage, and employers are now sort of thinking...well, not now, I guess they always do, but in the shorter term. So their focus isn't really on like, how do we develop the skills that we're going to need in two, three or five years from now to try to respond to market needs? And further education colleges that we spoke to really said that that was a bit of a frustration, in trying to get them to think a bit more down the line.

But I have this really amazing quote that I got from one of the principals, and it's a little bit pessimistic but I think it does sort of sum up a little bit of the...this is like sometimes what we have to deal with. Is that the only thing

that every business agrees at, at the beginning of this process, of kind of engaging with them, is that they want someone in their 30s, that has the knowledge of someone in their 60s, that they can pay as if it was someone in their very early 20s. That's what they all agreed, but they wanted this person, as soon as they stepped into the company, to know everything about the company. And they want a pipeline of those people and they want it right now. But they wanted to be able to turn off the tap whenever they wanted to.

So it's kind of like this perception that, yeah, even if they can articulate those interests, it's like the perfect world is such a wildly crazy and improbable thing. But again, of course the conversations that they're generally having are reasonable, but they have these sort of moments of levity where they're...you know.

BvA: Two things have come to mind and maybe, Ben, you want to pick them up in mopping things up as Jen just mentioned. So one thing is that it sometimes feels that many businesses don't really know what their skill needs are, they're asking for something impossible, as your great quote just alluded to a minute ago. But quite often they're not very good in saying, this is what we really need. It's like, okay, we need more people who have data skills. Okay, but what does that exactly require? So I think one question to you, Ben, this issue of how they can articulate their needs?

The second thing that I find important is this issue about their reluctance to invest in training. And even in this report, I still see the reference to poaching come back. And it sort of upsets me because I think every time that the business thinks about poaching, it basically means they're not working in that ecosystem because they're basically saying, if I do something, somebody else may not do it and may benefit from it. Whereas the whole idea of an ecosystem is there is a spill over of something that everybody benefits from. So there still seems to be this understanding that it's not something that you have to do collectively as employers in order to create an environment for better skills, but it's something that's kind of a one on one relationship.

BV: Articulation, there are lots of quotes in the study collected by myself and Jen in relation to warnings from these senior leaders within colleges about there's a real risk sometimes that a worthwhile initiative can be derailed by input from an individual, particularly a large employer. So, for instance, you might have developed a qualification with lots of input from different employers and there's sometimes a risk that the twentieth person walks in the room and says, no, that's not for us, and sabotages the process. So I like this point about collective interest. And again in this study, and again in some of the studies that my agency is undertaking, we see some pretty ruthless behaviour. Or sometimes self-interested in...sometimes more generous.

Skills, Innovation, and Productivity: Further Education Colleges and Place

But to give you an example, there's a lovely quote from one of the principals talking about curriculum development and going into a room with a load of managers of horticultural businesses. And those managers insisting that forklift truck driving, which was really quite a key part of their skills needs, was actually stripped out of the qualification of the delivery. Because if they included it, the college included it, then everybody would run off and go and work for Amazon down the road. So these are factors in relation to much broader factors. And this brings us back to our original conceit about to what extent do you want to, for want of a better phrase, lay the blame for productivity problems on skills providers? Where it seems to be a much more complex picture involving a much broader set of actors.

And to sort of illustrate that, one of the big tensions that we explored or was brought out by response, was the tension between the demand side and the supply side. And in particular between what students want to do and what applicants want to do, more accurately, and what employers want in the labour market. And massive tensions there. And I'll sum it up by this one lovely quote. A dancer does not want to be a chemical engineer, no matter how many times you try and persuade them to fit the chemical engineering slot. And another quote. We work with complex human beings with freedom of choice and freedom of thought that make individual decisions. We deliver fundamentally what our students want because students will vote with their feet.

Another respondent is saying, if I was led just solely by the labour market intelligence and a core set of regional skills priorities, I would shut two thirds of my college tomorrow and just run engineering.

BvA: Really great quotes and it puts so much more colour on the concerns that we're having. So let's zoom in now a little bit on how we can make things change. And the sort of knee-jerk reaction is colleges need more resources, they need more money, it's a funding problem. Let's start with the resources problem, which obviously is there. How would you articulate it and where do you think the best opportunities are for FE colleges to be in a better situation when it comes to the way that they're being resourced?

BV: I think, particularly in recent years, the significant challenge is in relation to staff shortages, particularly in areas of high need. There's this vicious cycle played out, in that the greater the shortage of either pure vacancies or skills they can seize in a particular industry, the more difficult education has in tempting a specialist in that industry to come and lecture, even on a part-time basis. Because the wages, due to the shortage, rise in the industry and education can't match it, can't keep up. And you have these relatively horrific stories of over one summer, one college losing 15 construction lecturers because of development nearby, housing development. And that's consistent with the literature, there's quite a lot in the literature in relation to this.

Skills, Innovation, and Productivity: Further Education Colleges and Place

So the short answer in terms of solutions, it's a bit of a boring one, is there does need to be particularly increased funding in relation to or further support in relation to where there are particular high levels of vacancies in the lecturing workforce. We...

**BvA:** Let me stop you for a minute there just to pursue that point a little bit. Because I could argue, look, this is always an issue. I mean, wages in the industry always tend to be higher than wages in the education sector. Of course it's particularly bad at this point in time because of cost inflation and wage inflation, but it's a temporary issue that you're probably not going to resolve with throwing a lot more resources at it. You probably can manage some of that. But my point is that we have to do more than try to reduce that gap because we'll never be able to completely close that gap.

**BV:** No, and I think you're absolutely right and I don't think it's a singular solution. The challenge is where the gap is so extensive that bridging it becomes very difficult. So I would suggest that there's some merit in looking into those particular challenges. I'll give you an example. I think the most significant shortage at the moment in terms of the FE workforce in the lecturing terms is electrical installation. So people who are electricians. In my area, where I live in Hertfordshire, the average wage for an electrician, self-employed, is just over £70,000 a year. And the average for an FE lecturer is about £35,000. And that's with ratings.

So there's this, but to speak to your broader point, I think you're absolutely right, there are other things. There things the institution could do in order to make the work more attractive. One of the big concerns of the FE workforce, again this is related to other studies, the literature rather than this study, is policy churn and policy change, and it makes working in FE less attractive than it might otherwise be. And it's something that was brought up by some of these principals as well. So reducing the significant level of policy churn and change and chopping and changing from a government side of view would again be one of the relatively small but meaningful things that they could do to make the prospect of working in a college more attractive.

**BvA:** Can I pursue one more point which is on the issue of trying to identify the skill gaps? So basically forecasting the labour market and the skill needs. And it seems again a very mixed picture. Government can play somewhat of a role in this respect but it's very localised, it's very much in specific industries and areas. Is there anything more that the ecosystem can do beyond what individual businesses do in terms of the skill needs that they are having?

**JN:** I think what was really interesting is that further education colleges that we spoke to really occupy this space between government and industry where they see a picture that I don't think either of the others do. And I'm not suggesting that's the right picture necessarily but they felt like they had two

## Skills, Innovation, and Productivity: Further Education Colleges and Place

different constituencies that they had to convince about things. So, for instance, say they're getting feedback about, okay, there's a new plant that's being built, or we know that green jobs are going to be a thing right now, businesses are sometimes, again as we've said, reluctant to invest in that, reluctant to think longer-term.

But further education needs that time to put the investments in place, get the programmes in place, get everything approved, and start graduating students. And so they have to think in these chunks of time of like how is this achievable? So they have this role of business, trying to convince them what they're seeing or what they think they're seeing on the horizon. The same with government. Government doesn't always see that picture as well and so it's really interesting because you'd sort of think that government and further education would be in lockstep on this and have a common goal. But that's not always the case, and so they have this sort of intermediate position on forecasting.

The other thing is, as I mentioned, forecasting is...it's like you can do it, but then you have to act on it, and that's a really strategic and really risky thing to do. So you have to say, oh, we think green jobs are going to be a thing, but are they going to be a thing here? How much is it going to cost to respond to that? Are we interpreting what skills needs are right? And what we've seen, and I think Ben saw this too, is that the colleges are quite entrepreneurial, in a sense of like trying to bring together coalitions of people and partnerships to try and build new ways of thinking about and sort of thinking about ways to fill those gaps.

But they're very cognisant that it's gambling, they have to get the timing right, they have to... If they provide a course too soon, then the money, if they're too late, they're not contributing. So they see it as a very difficult and fine line to walk.

BV: Just to speak to that point, to illustrate that risk point with a quote. So this was from an institution with about 2,000 apprenticeships on programmes up to Level 6 and delivering apprenticeships across about 100 different standards from Level 3 to Level 6 across a huge variety of sectors. And this quote really stands out to me. This is somebody talking about forecasting challenges that Jen mentioned.

Let's take hydrogen as an example, said this respondent. We've got some employers absolutely jumping up and down about it and saying, we need it now. But it's very difficult to know at what volume the training need actually is right now and what's going to be there in the near future. And when actually does a new technology become mainstream? When is the moment to invest in training development there? I don't want to go and try and ask our governing body to sign off several hundred thousand pounds to create a new facility around green skills and construction, for example, and only have ten learners in it.



BvA: And of course, a lot of this forecasting is about the unexpected. We know that a lot of the new technologies are the things that we don't really know much about. If even business doesn't know what the next opportunity is, how can you then translate it into the skill needs? So I think it's quite an important issue, that we should overly rely on the labour market forecasting because you can also have it completely wrong depending on what will really happen over time.

Now we've already talked beyond resources, other things that the policy environment can really think about. I mean, Jen, you mentioned policy churn as something that can be really disruptive now and then. And of course that's a message that we're providing, as the Productivity Institute, pretty much in every policy area, don't change things too often and too frequently because it doesn't help to create a level of comfort and certainty to make investment.

The other thing that I was interested in is also the fact that we need to better address in a more flexible way the modularisation of training. Maybe one of you can speak a little bit on that as well. This sort of monolithic approach to the various learning units. And again, that's something that's not necessarily resource-related but much more the way that we're organising the process.

BV: Someone summed up with a quote, where one of the respondents said, qualifications don't solve things. And what they mean by that, or what they meant by that, was in their view, smaller and more bitesize provision was much more employer friendly and it was desired by employers. As opposed the provision that is offered and determined at government level, which tends to be what she called far too long and far too thin.

BvA: Another issue that I think comes up is the role of other institutions in the ecosystem and I was sort of struck by the role of Chambers of Commerce. A lot of complaints about the Chamber of Commerce, like how do they really help in the local environment? Do they go any way beyond just serving the needs of business? And I think you got quite a bit of feedback, the Chambers of Commerce can actually play quite an important role at the local level.

JN: I mean, Chambers of Commerce were frequent forums and partners that they would participate with to just keep their finger on the pulse. And those relationships were not described in detail but seemed fine. Where there was some conflict I found was the...and it was more conflictual that came up, was the relationship where the Chambers of Commerce were leading on the local skills improvement plans. And had actually, in some cases, not included further education in those discussions, and that was a source of consternation. And the colleges that I spoke to that were in that position were kind of like, well, we're just going to keep doing what we do. But it is

a little bit frustrating that we went from having a very good relationships with the LEP and being very tight with them, to now being kind of iced out of this process.

BV: And this I think is where the basis of the different...where the different types of organisations that we interviewed as researchers comes into play. And I think was probably one of the only differences in the sense that my interviews were focused on the Trailblazer pilot leads. So in other words, those that were quite embedded in the LSIP process and they were more positive, perhaps not surprisingly, about their chambers and about the LSIP process because they've got more of a say in the process. Simply the independence of the Chambers of Commerce and in the fact that they weren't an individual employer and they weren't a trainee provider.

And perhaps, and again this is beyond what any respondent said, this is my own thoughts as a researcher, perhaps that's more to do with the fact that there are relatively few forums for engaging with employers. There are fewer than there should be, and therefore collages appreciated this particular one. Again that's my opinion, it's not something that's borne out by the research.

JN: Can I add just on that theme that might be useful is that in terms of the actors that showed up that were positive and really interesting, the combined authorities and devolution came up quite a bit. And again this wasn't universally across cases because they weren't all in that same situation, but the relationships with combined authorities were generally positive and seen as kind of a way to short circuit in some ways, that the devolution there was a way to short circuit some of the ad hoc and overregulated stuff that was coming from the general policy environment.

So because there's funding through the combined authority, there was scope to do some more creative things, to be much more flexible about putting together services and putting together courses through that funding stream, rather than they were seen as very early days still but a positive step.

BV: And just to speak to that point, I think whilst it was generally positive, particularly where those combined authorities had seized the day in terms of funding, more flexible and shorter courses in particular, there were a few instances, in the minority, where the college felt that the combined authority was just sticking to the script and they were disappointed because the authority was funding the same old stuff as had been funded prior to devolution. So there was an interesting contrast there between those combined authorities that were really seizing the opportunity to support ecosystems in this way and those that appeared to be less knowledgeable about the further education system and appeared to be, according to these respondents, going through the motions.

## Skills, Innovation, and Productivity: Further Education Colleges and Place

**BvA:** We need to wrap up and I was just thinking, because there's so much there, whether each of you could give us one takeaway where, either for FE colleges or for policymakers at regional or national level, that really would be very helpful to begin to focus on right away in order to have FE colleges and fully play that role that you have been describing so well.

**JN:** Okay, so for me the key takeaway is to come back to a point that you made earlier, Bart, about linear thinking. And so my comments are going to come from a policy perspective and really thinking about how we can change the way we think about further education in this. The one thing I would love to see come out of this kind of research and anything that follows on it is this idea that further education is not a box that you put money into and that skills come out of. And that's something that you can just take that number of money you put in and measure the value that comes out the other side in terms of skills or jobs or productivity growth or whatever.

What comes out of the box is so much more complicated and so much more nuanced than that. And also because, and I wish we had more time to talk about them as social infrastructure, because there's so much more, that if you start to think like that, you start to realise, like, oh, you can't just take the money we spent last year and understand what the impact was in four years from now. It has to be over a very long period of time to really understand that. And then also to get the sense that all of the interactions that further education and the people that are a part of it have within their ecosystems, economic or otherwise, are serving to create a foundation and add richness and add growth to the community in a way.

And that is very difficult to measure and very frustrating to hear that for policymakers, but absolutely critical to understand that there are these feedback loops that are happening that we aren't necessarily seeing. And that I think if we had another couple of years to study this, we should really dig into.

**BV:** I think for me, my big takeaway was about the nature of the ecosystems and the shape of the ecosystems. So the nature of engagement of a college, the way it operates, its mission, and the specifics about employee engagement and other types of stakeholder engagement, are so strongly shaped by the nature and topology of the ecosystem itself. Whether it's urban, rural, how many other providers are within the catchment, the level of competition. The industrial heritage of the area, the population, the demographics, et cetera. But yet so much policy assumes uniformity, a uniformity that just doesn't exist, and it proposes a sort of topology of engagement that doesn't take account of the variety of ecosystem shapes, sizes, et cetera. And that's, I suppose, an argument for devolution, but only where those devolved authorities are sufficiently cognisant of what further education is and what it can do.

BvA: So a link to a summary of all of this work is available from our website, [productivity.ac.uk](http://productivity.ac.uk) and you can also look for a link in the show notes. There's more to come on this, this topic of FE colleges is so important for the whole narrative around productivity and innovation in a place-based context. And you alluded to this concept of social infrastructure just a minute ago, Jen, and I think it's absolutely critical for us to think in a different way around how FE colleges are part of this kind of social fabric that makes places good places, from a broad-based productivity point of view.

So a lot more to come here from the Productivity Institute but we have to leave at this point now. So Jen Nelles of the Innovation Caucus at Oxford Brookes University and Ben Ferinder of Chalkstream, thank you very much for joining us for this podcast.

Our next episode of Productivity Puzzles for April will be on the topic that recently received a lot of attention in the media, the four day working week. New research is showing that a pilot study with more than 60 companies shows positive results for employee wellbeing, for work-life balance, for care responsibilities, but also, and importantly, for productivity. So we obviously want to know more about the four day work week and what that means. So we're reaching out to experts to get their take on it and we'll bring that to you next month. So stay tuned for that.

You can sign up for the entire Productivity Puzzles series through your favourite platform to make sure you also don't miss any other future episodes. If you would like to find out more about upcoming shows or any other work by The Productivity Institute, please visit our website at [productivity.ac.uk](http://productivity.ac.uk) or follow us on Twitter and LinkedIn. Productivity Puzzles was brought to you by The Productivity Institute and this was me again, Bart van Ark at The Productivity Institute. Thanks for listening and stay productive.

**End of transcript**