

# High Performance Working: A Policy Review

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# Foreword

Launched on 1<sup>st</sup> April 2008, the UK Commission for Employment and Skills is a key recommendation in Lord Leitch's 2006 review of skills *Prosperity for All in the Global Economy: World Class Skills*. The UK Commission aims to raise UK prosperity and opportunity by improving employment and skills. Its ambition is to benefit individuals, employers, government and society by providing independent advice to the highest levels of the UK Government and Devolved Administrations on how improved employment and skills systems can help the UK become a world class leader in productivity, in employment and in having a fair and inclusive society.

Research and policy analysis plays a fundamental role in the work of the UK Commission and is central to its advisory function. In fulfilling this role, the Research and Policy Directorate of the UK Commission is charged with delivering a number of the core activities of the UK Commission and has a crucial role to play in:

- assessing progress towards making the UK a world-class leader in employment and skills by 2020;
- advising Ministers on the strategies and policies needed to increase employment, skills and productivity;
- examining how employment and skills services can be improved to increase employment retention and progression, skills and productivities;
- promoting employer investment in people and the better use of skills.

We will produce research of the highest quality to provide an authoritative evidence base; we will review best practice and offer policy innovations to the system; we will undertake international benchmarking and analysis and we will draw on panels of experts, in the UK and internationally, to inform our analysis.

Sharing the findings of our research and policy analysis and engaging with our audience is very important to the UK Commission. Our Evidence Reports are our chief means of reporting our detailed analytical work. Our other products include Summaries of these reports; Briefing Papers; Thinkpieces, seminars and Research and Policy Convention. All our outputs are accessible in the Research and Policy pages at [www.ukces.org.uk](http://www.ukces.org.uk)

This Policy Review is one of the four research components of the UK Commission's skills utilisation project, which is looking at how the use of the High Performance Working (HPW) approach can help to ensure skills are better used in UK workplaces. The aim of the Policy Review is to establish what policies are currently being deployed across the UK's four nations to encourage HPW, and to draw out implications for future policy interventions. We hope you find this report useful and informative in building the evidence we need to achieve a more prosperous and inclusive society.



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**Director of Research and Policy**



**Lesley Giles**  
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# Executive Summary

## Introduction

The UK Commission for Employment and Skills has been charged by the four governments of the UK to lead a major project looking at skills utilisation and its impact on productivity and performance. Skills utilisation is concerned with maximising the contribution that people can make in the work place, and therefore how well people's abilities have been deployed, harnessed and developed to optimise organisational performance. What happens inside the work place is therefore crucial to skills utilisation. This is why a key focus of the UK Commission's work is on understanding how organisations can be successfully run to achieve High Performance Working (HPW).

HPW encompasses the bringing together and implementation of a number of practices in a holistic way to effectively manage an organisation. As such it must provide an important means to stimulate businesses to: review their business strategies; move up the value chain (i.e. by delivering higher value goods and services); raise their demand for high skills; reorganise their work; and by so doing improve skills utilisation in the workplace and, hence, firm performance. The study has therefore been concerned with HPW as a crucial means to achieve better skills utilisation, rather than seeing it as an end in itself.

This report is one of four research components of the UK Commission's skills utilisation project. It presents the results of a Policy Review that scopes the current field of the most relevant, core initiatives and support available to organisations in the UK, to promote and assist in the adoption of HPW.<sup>1</sup> The other projects published in separate reports include: a synthesis of the literature on HPW; the development of a measurement tool to monitor future HPW take up and benchmark variations in employer practices in future (both reported in 2009); and organisational case studies to develop understanding of how HPW is effectively implemented (published in parallel with this report).

Skills utilisation, and to a lesser extent HPW, have gained importance in academic and policy circles in recent years, alongside a growing interest in the route to securing improvements in productivity, economic performance and competitiveness. Skills have played a central role in public policy for some time as a means to drive productivity improvements.<sup>2</sup> It has become increasingly clear, however, that steps to improve supply and raise the skills of the workforce are, whilst extremely important in themselves, not enough on their own. Indeed, this does not guarantee that those skills will be effectively deployed in the work place and therefore that productivity improvements will result.

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<sup>1</sup> See the UK Commission for Employment and Skills website for further information at [www.ukces.org.uk](http://www.ukces.org.uk)

<sup>2</sup> HMT (2001) Productivity in the UK: The Evidence and the Government's Approach. Find at: [http://www.hm-treasury.gov.uk/ent\\_prodevi\\_index.htm](http://www.hm-treasury.gov.uk/ent_prodevi_index.htm)

As a consequence, this has led to a shift in policy debates and growing attention on the means to raise skills demand and achieve effective skills utilisation in the workplace as well as skills development. HPW has been identified as one key way in which employers can maximise the potential of their employees and ensure their effective development and deployment. However, despite this growing interest, it is not yet fully, and/or in many cases, *explicitly* reflected in existing policy commitments and strategies, or the delivery systems operating across the UK. The exception to this is Scotland which explicitly emphasises the importance of action to drive up skills utilisation through particular products and services for business and stimulate skills demand as well as tackling skills supply.

### Our approach

Given this position, we have reviewed the existing public policy frameworks of the four governments with **a HPW lens**. The intention has been to explore how they support and promote the adoption of HPW and in turn skills utilisation and where there may be potential for further development. In practice this has meant that we have sought to review the range of core policy initiatives currently available, that might be relevant to HPW. We have not only been interested in the key initiatives and services relevant to this area but the strategies and broader frameworks to which they relate. In other words, we have sought to understand the policy framework strategically, as well as understanding its delivery by front-line staff. Given that the relevant policy areas are devolved, this has meant reviewing policy at a variety of levels nationally and regionally across the UK. Our approach has been to focus the review on initiatives principally targeted at the workplace where HPW is enacted; at a micro level. The Policy Review has been based on a combination of desk research and interviews with key players involved in different parts of the system, whether in developing strategy, policy development or specific aspects of delivery.

The strategic overview section in this report seeks to examine the UK's overall policy framework in relevant areas in the four nations (including at a regional level in Scotland and England). It places a particular focus on the role of skills and enterprise policy, as these are deemed to be the most significant for HPW and skills utilisation in the workplace. A key objective has been to understand how the strategic aims in the skills and enterprise policy frameworks, which are contextualised in the separate national and regional strategies, have both driven and shaped as well as been informed by the scope and range of current provision and key services implemented in this area across different parts of the UK. As such the strategic overview has sought to provide the context and backdrop against which to consider the separate initiatives and hence to review the policy frameworks in action.

To identify and assess the relevance of the core policies and initiatives, we used a theoretical framework, derived from a detailed exploration of the literature on HPW, which captures a sufficiently broad perspective of the core management and business practices relevant to HPW, known as the ‘4A model’ (see Belt and Giles 2009). We have mapped the individual policy initiatives against the 4A model to find out how far they impact upon the HPW system and which aspects of the initiative have this impact. We have sought to assess their level of impact in terms of both relevance and variations in the types of policy levers used.

## Key findings

Our analysis of the existing policy framework suggests that HPW is currently an agenda without a clear home across the UK. At the time of commissioning the review in 2008, only Scotland had adopted a narrative on skills utilisation within its skills strategy and, although at that time it emphasised the importance of stimulating innovation in business practices within the workplace, HPW per se has featured less explicitly. More recently, there have been developments in skills strategies and policy debates which increasingly acknowledge skills utilisation and HPW (see for example, ‘Skills for Growth’ in England and recent developments in Northern Ireland, Scotland and Wales). Yet if HPW is seen as having an important role within workplaces to enhance business effectiveness and performance, there is still the need to recognise this more strongly in policy terms. As such this strengthens the case for a stronger policy vision for the future for different parts of the UK, emphasising the value of HPW to business performance and which sets out a clear role for policy and delivery in supporting its take up. Such visions could then serve to inspire the development of key products and to drive and integrate all the various components of the system nationally and regionally. Our analysis also shows that there is room to enhance the analysis and understanding of the nature of the current HPW challenge in different parts of the UK – such assessments are hampered by a lack of common measures to aid a detailed understanding of labour market practices in this area and any variations spatially, as well as broader related issues.

At a strategic level, another element of the policy gap concerns the comprehensiveness of the policy offer in relation to HPW and how well what is available is aligned. The key issue here is that the most relevant ‘HPW’ policies actually originate from two distinct frameworks; one for skills policy and one for business enterprise. Both frameworks, and their associated strategies and initiatives, focus on parts of the bigger picture. As such, a key risk is that instead of encouraging and promoting a holistic approach to HPW on the ground that drives up individual business performance, they operate in practice as two quite separate systems, with limited reference to the ‘bigger goal’. Whilst there may be varying moves towards greater alignment and integration, this is not happening consistently at the same rate nor in the same direction in different parts of the UK. This raises important questions about the ‘real’ influence and impact of policies on the ground and risks reducing the ‘sum total of the individual parts’ of the two systems in relation to HPW.

Our research for this Policy Review has also highlighted the existence of a **policy to implementation gap** at an operational level. This has raised questions about: clarity in understanding of HPW and skills utilisation amongst front-line staff; ownership of the agenda and how this might more effectively be shared (within and across areas) to secure a greater impact; how to ensure consistency in delivery; the comprehensiveness of the 'HPW offer' on the ground; the effective alignment of different initiatives relevant to HPW; and the effectiveness of how HPW itself is promoted in its own right. The research draws out a number of possible developments for future delivery. In particular, the research has identified a demand for more *intelligence* that brokers and advisers can use to more effectively and convincingly make the business case for HPW and the need to change. Related to this, there is a need for more *information* and *insight* to highlight and illustrate 'real-life' practice of what works on the ground for different employers, what barriers have been faced and overcome, and to provide examples of best practice for brokers to use and share amongst each other, which can inspire more businesses to act. The benefits for adopting HPW must be clear to employers and publicised making the business case for change.<sup>3</sup> This also raises issues about how existing products might be more effectively promoted and existing 'sources' of expertise more effectively deployed. This highlights too the need to think about how such information is stored, circulated and shared as well as updated. In this context, there is a case for cross agency working and developing effective networks for on-going sharing best practice and learning and directing employers to the business professionals, specialists and champions who are the leading experts. Clearly, there are also advantages to such networks operating vertically as well as horizontally to encourage information exchange, communication, and the sharing of insights between policy makers and front-line staff.

The Policy Review has also identified a measurement gap in that current measures of success and performance outcomes sought do not tend to capture the full effect of the initiatives in terms of HPW outputs and outcomes and/or objective measures of business performance outcomes and impacts. This may be for a variety of reasons; for instance, historically, many of the initiatives are not rooted in HPW and/or skills utilisation, and at most, HPW is often a second or third order issue (if mentioned at all) given the fact that initiatives may not have originally been specifically established to tackle it. However, if skills utilisation and HPW are genuinely to achieve greater importance within the policy agenda, this does raise questions about the focus of future measurement frameworks. Arguably, this will call for the need to take a more strategic perspective. This would seek to capture different aspects of HPW, skills demand and skills utilisation which apply commonly to different areas of policy, as new measures distinct to each separate policy framework.

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<sup>3</sup> The UK Commission's case study work published alongside this report and the Scottish Government's Best Strategies Project (please see: <http://www.scottish-enterprise.com/publications/skills-utilisation-report-final.pdf>) are responding to this need.

The Policy Review has also examined the type of **policy levers** already used in this area to enable a more complete assessment of the nature and influence of existing policy provision relevant to HPW. Most of the initiatives are arguably ‘light touch’ and focus on providing information and at most ‘incentives’ to gain employer interest rather than more ‘coercive’ measures which force or compel employers to act. This means the underlying policy principle is highly voluntaristic, individualistic and advisory in nature. Whilst there is a strong case for voluntarism and employers willingly buying in to the need to act rather than being forced to, there are questions about whether this sufficiently targets certain types of businesses and sufficiently supports the ‘hard to reach’ employers especially those who continue to maintain lower skilled, lower value operations. Therefore, a key question for policy makers and practitioners is whether there is room, albeit in carefully targeted and exceptional circumstances, to use stronger policy instruments. In future, to support businesses to continuously improve, make better use of their staff and seek to be HPW organisations, these could seek to aim at a macro (economy-wide), intermediary (targeted at clusters of employers) or micro level (focused at individual firms). These could more strongly, and more widely incentivise, ‘nudge’ and stimulate specific hard to reach employers either individually or collaboratively to act, provided that this is based on a climate of trust within companies. This could provide an additional means to extend the take up of HPW.

### Future action and recommendations

The report concludes by proposing a potential policy framework for action for policy makers and practitioners to deploy in different parts of the UK, to guide future policy development work and practice in this area. This has a number of components to it and some of the key ones are highlighted in the proposed policy framework, are highlighted in the proposed policy framework:

- demonstrates the importance of first *understanding the broader context* in which the policy interventions are developed and delivered in different parts of the UK. This would seek to make sure that the rationale for action is strongly made, clear and appropriately focused, and based on a sound understanding of the challenge or problem being tackled. Ideally, this would share common core components as well as highlighting where challenges are distinct in different parts of the UK;
- illustrates the need for a *system-wide vision* on HPW albeit articulated differently in different parts of the UK. Clearly, this needs to be contextualised within separate national and regional strategies appropriately to meet local needs and varying spatial priorities, but arguably it should also support a broad HPW goal namely, what is the business case for HPW. Not only will this strengthen the policy gap on ‘what to do’ but it will also provide an important first step towards bridging the policy to delivery gap by more effectively integrating and aligning policy and practice within the system around HPW;

- demonstrates the need to *improve the existing systems to operate more holistically*, promoting a more comprehensive *HPW offer* at its core and learning from best practice. This should clearly communicate and embed the new vision in the enterprise and skills initiatives and services operating in different parts of the UK through tailored advisory material, information campaigns, communication and direct development of policy makers, staff, advisors and brokers. This is not about standardising delivery from the centre to all employers or removing local flexibility but being clearer about what *core* elements fall within the HPW approach, developing a clear narrative for employers presenting the business case for action, which shows the value of HPW and therefore allowing HPW to be more explicitly promoted as a whole. This includes making what is on offer more transparent;
- emphasises the need to *recognise and fully promote core existing HPW products and stakeholders' expertise*. This means acknowledging and effectively positioning key products in this area (such as lIP) and working with wider recognised stakeholders to effectively harness a wider array of existing expertise and knowledge. A key intention here should be to create and promote broad 'communities of interest', which can optimise business to business learning, capability building, networking and the sharing of best practice for different groups of employers. Such networks clearly should also operate amongst practitioners and policy makers to enhance communication and best practice and continuous improvement;
- stresses the *importance of on-going monitoring and evaluation* which ensures that the full, long term impact and outcomes of initiatives and practices can be assessed, that benchmarking can be undertaken capturing key variations in practices and that future delivery can be adapted and enhanced to build on what works and promote more widespread take up of HPW. It should also provide the basis to continuously improve and tackle issues in service coverage;
- encourages *continuous research and development work, which progresses investigations into more innovative approaches and policy levers*. In particular, this should seek to draw from innovations abroad as well as within the UK. There is also arguably a need to consider what additional levers might be effectively deployed beyond the micro level, to encourage the take up of HPW more extensively across the economy in future albeit in carefully targeted situations. Further insight might also be drawn from effective collaborative, business to business approaches which encourage best practice amongst groups of employers operating together. The UK Commission's Collective Measures project provides a case in point, which may offer insights here.<sup>4</sup> Such work needs to explore the special circumstances in which these additional levers might be best deployed. Future research should more actively consider the interplay of such new approaches with wider macro policy levers and how they could be aligned and used to best effect alongside on-going developments in wider national policy such as those in economic development and industrial policy.

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<sup>4</sup> See here: <http://www.ukces.org.uk/evidence-reports/review-of-employer-collective-measures-final-report>

# 1 Introduction

The UK Commission for Employment and Skills has been charged by the four nations of the UK to lead a major project looking at skills utilisation and its impact on productivity and performance. This report forms the Policy Review which is one of the four research projects forming the UK Commission's Skills Utilisation project as a whole.<sup>5</sup> Skills utilisation is concerned with the realisation of potential capacity, and how well people's abilities have been deployed, harnessed and developed in the work place. What happens inside the work place is therefore crucial to skills utilisation; this is why a key focus of the UK Commission's work has been on the nature and effects of one key means to achieve effective skills utilisation; namely High Performance Working (HPW). HPW encompasses the bringing together and implementation of a number of practices in a holistic way and has been identified as a means to encourage businesses to: move up the value chain; reorganise their working practices; raise skills demand; invest in their staff; and, by so doing, to improve skills utilisation in the workplace and overall organisational performance.

A range of previous research studies have sought to define HPW. They have measured the extent of take-up, and looked at exactly how HPW can create a work environment that encourages higher performance (see Belt and Giles, 2009). The UK Commission's project builds on, updates and takes forward this previous work. The emphasis in the research in particular is to explore how public policy might be deployed to broaden the take-up of HPW practices in the UK and promote more effective skills utilisation in the future – an area neglected in previous research. This focus on the role of public policy in increasing the take-up of HPW is also specifically important, as research has shown that in spite of the fact that there is convincing evidence of the positive impact of HPW practices on organisational performance, only a minority of UK firms have put such practices in place (Belt and Giles, 2009).

This Policy Review aims to examine what policies are currently being deployed across the UK public policy framework to encourage HPW, and to draw out implications for future policy interventions. Our approach has been to focus on initiatives targeted at the workplace where HPW is enacted at a micro level. This project focuses on HPW because of its ability to raise the demand for skills and improve skills utilisation and organisational performance. Skills utilisation is one of the important **outcomes** of HPW and the two are intrinsically linked.

## 1.1 Definitions

The concept of skills utilisation has emerged rather recently in policy circles and is a term that is often not well understood. For the purpose of this report we adopt the following definition of skills utilisation:

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<sup>5</sup> The other projects are: a synthesis of the literature, the development of a measurement tool and case studies. Further details at <http://www.ukces.org.uk/>

*‘Skills utilisation is about ensuring the most effective application of skills in the workplace to maximise performance, through the interplay of a number of key agents (e.g. employers, employees, learning providers and the state) and the use of a range of HR, management and working practices. Effective skills utilisation seeks to match the use of skills to business demands/needs.’*

(Scottish Government, 2008)<sup>6</sup>

Similarly, there has been some debate about the precise definition of the term HPW, which is commonly understood to refer to a range of practices and processes that are used in some work organisations with the deliberate aim of improving business development, skills utilisation and organisational performance.

The UK Commission has recently undertaken a synthesis of literature on HPW, and, after careful consideration of existing research, has defined HPW as:

***‘A general approach to managing organisations that aims to stimulate more effective employee involvement and commitment in order to achieve high levels of performance. The precise form HPW takes within an organisation will vary depending on context, but will include activities in the areas of: human resource management (e.g. pay and incentives, appraisal, workforce development), work organisation (e.g. team working and job design), employment relations, management and leadership (including strategic management and business development as well as line management), and organisational development. Importantly, the HPW approach is specifically designed to enhance the discretionary effort employees put into their work, and to fully utilise the skills that they possess. It needs to be underpinned by a philosophy of people management that emphasises autonomy, participation and learning.’***

(Belt and Giles, 2009)

## 1.2 Project background

Policy-makers’ and academics’ interest in skills utilisation has increased alongside an interest in the route to securing improvements in productivity and economic performance. A central objective of policy makers in the UK has long been to raise productivity and foster sustainable growth, in order to achieve higher prosperity and a better quality of life and employment opportunities for all.<sup>7</sup> To achieve this, the UK government has set itself the long-term economic ambition that the UK will have a faster rise in productivity than its main competitors (HM Treasury, 2000) and similar pledges have been made by the devolved administrations.

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<sup>6</sup> This definition has been suggested by a literature review on skills utilisation commissioned by the Scottish Government. The Scottish Government has not, however, endorsed this definition.

<sup>7</sup> See for instance the 2002 Spending Review and subsequent publication by HM Treasury.

The challenge has been to build an integrated public policy framework that drives that goal (Department for Business, Enterprise and Regulatory Reform (BERR), 2009). Skills and the UK's transformation to a high skill economy have occupied a central place in this framework, alongside other non-skill drivers, and as a result there have been significant improvements in the UK's overall skills profile (UK Commission, May 2009). In the past decade skills strategies in the UK had the priority to raise skills levels with the intention of achieving higher levels of productivity. Until recently, with the exception of Scotland, relatively little attention had been paid to what happens after initial skills acquisition, and in particular how this 'potential' is turned into 'performance'. However, slow progress in productivity growth has raised the question about the adequacy of tackling skills supply alone. This has now started to be recognised in the most recent strategic documents:

*'There is no automatic relationship between skills and productivity. Critically important is how businesses actually use the skills of their workforce; and how they use them in combination with the other drivers of productivity, such as investment, innovation and enterprise.'*

(Department for Business, Innovation and Skills (BIS), November 2009)

This has led to a shift of focus of skills policy in the UK from a primary concern with improving skills supply to also looking at the demand side. In particular, this has sought to understand the means to encourage more businesses to secure and then utilise higher skills as part of their continuous business improvement as well as encouraging on-going skills development and upgrading in the workplace.<sup>8</sup> HPW has been identified as one key way in which employers can maximise the *potential of their employees* in meeting business goals and achieving more effective skills utilisation in the workplace. Furthermore, interest in HPW has also grown at European level. This is in response to persistent productivity problems, but also reflects a new focus on general quality of work issues. Through the Lisbon Strategy, for instance, policy-makers have voiced the need to create 'better' jobs and good working environments that offer mutual advantages to the individual and the employer. In England, BIS commissioned a review to take an in-depth look at employee engagement (one aspect of HPW) and to explore and report on its potential benefits for organisations and employees (see MacLeod et al., 2009). The report concluded that there were many examples of companies and organisations where performance and profitability have been transformed by employee engagement.<sup>9</sup>

<sup>8</sup> See PIU report 2001, Leitch 2004; 2006, UK Commission 2009.

<sup>9</sup> The UK has accepted the recommendations of the report and launched a campaign asking employers what would help them to improve employee engagement. For further details please see: <http://www.bis.gov.uk/policies/employment-matters/strategies/employee-engagement>

Policy makers in the UK are now recognising the potential of HPW to improve productivity and performance within organisations as well as contributing to the economic performance, competitiveness and prosperity of the national economy (see Belt and Giles, 2009).

In addition, **to its association with increased economic and business performance**, HPW also offers other positive outcomes, such as general employee well-being at work. Although this has been debated in the literature, with some suggesting that HPW can lead to increased work intensification (see Hughes, 2008) there is significant evidence demonstrating the positive outcomes of HPW for workers, such as: higher job satisfaction and motivation; greater opportunities for innovation and creativity; greater autonomy; greater employee involvement and commitment; and lower labour turnover.

The uptake of HPW practices can thus contribute directly to the twin policy goals of sustainable economic growth and improved working life. The UK's current economic circumstances have arguably raised the profile of the skills utilisation agenda further, due to the growing need to find ways to maximise employee skills and ensure business survival and growth for the longer term. Beyond these immediate challenges, taking a longer-term perspective, skill utilisation and HPW are also highly relevant for the UK's future global position. This is particularly true when it comes to positioning organisations at the higher valued added end of the global production chain. An increase in global competition and the rise of countries such as India and China with lower labour costs, mean that the UK, like other European countries, can no longer compete on cost alone, but needs to produce higher quality products and services, delivered by higher skilled people using knowledge to gain/establish competitive advantage. But in order for those highly skilled people to deliver more sophisticated outputs, their workplaces must enable them to do so. **Thus the role of skills utilisation in the workplace is critical and how organisations are managed and led has a major bearing on this.**

Clearly, employers are, and must remain, in control of the management of their own organisations and businesses but at the moment only a minority of UK organisation have adopted HPW practices. Therefore, public policy can play a role, for example in making a more convincing case for HPW, and in encouraging and supporting its adoption. A key consideration for policy makers is therefore how to overcome the barriers to the uptake and effective implementation of HPW practices. This project has sought to review what services and support are currently offered to employers in this area.

### 1.3 The UK Commission's Skills Utilisation Project

To better understand how HPW and the enhanced utilisation of skills can contribute to increased productivity and thus to the UK's international competitiveness, the UK Commission for Employment and Skills has been asked to lead a project looking at skills utilisation and its impact on productivity and performance. The project was launched in autumn 2008 and was focused around understanding HPW.

The Skills Utilisation project consists of four elements, with the overall aim of pooling knowledge and strengthening our understanding of the means to stimulate HPW in UK workplaces. These elements involve:

- A **Literature Review** on skills utilisation (including the relationship of HPW to it) and a more in-depth **Synthesis of the Literature on HPW** to analyse the existing evidence, and identify gaps in knowledge. The Scottish Government led on the Literature Review on skills utilisation (Scottish Government, 2008) and the UK Commission has completed the synthesis of HPW (Belt and Giles, 2009).<sup>10, 11</sup>
- The development of an **Employer Survey Tool**. The intention of this is to help inform the future measurement of the take-up of HPW across the UK on a consistent and comparable basis, to enhance benchmarking of varying practices and, thus, to assess changes in take up over time.
- In-depth organisational **Case Studies** to better understand how HPW is implemented in real-life workplaces and what are some of the critical success factors. A key aim here is to provide important examples to inspire employers to act, help them overcome implementation difficulties and ensure they can deploy HPW practices to maximise business benefits. These are provided by the case study element of the UK Commission's research project on skill utilisation and by the Scottish Government's Best Strategies Project.
- A **Policy Review** to establish what policies are currently being deployed to encourage a wider take up of HPW, and to draw out implications for future policy interventions.

This report focuses on our findings from the **Policy Review** element of the research.

## 1.4 Aims and objectives of the Policy Review

The overall aim of the Policy Review is to **scope the current field of core initiatives and support available to organisations (at a micro level) to promote and assist in the adoption of HPW and HPW practices** (see further details on method and approach below). The focus has been placed on core initiatives to ensure that the scope of coverage is sufficiently focused (please see Section 3 and 4). The intention is to review key areas of the policy landscape with a HPW lens. There are a number of more specific aims for the Policy Review:

<sup>10</sup> <http://www.scotland.gov.uk/Publications/2008/12/15114507/0>

<sup>11</sup> <http://www.ukces.org.uk/>

- To overview and describe the key organisations, policy initiatives, products and services that currently exist in the UK focused on promoting and/or supporting the implementation of aspects of HPW amongst employers;
- To suggest whether improvements could be made to what is currently on offer or if there are new initiatives that might fill gaps in the HPW agenda, where appropriate;
- To consider how research evidence on the benefits of HPW could be presented to employers in ways that would help enhance take up and impact;
- To set out policy implications and questions and future options in this area.

For the detailed research questions please see Annex 1. In the next chapter we outline the methodology and approach used in the research, including the theoretical framework on which the analysis is based.

## 2 Method and approach

This Policy Review is based on a combination of desk-based research and exploratory interviews with key players from across the whole spectrum of the system: from strategic policy development to those involved in policy delivery and implementation of specific initiatives on the ground dealing with individual employers. The interviews included representatives from government departments and agencies and publicly funded delivery agents. The aim of both research elements was not only to identify key initiatives that might be relevant, but also the strategies they relate to and the objectives they are designed to achieve. In other words, to understand the policy framework, strategically as well as operationally. However, it is necessary to highlight at this point that whilst there has been an increasing interest in skills utilisation, and HPW, amongst policy makers in recent years, this has not yet been fully and explicitly translated into policy commitments, strategy documents and/or the delivery system with specific policy initiatives directly related to HPW. The exception to this is Scotland's Skills Strategy, which has an explicit focus on skills utilisation.

This is why ***the purpose of this report is to look at the existing public policy framework through a HPW 'lens'***. In practice, this has meant that we have looked at existing policy initiatives, with a view to find out which aspects might be relevant for HPW and how they directly or, as is more likely, indirectly support the uptake of HPW practices and in turn skills utilisation. We identified a range of organisations and individuals to take part in the review and worked with them to identify initiatives and policies of interest<sup>12</sup>. This phase was complemented by desk research designed to locate and identify material on policies and initiatives likely to play a role in any aspect of HPW. As a guide we used an explanatory model of HPW, developed in the literature, the '4A model', to offer an objective tool to assess and understand the effects of current initiatives. This is explained further in Section 2.1. This is also the model adopted in the HPW Survey tool report (see UKCES, 2009).

As the potential remit of the data gathering exercise could have been very large indeed, after an initial sift, we developed criteria to ensure the assessment focused on key initiatives. This meant we **excluded** certain areas of policy making to ensure that the focus was on **core** provision. These were:

- those initiatives focused on the individual rather than employers (thus excluding initiatives in the employment policy area) and those initiatives that focus on skills providers (thus excluding initiatives in education policy)<sup>13</sup>;
- any private sector initiatives; and
- historic initiatives – initiatives that had been discontinued.

<sup>12</sup> See further details in Annex 3.

<sup>13</sup> We have, however, mapped skills policy in the four nations and included skills initiatives that are within the scope of the review.

Given that the rationale for the project was to consider **‘how to support more effective HPW and in turn skills utilisation in the workplace’** the Review therefore was directed principally on ‘mainstream’ policies to influence employers, operating at a micro or firm level. Whilst the focus was largely ‘national’, consideration was also given to regional/sectoral variations to capture differences due to the devolution of policy to meet local needs and/or to draw insights where variations were particularly innovative and added value. This includes initiatives that were highlighted by respondents during the course of the study as of particular interest.

Whilst recognising that micro levers do not capture the full range of policy instruments Government has at its disposal to directly influence employer behaviour (see Figure 2.1), taking a broad perspective was not a primary focus of this study.

**Figure 2.1: Varying nature of policy intervention**



The intention of the project therefore was **not** to produce a totally exhaustive mapping of initiatives but to ensure a sufficiently broad coverage of the *core* initiatives affecting HPW on which to base a general assessment of the current shape and nature of public provision and support in this area. Further aspects of the approach are outlined in more detail below.

## 2.1 Theoretical framework

In approaching the Policy Review we utilised a theoretical framework known as the ‘4A model’ (see Figure 2.2). This framework was derived from a detailed exploration of the literature on HPW and covers the core management and business practices used across a wide range of studies (Belt and Giles 2009). It is therefore a comprehensive model, capturing a sufficiently broad perspective of HPW. We have used this to frame the analysis of policy initiatives and services available to employers, exploring in each case the degree to which the policies examined facilitate the employer adoption of practices identified in that quadrant of the model. The framework is useful for the analysis of policy in that it helps to assess the relevance of existing initiatives to HPW. It encompasses a list of measures which employers could use in order to monitor performance in each of the four component areas with the proposition being that if an organisation improves in these areas in combination, it should improve its overall business performance.<sup>14</sup>

The 4A model seeks to capture the wide range of influences on organisational capability in addition to individual skills. To do this, it identifies two key dimensions of capability in the workplace. The first dimension ranges from the *development* of capability at one end to its *deployment* at the other. The second dimension explores the roles of *individuals* at one end, to organisational-wide factors at the other. In this way, the model shows that the capability of the workforce, and, in turn the organisation, is dependent not only on the recruitment, and hence resourcing, and development of skills, but also on the way in which these skills are managed and *utilised*.

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<sup>14</sup> We have also used the model throughout the other research project elements.

Figure 2.2: The 4A model of HPW capability



Source: Tamkin *et al.*, SSDA, 2004.

The intersection of the two key dimensions leads to four ‘quadrants’ of activity (or the 4‘As’):

**Figure 2.3: Four ‘quadrants’ of activity (or the 4‘As’)**

**Access** – the effective resourcing of roles in the organisation in terms of initial recruitment, ongoing job moves and succession activity. The focus here is on deliberative organisational activity including policy and practice.

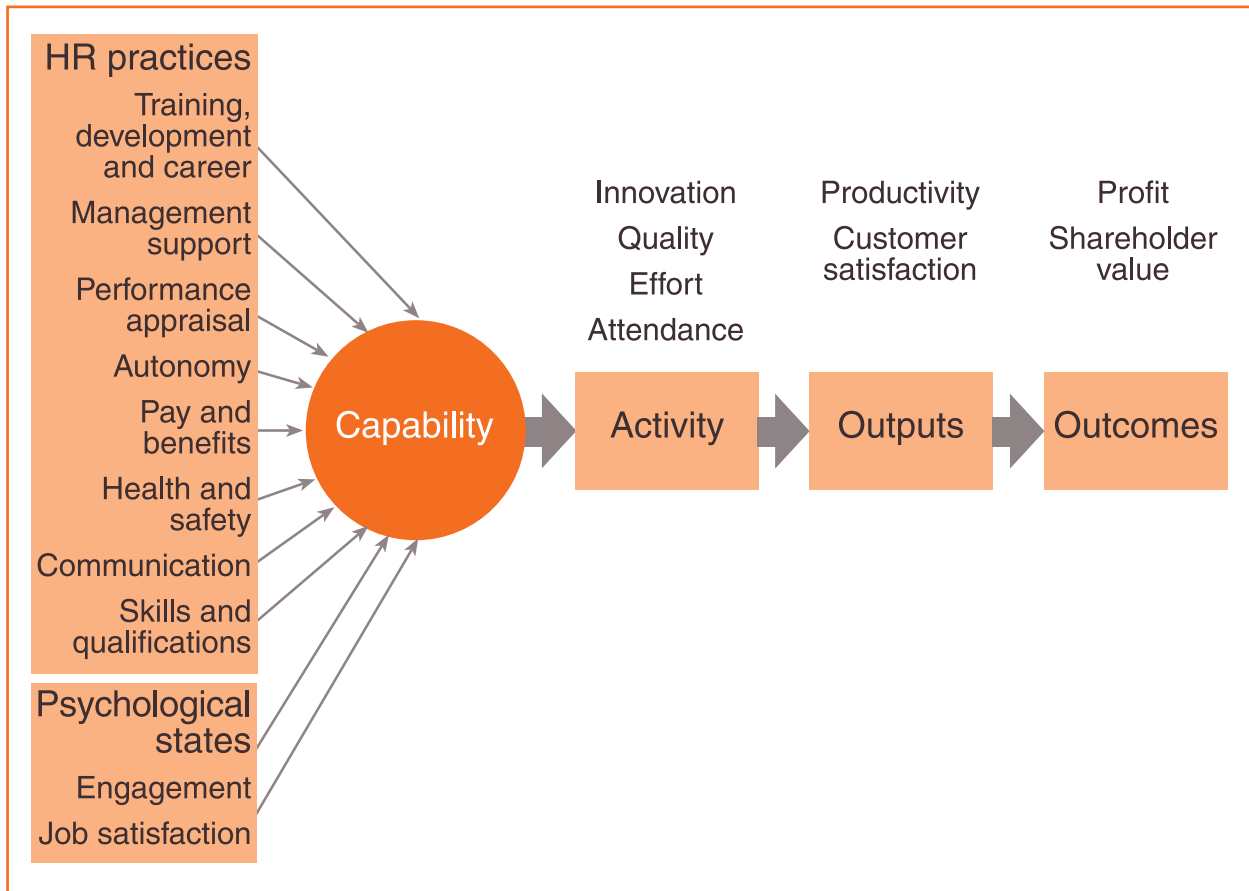
**Ability** – the skills and abilities of the workforce. In essence, the quality of people that the organisation has at its disposal, and the ongoing *development activity* of those individuals which maintains and further develops their capability.

**Attitude** – it is clear that skills are not the totality of what makes people do an excellent job. There is also the *engagement*, motivation and morale of the workforce and the meaning they find in work, their beliefs about the workplace and their willingness to put in additional effort. Important aspects of this thus include the means to achieve employee involvement and develop shared values and a strong organisational culture, climate and identity.

**Application** – the opportunities made available to individuals to apply themselves to changes in the market and business strategy and hence to *deploy* their skills more effectively in the work place. This is the key engine of the model, where decisions are taken about what products and services to supply and what strategies are necessary to develop them – this provides a driver for skills demand. It recognises that people need an appropriate working environment to prosper provided through information, job design, technology, organisational structure, operational processes and leadership and business strategies. Whilst management and leadership might be a key feature here, it is also marbled throughout other areas of the model.

The HPW ‘Capability’ of the organisation is at the centre of a chain of impact. Inputs to the chain exist in the form of a range of HPW practices which seek to capitalise on the abilities and commitment of the employees within the organisation. Capability seeks to positively impact on the quality and effort that employees put into their work (not least their effective utilisation), and in turn a range of performance outputs such as production times, customer satisfaction, productivity, and, ultimately, wider performance outcomes – thus it seeks to maximise the HR, financial and business returns to an organisation. This is illustrated in Figure 2.4.

Figure 2.4: The chain of impact

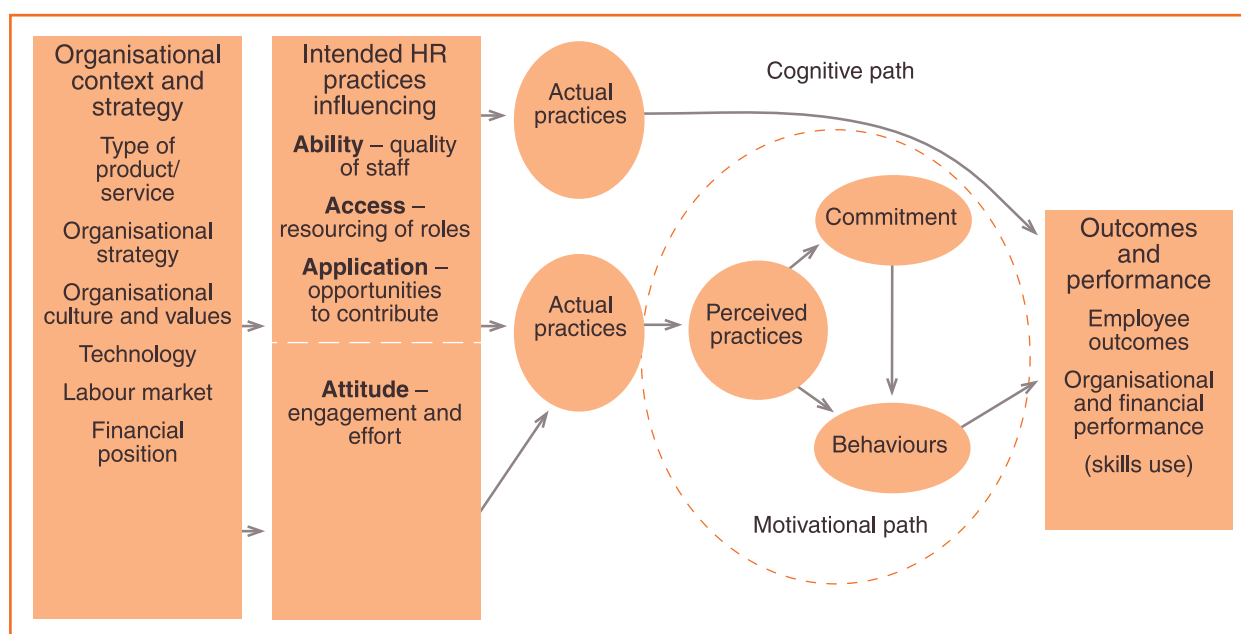


Source: Tamkin, 2005.

The 4A model illustrates not only the importance of individual practices but how they come together as a whole – the HPW system. It also serves to show **the importance of taking a holistic and balanced approach, where a range of practices is adopted and care is needed in thinking about how they are implemented, work together and are integrated to suit the business context and to deliver the greatest benefits.**

Finally, the model also recognises the importance of considering the broader external environment and economic context in which the business needs to operate to be successful. The final practices adopted then need to be brought together appropriately to realise their full potential. This is illustrated in Figure 2.5.

Figure 2.5: Business application of the 4As model



## 2.2 Interviews

A two stage interview process was used within the Review: Firstly, exploratory interviews were undertaken with representatives from government departments and agencies and other publicly funded agents, usually at a more strategic level. Secondly, these initial interviews were followed up with in-depth, face-to-face interviews of relevant key players in these organisations, usually with those involved in delivery, to form a more detailed understanding of the initiatives and their likely effects.

Our selection criteria involved:

- Representatives across each of the four nations of the UK.
- All relevant government departments and agencies involved in the development of skills policy.
- All relevant departments and agencies in the more practical design and delivery of enterprise initiatives aimed at employers.
- Government funded organisations with a skills or business performance remit again from all parts of the UK engaged in the design and/or delivery of initiatives aimed at employers.
- Major employer or other stakeholder bodies.

Interviewees were asked to recommend further interviewees and potential policies or initiatives of interest in a deliberate cascade (or ‘snowballing’ technique). Our interviews followed a detailed pre-prepared question guide. The interviews took place in the first quarter of 2009 and thus describe the levels of understanding and context at the time.

### **2.3 Desk research**

Our desk-based research has been of two kinds, exploratory and confirmatory. Exploratory research was based on search terms and was primarily internet-based. Searches were targeted on identified government departments, relevant agencies and non-departmental public bodies and membership bodies. Our confirmatory research provided further background information on initiatives and organisations identified from our interviews or our exploratory work. Evaluation evidence was sought for each identified initiative to inform an assessment of their likely influence on the take up of HPW. A list of the organisations who have participated in this review is given in Annex 3.

### **2.4 The report**

In the remainder of this report we provide a strategic overview of the public policy frameworks in the four nations in relevant areas, map out the key policy initiatives and analyse whether and to what extent they encourage the take up of HPW and thus support skills utilisation. Based on our findings we make recommendations for future action.

## 3 A strategic policy overview

HPW, as a key mechanism to enhance skills utilisation in the workplace, has been identified as an important vehicle for converting public policy messages on skills and productivity into the kind of language that can inspire organisations to act. By so doing, it may serve to enhance not only individual organisational performance but ultimately that of the broader economy, if take up is sufficiently widespread. A key consideration for policy makers therefore is how to tackle the currently low take-up of HPW practices in the UK and what is the legitimate role for policy intervention and assistance in encouraging take up and greater skills utilisation. A number of barriers have been identified and reviewing the range of potential policy instruments that could be deployed to lift such barriers and to make a convincing business case to employers to value and adopt HPW is therefore useful (Belt and Giles, 2009). This Policy Review seeks to understand the nature and range of instruments currently used in the four nations of the UK and therefore to develop thinking in this area. The Review starts by focusing at a strategic level on the broad public policy framework.

In the absence of an explicit strategy on HPW and skills utilisation for the UK, this has involved looking at the existing public policy framework operating in different parts of the UK through a HPW lens, with a particular focus on the role of skills and enterprise policy as these are most relevant to both HPW and skills utilisation. It requires a close examination of the policy frameworks in relevant areas in the four nations, and English Regions, to understand how the strategic aims in the skills and enterprise frameworks have been influenced by, and have themselves driven, the policies to date and the nature of provision and delivery instruments currently being implemented in this area. We map the various skills and enterprise objectives or goals against our theoretical framework, the 4A model, to establish more directly their relevance to HPW and skills utilisation. Following on from that, we then begin to focus more on implementation, and start by looking at the key agents tasked with the delivery of the policies. Although the focus is on government agencies and other public sector bodies tasked formally with the implementation of the delivery instruments, we also include employer bodies, trade unions and membership associations active in the HPW area in order to provide a more comprehensive overview of the landscape. Importantly, this also sets the scene for the analysis of the individual policy initiatives and products that might encourage or support the implementation of HPW, examined in detail in the next chapter of this report.

### 3.1 Devolution and policy developments

Given that skills policy, enterprise, economic development and most social policy areas (other than employment legislation) are devolved, before we examine in more detail policy developments and delivery strategies, it is useful to briefly revisit the arrangements of the UK's power distribution from central government to devolved governments and to consider the implications this raises for UK policy and practice. In 1999 devolved government was introduced to three nations of the UK, Northern Ireland, Scotland and Wales (and in 2000 to London). The nature of devolution varies between the different countries, in Scotland and Northern Ireland

the Parliament or Assembly have primary legislative powers. This means they can pass legislation similar in status to Acts of the United Kingdom Parliament, but the Welsh Assembly has only secondary legislative powers. There are variations in policy coverage among the devolved bodies, reflecting the prior pattern of administrative devolution. In general, Northern Ireland has the widest range of policy areas, including social security and aspects of utility regulation, and most recently law and order policy. Scotland covers the full range of law and order functions, and continues to have an entirely different legal system. Wales has the narrowest remit, with a number of policy areas still being the remit of UK Government.

The policy areas relevant to HPW (namely skills and business enterprise) are entirely the remit of the devolved administrations and the responsibility of the UK Government when it comes to England.<sup>15</sup> This means when looking at policy provision related to HPW we need to do so in the context of the different approaches that exist across the four nations (and English regions). The following section therefore outlines the different policy frameworks for skills and business enterprise and how they contribute to the ultimate goal of productivity.

### 3.2 The overall policy objective: raising UK productivity

We start the review with productivity not least, because, as outlined in the introduction, skills utilisation has an important role to play in increasing UK productivity. Productivity matters because of the central role it plays in generating economic growth and, whilst the recognition of the importance of skills utilisation in achieving this is relatively new, raising productivity has long been a central objective for government policy in England (HM Treasury 2002) and the devolved nations as we will see further below. The UK Government has set itself the long-term ambition that the UK will have a faster rise in productivity than its main competitors. This has been articulated in successive key policy documents for about ten years. (HM Treasury, 2000, 2002, 2007). It has been re-reiterated very recently, also in light of the recession:

*‘We need sustainable growth that addresses the social, economic and environmental challenges of the future. Our challenge is to build an integrated public policy that drives that goal.’*

(BERR, 2009)

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<sup>15</sup> Furthermore, in England responsibilities for developing and delivering policy have been passed to regional level through the Regional Development Agencies (RDAs) which were formally launched in eight English regions in 1999 to promote economic development in their regions. The ninth, in London, was established in 2000. The initial statutory purpose of RDAs has included supporting skills and business enterprise.

The most recent Government White Paper published by the BIS *‘Going for Growth’* also emphasises the continuing need to *‘focus on equipping people and businesses to return the economy to growth’*, arguing that this not only means to build on successes in the past but also to establish new ways in which *‘we need to adapt to compete and prosper in the long term’* and to make growth more *‘balanced and resilient’* (BIS, 2010).

### 3.3 The challenge: the UK’s productivity gap

The Government’s long standing concern with productivity improvements is also due to the fact that the UK’s productivity performance has historically lagged behind that of other major industrial countries. These heightened efforts have had at least some degree of success as progress in productivity improvements has been made in recent years. Indeed, the UK has narrowed the gap with other industrialised countries and now ranks 11<sup>th</sup> out of the 30 Organisation for Economic Cooperation and Development (OECD) countries in terms of productivity. However, recent data shows that on a GDP per hour worked basis, the UK still lags behind Germany, France and the United States. France and the US both have a Gross Domestic Product (GDP) per hour worked of 14 per cent above the UK level (UKCES, May 2009).

Previous analysis, looking at the underlying reasons for the productivity gap relative to other developed nations, has argued that much of this can be accounted for by factors such as the UK’s deficit in physical and human capital and its lower rate of research and development and innovation compared to other major economies. Research has confirmed that this is playing out at both, national and at firm level (HM Treasury, 2000, 2001, HM Treasury and DTI, 2004, 2006). Whilst these findings highlight the importance of people to performance, they do not mention the need to improve skills utilisation, focusing instead on issues such as skills upgrading and various aspects of improved business environment. These other factors, arguably, have therefore had a stronger role informing the underlying principles and policy drivers of the UK Government’s public policy framework for productivity and, relatedly, for skills and enterprise too – as we will see below. This has also been the case in Wales and Northern Ireland, with only Scotland standing out by mentioning skills utilisation directly in its Government Economic Strategy (GES).

### 3.4 The UK government’s approach to productivity

The underlying principles of the UK government’s approach to productivity rest on two pillars: firstly, **macro-economic stability**<sup>16</sup> and secondly, **microeconomic reforms**<sup>17</sup> to improve the functioning of markets (HM Treasury and BERR, November 2007).

<sup>16</sup> The term macro-economic stability describes a policy where an economy is buffered against external shocks to ensure sustained growth.

<sup>17</sup> Microeconomic reforms are policies directed to achieve improvements in economic efficiency, either by removing distortions in individual sectors of the economy or by reforming economy-wide policies such as tax and competition policy.

In relation to this study, the second of these has the most relevance for HPW, and it is therefore on this that we focus although some reference is made to the broader strategic context in which this is set. The objectives of the second pillar has been to address historic weaknesses in five priority areas for action which the UK Government has identified as **investment, innovation, skills, enterprise** and **competition**. They have been developed by assessing the issues that the academic literature suggests are most likely to improve productivity performance (HM Treasury, 2006). These are also referred to as the five drivers and have shaped the policy agenda, at least partly relevant to HPW, over the past decade. Following these drivers, policy makers have developed and identified related targets and policies that can influence these five areas. Two of these drivers, **skills** and **enterprise**, and thus the policies designed in response, are particularly relevant for our review. A third driver, innovation, is also at least partly relevant as, for instance, non-technological innovation, such as organisational change, can play an important role in the uptake and implementation of HPW.

The important place productivity takes in overall government policy is reflected in the 2007 Comprehensive Spending Review (CSR) that lays out the Public Service Agreements (PSAs), which define the key improvements expected from public resources. According to the last CSR, the UK Government's primary objective for the current spending period (2008 – 2011) is to make progress towards raising the rate of productivity growth and to narrow the productivity gap with major industrial competitors (HM Treasury 2007). A detailed PSA delivery agreement sets out the UK Government's approach to tackling the productivity challenge. This is complemented by supporting PSA targets, consistent with the levers outlined above. Those relevant for HPW and a micro focus include: 'to improve the skills of the population on the way to ensuring a world-class skills base by 2020' and 'to deliver the conditions for business success' (HM Government, 2007). Given the substantial variations in the national and regional economies of the UK, actions to promote economic development and to improve productivity and relatedly competitiveness, skills and business development have been taken forward at a national and sub-national level.<sup>18</sup>

In **England**, steps to tackle regional and sub-regional disparities in productivity and in turn economic and social performance are being taken forward by the RDAs. Indeed, more specifically, they are required to contribute to the high level PSA target, 'to improve the economic performance of all English regions'. The RDAs have operated under three different performance frameworks, since they were established in 1999, with the most recent being the Tasking Framework introduced in 2005. This Tasking Framework has been developed to ensure that RDAs' work is closely aligned to the Government's PSA targets (mentioned above). As such their work is structured around the general productivity framework and the five productivity drivers. In addition, they also have responsibility for other PSA targets such as those on sustainable development. Crucially RDAs do have the flexibility to also work to tackle their own regional priorities as set out in their individual Regional Economic Strategies

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<sup>18</sup> HMT/DTI (2001) Productivity in the UK – 3. The Regional Dimension.

(RES). So in this regard the RES will set out the individual contribution the RDAs will seek to make in their region. Similar agreements and objectives have been set out in the devolved administrations.

**Scotland** has no PSAs, but similar policy aims related to prosperity and economic growth are formulated in the Government Economic Strategy (Scottish Government 2007).

The strategy identifies a set of seven high level **Purpose targets**: Growth, Productivity, Participation, Population, Solidarity, Cohesion and Sustainability (Scottish Government, November 2007). The productivity target, most relevant for skills utilisation, sets the goal for Scotland to rank in the top quartile for productivity amongst its key trading partners in the OECD by 2017. The following **five Strategic Objectives** support delivery of these targets, seeking to build a Scotland that is: Wealthier and Fairer; Healthier; Safer and Stronger; Smarter; and Greener. These are supported by **15 national outcomes** which describe in more detail what the government wants to achieve over a ten year period. Progress on the outcomes is measured through **45 national indicators** that are used similarly to the PSA targets in the other nations, to track progress towards the achievement of the above stated outcomes (Scottish Government, November 2007).

Effective skills use is clearly identified as a key strategic policy in the GES:

*‘Ensure the supply of education and skills is responsive to, and aligned with, actions to boost demand. This includes actions taken forward as part of our skills strategy, Skills for Scotland, to [among other things] focus on working with employers and employees to increase the effective utilisation and demand for skills.’*

(Scottish Government, 2007)

In terms of productivity, the overall aim is to raise Scotland’s GDP growth rate to the UK level by 2011 and in the longer term to match the GDP growth rate of the small, independent EU countries by 2017 (Scottish Government, 2007). One of the strategic priorities to achieve this goal is to increase both the supply of, and demand for, skills.

In **Northern Ireland**, the Programme for Government (PfG) sets out the Northern Ireland's Executive's strategic priorities and key plans for 2008-2011. The over-arching aim of the Northern Ireland Executive is *'to build a peaceful, fair and prosperous society in Northern Ireland, with respect for the rule of law and where everyone can enjoy a better quality of life now and in years to come'* (Northern Ireland Executive, 2008). In order to achieve this, the government's top priority is to *'grow a dynamic, innovative economy'*. To support the priorities outlined in the programme the Northern Ireland Executive has developed a framework of 23 PSAs. Two factors are seen as being the reason why Northern Ireland is lagging behind in productivity compared to the UK average: relatively low levels of labour productivity and a low employment rate. These challenges are reflected in two key PSAs: improving productivity and increasing employment. The productivity PSA target has set the following ambitious objective: *'to halve the private sector productivity gap with the UK average (excluding the Greater South East) by 2015'* (ibid).

In **Wales**, the Welsh Assembly Government (WAG) outlines its vision and overarching policy goals in its strategy document *'One Wales: A progressive agenda for Wales'* which was published in June 2007 (WAG, 2007). The policies fall into eight broad areas which form the framework of the delivery plan. They outline the Government's vision for Wales, which is built around a number of core themes including health, lifelong learning, fairness, prosperity, culture and diversity and community spirit. In terms of prosperity the WAG's vision is built around employment, enterprise and, crucially, the notion of quality jobs (WAG, 2007). To achieve this objective the government outlines an action programme centred around job creation, the stimulation of enterprise and business growth, the promotion of tourism and skills upgrading.

In all four nations there is thus an overall commitment to raising productivity to improve sustainable growth, prosperity and quality of life. To achieve this, there is an emphasis on skills upgrading and in some nations, also to raising employment rates. However, as outlined in Scotland there is, an explicit mention of the need to improve skills utilisation.

### 3.5 Skills and Enterprise policy: targets, principles and strategies

Like productivity, the objectives and policy principles of Skills and Enterprise policy are also formulated through PSA targets (apart from in Scotland), and supported through the respective strategies of each nation. Given, as noted earlier, that in England strategic priorities in these areas are also taken forward at sub-national level, there are additional objectives and priorities set out by the RDAs through their RES'. To understand the policies strategically in these areas and the interplay with the individual skills and enterprise initiatives, we will now examine these targets, principles and strategies in turn in more depth.

## Skills and Enterprise policy in England

In **England**, the second PSA target for the current spending period is *‘to improve the skills of the population, on the way to ensuring a world-class skills base by 2020’* (HM Government, 2007). This target recognises the potential contribution of skills to growth through, for instance, enabling workers to work more effectively, carrying out complex tasks and thus produce higher valued added goods (HM Treasury and Department for Trade and Industry (DTI), 2006). Furthermore, it recognises the value of skills as an important enabler for other drivers of productivity, such as the investment in innovation and technology which requires skilled labour to fully deploy its benefits. In addition, it acknowledges that skilled workers are also better at adapting to changing environments, resulting in new investment and innovation and new working practices and products; crucial elements in today’s rapidly changing global markets. However, the focus of this target is on increasing the supply of skills, without any reference as to what might stimulate skills demand or what happens after the skills up-grading has taken place – in other words to explore or monitor, the degree to which skills are effectively deployed in the workplace.

A number of **key principles** underpin both the approach and content of the skills strategies and policies in England (Department for Innovation, Universities and Skills (DIUS), 2006, 2007, HM Treasury, 2006), these include: market responsiveness and the desire to ensure that skills supply is sufficiently responsive to changes in skills demand; the requirement to address market failures; individual’s entitlements to attain a minimum level of qualifications; a voluntaristic approach based on choice and contestability; and active performance management.

England’s **skills strategy** has been underpinned by the Leitch Review from which the UK Government adopted the ambition to become a ‘world leader in skills’ by the year 2020. This is defined as being in the upper quartile of the OECD rankings (DIUS, 2006). It has therefore set ambitious targets for improved qualification attainment by individuals at all levels and increased investment in skill development and is looking for a much greater level of involvement and investment from employers. The Government’s approach focuses on improving basic and intermediate skills levels, also ensuring vocational qualifications are of economic value, through the expansion of opportunities for work-based learning, the development of a Foundation learning tier, expansion of the apprenticeship programme and publicly funded provision (through Train to Gain and Skills Accounts).

The aim of the strategy is to improve higher level skills by: improving the collaboration between higher education institutions and employers; expanding learning opportunities beyond traditional full-time provision; and raising teaching quality standards and supporting individuals in their learning choices. An important dimension to this is the emphasis on employers leading the way on skills in terms of content and delivery of qualifications and learning but also by encouraging greater investment in skills. (DIUS, 2006) Mirroring the PSA targets, the strategy focuses on skills acquisition rather than issues of skills demand more broadly, or skills utilisation and HPW in particular.

In November 2009, BIS published the National Skills Strategy White Paper '*Skills for Growth*', which renews the UK Government's commitment for England to the targets set by the Leitch report for improving skills levels but it also proposes new priorities (BIS, January 2010). These include: a new, overarching ambition for higher education; a shift in the skills system to measuring its success in meeting employers' skills needs and enabling learners to progress in work, as well as in the achievement of qualifications; a doubling of advanced apprenticeship places and actions to increase the opportunities for advanced level apprentices to move on into higher education. Furthermore, the paper also re-iterates the UK Government's commitment to a demand-led system in which businesses are given the power to shape the provision of training and where learners are given consumer choice through skills accounts supported by high quality information, advice and guidance on the quality and relevance of training. Building on the development of a more active industrial strategy it outlines that the skills budget will be increasingly focused on the sectors and markets on which future growth and jobs will depend and the need to support some business and sectors to raise their skills ambition with the UK Government using its influence as a purchaser to encourage employers to invest in skills. Government has also pledged to help employers with the effective implementation of the proposed new right to request time to train. The strategy states that the Government will work with the UK Commission to progress its recommendation on HPW as well as '*work with Regional Development Agencies on the development of Business Link diagnostics so that companies accessing Train to Gain support or other government business support are helped to utilise the skills their employees gain in achieving their business growth objectives*' (BIS, January 2010).

As with skills policy, the cornerstones of **business support** and **enterprise policy** in England are also provided by PSA targets and driven by core policy principles. They are relevant for the purpose of our Review because the initiatives flowing from them will potentially have an impact on how an organisation is managed and how work is organised.

Enterprise policy has been identified as one of the priority areas or key drivers for productivity and as a result its strategy is directly influenced by the first PSA target on overall productivity. Complementing this are two other relevant PSA targets which have as objectives the improvement of business success in the UK and the economic performance of all English regions, respectively. Importantly again, these high level targets highlight the significance of taking action at a sub-national level through the RES' and the work of the RDAs. Both targets also reflect the importance policy-makers attach to the **environment in which firms operate** to overall productivity (HM Treasury, 2007).

In terms of policy principles, like skills policy, business support is based on the principle of correcting **market failure** (HM Treasury and BERR, November 2007). The Government has thus traditionally been wary of directly intervening in how workplaces are organised internally. Instead, it has focused on **taking action to provide a good and more competitive business environment**. As such policy intervention has been limited to tackling information failures through 'light touch' business brokerage services and advice focused on key business areas such as facilitating access to financial support for individual companies. More recently, the UK government has called for a more '*strategic approach to government's role as a market-shaper*', notably in response to the recession and global economic developments (BERR, April 2009). Although this could signal a change of emphasis in some industries, currently, policy-makers have highlighted that whilst a new strategy would require the government acting '*creatively and pragmatically*' in new ways to supplement the market, this should not lead to Government 'substituting itself for the market'. The Government's essential view remains therefore that '*this balance requires markets wherever possible complemented by state action wherever necessary*' (BERR, April 2009).

The **Enterprise Strategy**, launched by the UK Government in March 2008, '*Enterprise: Unlocking the UK's Talent*' is a key part of the delivery plan for these PSA targets. It sets out the following five key enablers on which enterprise policy is based (BERR and HM Treasury, March 2008): developing a **culture** where talent can be unlocked and flourish; ensuring that individuals and business have access to and are able to develop the best possible **knowledge** and **skills**; **access to financial support**; an appropriate **regulatory framework**; and **business innovation**. The Enterprise Strategy has also sought to complement the Government's new Innovation Strategy (DIUS, March 2008). These national strategies have then also been supported by the RES' which set out specific priorities for taking forward enterprise regionally and delivering business support sub-nationally. In practice RDAs have provided a range of diverse individual enterprise level support including access to finance for small businesses, promoting enterprise and supporting business start up.

**Business support policy** in England is offered through a portfolio of products delivered through the umbrella service of Solutions for Business and overseen by the RDAs. Products are provided by a range of government suppliers, with the delivery agency, Business Links, as the first point of contact. This service offers a variety of advice and brokerage on different aspects of business, including business start up, innovation, and finance, and more recently also encompassing access to training through Train to Gain. Business services have become characterised by their **complexity** and as such are currently being reformed<sup>19</sup>. At one point there were 3,000 different support schemes available. The government's first priority, recently, has therefore become achieving a reduction to 100 or fewer initiatives by 2010 as well as a simplification in terms of access by providing only a single point of contact through the Business Support Simplification Programme (BSSP). The recent policy paper '*New Industry, New Jobs*', recognises that the most desirable but also most difficult aspect of government's role in supporting business is to **join up** the many different aspects of Government policy to support business. It argues that '*Too many worthy initiatives in Britain are still designed according to how the Government is organised, rather than according to how our economy operates*' (BERR, 2009).

Overall, both skills and enterprise and business support policy in England are based on voluntarism, are individualistic, focusing on single individuals or firms, promote market efficiency, and have become focused towards achieving specific targets and tackling market failure. Whilst there have been steps recently towards greater alignment and integration of policies between skills and business enterprise (for example as evidenced through the creation of BIS), policy design still operates distinctly within each separate policy framework, focusing on their parts of a bigger picture, and there is limited, explicit focus on HPW. Although this is changing – indeed the latest BIS strategy now directly mentions HPW and encourages business support services to assist businesses more explicitly to develop and utilise their employees skills – that said it is still less clear how this will be addressed.

## Skills and Enterprise policy in Scotland

The 15 national outcomes for Scotland mentioned above, also include the aim of a better educated and higher skilled population and the relevant national indicators, have targets related to skills levels. These concern improving adult numeracy and literacy levels, schools' performance and school leavers' continuing education. These are similar to the other nation's PSA targets but Scotland differentiates itself somewhat from the rest of the UK, by more strongly questioning why its better performance on skills, and higher levels of qualification attainment, have not fed through to greater productivity. It draws attention to a particular element of the skills challenge, recognising that although skills are key, they are not sufficient on their own. This challenge is reflected in Scotland's **skills strategy**: '*Skills for Scotland*'

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<sup>19</sup> In addition to this simplification work carried out by the UK Government in the business support area, the UK Commission has also looked at how the skills system in England could be simplified, see further details: <http://www.ukces.org.uk/our-work/strategy-and-performance/simplification/>

published in 2007, which, consequently explicitly emphasises the importance of enhancing **skills utilisation** in tackling the productivity gap (Scottish Government, 2007). The strategy's priority actions therefore include an increased **demand for skills** from employers, notably through more ambitious business strategies and emphasise the need to **improve the utilisation of skills** in the workplace. This is thought to be achieved through better management and leadership, improved HR practices, better job design and by improving the links between skills and the other drivers of productivity. These actions clearly emphasise factors of importance to HPW (although without the explicit mention of HPW itself), which differentiates Scotland from the other nations of the UK.

To take these priorities forward the Scottish Government has established a Skills Utilisation Leadership Group, chaired by the Cabinet Secretary for Education and Lifelong Learning. The group brings together business and trade union leaders with the Government, the Scottish Funding Council (SFC), Skills Development Scotland (SDS), Scottish Enterprise (SE), the Highlands and Islands Enterprise (HIE) and the Scottish Council for Voluntary Organisations to champion the best use of skills in the workplace.<sup>20</sup> Both, SE and the HIE were not initially members of the Leadership Group, however, as its work progressed it became apparent that they should be. The Leadership Group's core message has focused on a vision of Scotland where:

- confident, motivated individuals are aware of the skills they possess, know how to best use them in the workplace and have the necessary opportunity and support to increase productivity, improve job satisfaction and stimulate investment, enterprise and innovation;
- ambitious and competitive organisations have progressive and innovative leadership and management that adopt high performance working practices and afford workers a say in decision making over issues affecting the quality and organisation of the workplace;
- a cohesive **learning system** centred on the individual and responsive to employer needs supports the lifelong development and use of skills; and
- **Government** policies for investment, enterprise, skills and innovation support the best use of skills in the workplace through social partnership.

(See Skills Utilisation Leadership Group, Vision Statement)

<sup>20</sup> For further details of the role and membership of the group please see: <http://www.scotland.gov.uk/Topics/Education/skills-strategy/making-skills-work/utilisation/SkillsUtilisation>

The Leadership group established a Skills Utilisation Action Group and tasked the group with examining how to increase the numbers of employers in the private, public and third sectors who engage in activities to improve the effective use of skills in the workplace. However, it is important to note that in Scotland the focus is on enhancing skills utilisation more generally, rather than HPW specifically, which means action has not necessarily focused on HPW. The action group identified three objectives to achieve this: to **increase awareness** of the relevance and benefits of skills utilisation to organisations and of the range of relevant workplace practices; to help organisations implement **workplace change**; and to better **support** key delivery agencies and stakeholders to deliver the first two objectives.

The action group made some key recommendations including enhancing the support for leadership and management services; supporting 12 college and university projects on skills utilisation; embedding and support for the concept of skills utilisation in organisational development support services; and the establishment of a skills utilisation cross-sectoral network to exchange best practice in this area.<sup>21</sup> All the recommendations delivered in the Action Group's final report were accepted by the Leadership Group. Action has been taken more widely than skills policy.

In terms of **business enterprise and support** more generally, Scotland's key priorities are outlined in the GES (Scottish Government, 2007). This provides strategic direction to SE and HIE the key enterprise delivery agencies in Scotland. The remit of SE is *'to support growth among Scotland's most ambitious companies and help improve the business environment they operate in'* (see SE, Business Plan 2009/2012).

In essence, the intention is to provide focused **enterprise support** to ensure responsive, accessible and joined-up business development services. An overriding aim is to encourage business start up and help business growth, by allowing the enterprise agencies to focus more strategically on maximising their impact on Scotland's sustainable growth. The relevant national indicators focus on an increase in R&D spending, higher business start-up and greater export growth. There is also a specific emphasis on supporting certain key sectors: Creative Industries (including digital content and technologies); Energy (with a particular focus on renewables); Financial and Business Services; Food and Drink (including agriculture and fisheries); Life Sciences (including biotechnology and translational medicine); Tourism and the Higher Education sector.

SE focuses on three key areas of activity: supporting enterprise in growth companies and key industry sectors, promoting innovation to improve productivity and achieve competitive advantage and stimulating investment in both physical infrastructure and companies. Furthermore, it is important to note that SE also plays a role in supporting leadership and organisational development (OD). Indeed, activity in this area is seen by the SE as a

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<sup>21</sup> For the full recommendations please see: Scottish Government, June 2009.

fundamental part of the mix needed to grow more ambitious and productive businesses. For each company that SE supports, it appoints an account manager to ensure that the full range of its services is made available to that company and this also includes advice on business efficiency and workforce development. One of the key areas is to support companies in improving their internal leadership and management capabilities, notably through: their Leadership for Growth programme; a strategic review of their workforce development requirements based on current skills gaps; and by working in conjunction with Investors in People Scotland, see further information in Section 4. There are remaining questions as to whether the focus on HPW is explicit enough and hence whether the range of services supporting HPW as a whole are sufficiently promoted or form a fully comprehensive holistic HPW offer. This may in turn raise issues for the development of supporting materials and advice. These activities are clearly supportive of HPW in workplaces and more effective skills utilisation, as specified in the Skills Strategy.

There are similarities in priorities across the skills and business domain and recently clear steps are being taken to encourage greater alignment across policy areas notably through the establishment of a Strategic Forum that brings together Government, SE, HIE, the SFC, SDS and VisitScotland with the express purpose of aligning activity.

### **Skills and Enterprise policy in Northern Ireland**

In Northern Ireland, like in England, the second **PSA target** focuses on **skills**. Its aim is to *‘Ensure our people have the right skills to deliver economic prosperity now and in the future and increase skills and career choices in STEM subjects’* (Northern Ireland Executive, 2008). Four objectives covering basic, intermediate and higher level skills are intended to drive improvements and serve as key measures of success.

The first three of these objectives, (assessing skills demand and future skills needs, improving workforce skills level and improving the quality and relevance of education) will largely be delivered through the continued implementation of the Skills Strategy for Northern Ireland, *Success through Skills* (Northern Ireland Executive, 2008). This is centred around four key themes: understanding the demand for skills; improving the skills levels of the workforce; improving the quality and relevance of education and training; and tackling skills barriers to employment and employability. It thus reflects the agenda of the Leitch strategy in England, although Northern Ireland did begin some of these developments prior to the Leitch report. In common with England, the concepts of skills utilisation or indeed HPW do not feature explicitly in the strategy, and the focus again is principally on increasing the supply of skills. Whilst skill utilisation does not figure amongst its key priority areas, the provision of management and leadership is a major focus. Indeed, Northern Ireland has its own Management Strategy and within this a range of dedicated initiatives and actions specifically focused on raising the quality and capability of management and leadership in firms in Northern Ireland.

The **enterprise strategy** for Northern Ireland, at the time of writing, is currently under development by the Department of Enterprise, Trade and Investment (DETI) and the Northern Ireland Executive is undertaking an enterprise audit (DETI, 2009). Due to be published during 2009/10, it will be a transitional strategy aimed at putting in place a more coherent approach to enterprise support in Northern Ireland. However, there are already a number of programmes dedicated to business support and the key delivery agency responsible for providing business support services is Invest Northern Ireland (Invest NI). Invest NI has a key focus to: encourage business growth; accelerate the creation of business; encourage inward investment; promote innovation and research and development; encourage exports; and support local economic development. In addition, it plays a significant role in building management capability and supporting in-company training. Furthermore, given the recent economic conditions, during 2009, the government has strengthened certain areas of advice to offer particular help with the recession. It has, for instance, compiled a matrix of the different types of financial support mainly aimed at helping Small and Medium Sized Enterprises (SMEs) through the more difficult economic times – many of these were originally introduced by BERR (DETI, 2009); such developments could be affecting wider priorities and the balance of delivery.

Finally, with regards to entrepreneurship, the Northern Ireland Executive's PfG had stated that there was a need to develop and strengthen the existing links between the education system and the world of work and therefore committed to developing an Action Plan to promote greater integration of entrepreneurship and education. The action plan outlined a strategy to evaluate government funding of business and education activities, embed entrepreneurial skills across the curriculum, promote awareness of entrepreneurship; provide support for those required to deliver skills training; and promote wider recognition and acceptance of vocational qualifications and work-related learning programmes (DETI, 2003). Clearly, alignment of policy is important at a strategic level but questions remain about the specific and explicit focus and coverage around HPW given that this is not an overt policy commitment within the skills or business enterprise frameworks.

### **Skills and Enterprise policy in Wales**

In **Wales**, the priorities informing the Welsh **skills strategy** are set out in the strategic document, *'The Learning Country'* which aims *'to have to have one of the best education and lifelong learning systems in the world'* (WAG, 2001). A new Welsh Skills Strategy, *'Skills that work for Wales'* was published in January 2008 (WAG, 2008). It adopted the Leitch ambition to have a world class skills profile by 2020, confirmed a number of short-term targets for qualification attainment by 2010 and pledged to review the targets in line with longer-term ambitions on advice from the new Wales Employment and Skills Board (WESB). The Welsh Skills Strategy is set in the context of a more integrated approach to skills and employment policy which includes: a strengthening of the 'employer voice' and improving advice and guidance to employers and individuals. It focuses its funding on the skills most needed by

employers and on vocational qualifications that meet employers' and learners' needs. This is underpinned by a set of guiding principles that inform the development of any related policies. These are set out in the skills and employment action plan that complements the strategy and are: integration, responsiveness, shared responsibility, quality, equality of opportunity and Welsh language skills (WAG, 2008).

The WAG **enterprise and business growth strategy** also places a high emphasis on providing a positive climate for enterprise and business development across Wales. This is outlined in the strategic document *'One Wales: A Progressive Agenda for the Government of Wales'* (WAG 2007). The focus is mainly on providing financial support for SMEs, such as the creation of a single investment fund for business support, which includes provision for social enterprise and environmental incentives. The main brokerage of enterprise and business support is through Flexible Support for Business.

This provides a newly integrated information service that has three key areas: firstly, access to information, advice and support for all businesses and prospective businesses available through a single website and/or offering a face-to-face service through a network of regional centres. Secondly, relationship management supporting businesses with growth potential by diagnosing development needs and sourcing a package of relevant tailored support. Finally, funding and specialist support from the WAG to meet businesses' needs. More specifically, the service includes the Workforce Development Programme (WDP), which offers skills advice, management and leadership training, and also brokers the Investors in People (IiP) accreditation.

Recently, additional support services were developed to offer extra help to employers experiencing difficulties during the recession (ProAct) and in particular to encourage employers to focus on training their staff as a means to enhance their long term business sustainability.

This is clearly helpful to promoting skills development and a wider take up of HPW – initial evaluation evidence have indicated some success and consideration is being given to finding ways to support the programme over a longer period. In addition, the WAG is developing a sector priorities fund to foster more development on key business sectors as a further mechanism to enhance greater business development. Again, whilst there are clearly positive steps towards greater alignment and integration of policies between skills and business enterprise, and enhancing the range of services supporting key areas of HPW, the focus is not direct, or explicit which raises questions about the comprehensiveness of the HPW offer. Furthermore, there is still a degree of separation between the different policy frameworks which may be affecting the promotion of the HPW offer as a whole, with related issues for the development of supporting materials and advice.

### 3.6 Policy delivery: key agents

Having looked at the strategies, targets and underlying principles of skills and enterprise policy in the UK, we will now examine how these are implemented. A number of government departments are in charge of policy delivery in the four nations and they are also supported by a wide range of organisations that play a critical role in delivering the departments' strategic priorities. Many of these bodies are directly funded by government departments in order to ensure the effective and consistent implementation of policy initiatives on the ground. Others generate their own funds or receive public funds through other routes. These organisations also work closely with the department on shared objectives.

In most nations, skills and enterprise policy is delivered by **separate departments**, although this is not always very clear cut. Indeed, some departments might be leading on different policy aspects contributing to an overall objective and/or strategic target. Scotland is an exception to this as the Scottish Government no longer has Departments, but instead has divisions and directorates working towards the overarching objectives outlined earlier.

The separation of policy functions strategically has been the case until very recently in **England**. But, during the time of this project, the two government departments charged respectively with the delivery of adult skills policy, the DIUS and enterprise and business support policy, the BERR have merged into a single BIS. This marks a turning point in policy delivery in England and undoubtedly reflects a more concerted attempt to integrate skills and business policy, encourage alignment and by so doing to enhance their *mutual* effects.

Until then, skills policy has been primarily delivered by DIUS which had the delivery responsibility for the skills and innovation PSAs. Supporting the achievement of the targets – to ensure a world class skills base by 2020 and promote world class science and innovation – DIUS had six Departmental Strategic Objectives (DSOs). The DSOs were to improve the skills of the population; strengthen the capacity, quality and reputation of the Further and Higher education systems; pursue global excellence in research and knowledge; encourage and foster the use of science; build social and community cohesion; accelerate the commercial exploitation of creativity and knowledge through innovation and research (DIUS, 2008). None of these targets thus related directly to the uptake of HPW practices. In contrast, they reflect the skills supply focus of the overall skills strategy and PSA targets.

DIUS had a number of key delivery partners that it has been responsible for either directly or working through other agencies (such as the UK Commission who is responsible for licensing Sector Skills Councils (SSCs)). These partners included: the Learning and Skills Council (LSC), SSCs, liP or National Skills Academies, to name just a few. Such bodies help with the delivery of initiatives such as Train to Gain to provide vocational training on the ground. These have now transferred to the new Department, for BIS.

When it comes to the productivity target, and economic development, BERR had the lead responsibility for delivery (together with HM Treasury) in England (BERR, 2008). It was also the ‘voice for business in Government’ and worked with business and other key stakeholders on a broad range of macro policy areas in order to help boost the UK’s productivity performance. In addition it led alongside delivery partners (including HM Treasury and DIUS) on the three PSA targets mentioned above: raising productivity; delivering the conditions for business success; and improving the economic performance of the English regions. It was also the key sponsor department for the RDAs. BERR was also a partner for the PSA targets on skills improvement (led by DIUS). In order to achieve these targets it had seven DSOs, the most relevant one being: *‘Promote the creation and growth of business and a strong enterprise economy across all regions’* (BERR, 2008/2009). Again, such functions have now been subsumed within BIS.

As highlighted earlier, delivery at a sub-national level across the English regions around improving local economic growth and productivity takes place primarily through **RDAs**, who co-ordinate and aim to provide leadership to a range of regional and local partners. RDAs were established as business led bodies with Board members appointed by Ministers to represent business, education, local government, trade unions and the voluntary sector. Regional Assemblies then have a statutory role to scrutinise the role of RDAs in delivering their priorities set out in their Corporate plans and the National Audit Office has since 2005 reviewed their performance. The aims of the RDAs are broadly to support regional economic development and regeneration, improve business efficiency, competitiveness and support, enhance skills, improve employment opportunities and encourage sustainable development. The over-arching nature of their work means that there is clearly the potential to strongly influence the HPW and skills utilisation agenda. Through the RES, the RDAs articulate the regional priorities and then actions that would have the greatest impact on economic performance and business development in their regions. This also involves specifying the contribution of the RDA and other key regional and local players in tackling these priorities and delivering regional economic growth. As highlighted earlier, they also have responsibility to deliver core programmes. This includes managing the government’s multi-channel support service for business, Business Link, funded by BIS (previously BERR). This is now the front office for most businesses accessing Government assistance in areas such as innovation, business and manufacturing advice, training, and skills in England.

Each region, and hence each RES, differs slightly in terms of the specific strategic priorities they emphasise for their region, responding to variations in the local economy. For instance, in some regions, there is a greater focus on targeting the economically inactive (for instance in London) or raising basic skills levels (North West), whereas others have established an increase in the supply of higher level skills (West Midlands and the East of England), the need to address skills gaps (the South East of England) or addressing the issue of the outward migration of graduates (East of England) as their key objectives (see the nine RES).

Of interest to this study, a number of regions identify a low demand for skills as a key challenge and recognise too that many businesses still operate a low value production model, with implications for low paid and skilled jobs. There is also a number who acknowledge the importance of raising the ambition and aspiration of both, employers and employees (for instance the West Midlands, North East England, East Midlands). Overall, however, all of the RES tend to align well with national strategic priorities, which means they place most emphasis on skills supply rather than demand, in their priority areas for action.

Further, most of the RES do not explicitly establish a link between driving up demand for skills and what happens in the workplace. For instance, only the East Midlands RES, reflects the fact that the region has a particularly high proportion of low skilled, low paid jobs, and therefore that there is a need to promote the *'adoption of innovative working practices, including effective work organisation and employee development'* in their priority actions (see East Midlands Development Agency *'A flourishing region'*, RES for the East Midlands 2006 – 2020). Skills utilisation is only mentioned explicitly in the South West RES, where the vision includes the need that *'more people can find jobs which fully utilise and reward their skills'*. There is clearly an emphasis too in the South East in the priority action *'to improve management and leadership skills'* throughout the region (see South East England Development Agency: *'The Regional Economic Strategy 2006-2016: A Framework for Sustainable Prosperity'*). Where there is wider recognition to utilise the full potential of the workforce, this is mostly seen in terms of labour utilisation at a macro-economic level (for instance in the North East where the RES mentions the challenge of *'utilising the talents of those people within the region who are economically inactive'* (see One NorthEast: *'Leading the way Regional Economic Strategy 2006 – 2016'*). This therefore clearly raises questions about future priorities and the potential for action in this area.

In **Scotland**, the directorates leading on macro issues concerning productivity and economic development, and as well as micro level policy around skills and enterprise are the Lifelong Learning Directorate (LLD) and the Business, Enterprise and Energy Directorate (BEED). Interestingly, at a strategic level these policy areas are kept together within a single Department, at least allowing greater potential for integration and alignment at a more micro level, between the delivery of skills and business enterprise initiatives.

The Department is aided in its delivery by a number of key delivery agencies. For the delivery of both of its enterprise and business support policy and to foster economic growth, the Government works with the HIE and the SE. At a micro level, a key emphasis of their work is then also on business support which is where the focus on HPW becomes more relevant.

The primary source of public funding for the supply of skills is the SFC whose role is to fund colleges and universities. Working together the Funding Council and SDS selected and funded twelve college and university-led projects as action research projects to enhance the understanding of, and contribution to, effective skills use (mentioned earlier).

Business Gateway is a first stop online access point for all forms of business support, this overall service is a responsibility of SE but Business Gateway operates in outlets across Scotland that are the responsibility of Local Authorities (LAs) and since April 2009 Business Gateway has also been provided through HIE as well as SE. It is useful to note here that more tailored and intensive services are available for high growth start ups and growing companies including those in key sectors.

However, running counter perhaps to the integration of strategic policy, recently, responsibility for some skills interventions has been transferred from SE and HIE to the new skills body; SDS. That said this did seek to simplify aspects of skills delivery, bringing together Careers Scotland, Scottish University for Industry, and *key skills* elements of SE and HIE. SDS thus now delivers information, advice and guidance for careers and learning as well as support for business and learners in skills development. Examples of some of its initiatives include Modern Apprenticeships, Skillnet (US Saba), Workplace Learning Grants and Development Training Projects. SDS is supported in the delivery of skills issues by the SFC, which provides funding to support colleges and universities. Working together these organisations have recently supported a range of dedicated projects to promote skills utilisation within delivery (highlighted earlier).

In **Northern Ireland**, as mentioned earlier, four drivers of productivity have been identified by the Economic Vision and the draft Regional Economic Strategy: enterprise; innovation; skills and infrastructure. A number of Northern Ireland Departments have responsibility for the delivery of PSA 1; the DETI is in the lead, with support from the Department for Employment and Learning (DEL) (Northern Ireland Executive, 2008).

The DETI is responsible for national economic policy development. DETI has four agencies, established as non-departmental public bodies to assist in strategy implementation. As stated earlier, the body responsible for the delivery of business support services is Invest NI. It supports business growth and inward investment, promotes innovation, research and development and in-company training, encourages exports and supports local economic development and company start up.

The Department for Education and Learning (DELNI) is responsible for policy delivery connected to adult skills. It also leads on two PSA targets: skills for prosperity and increasing employment. Its departmental aim is to promote learning and skills, to prepare people for work and to support the economy. DELNI is still very much in the early stages of looking at the skills utilisation agenda. Indeed, at the time of writing, it is not explicitly mentioned anywhere in its delivery strategy. However, whilst skill utilisation does not figure amongst its key priority areas, the provision of management and leadership is already a major focus of its activities and indeed Northern Ireland has developed its own separate Management Strategy (as mentioned earlier).

In **Wales**, the Department for Economy and Transport is leading on the delivery of the government's enterprise policy and also on some aspects of the skills strategy. The department's objectives are to create jobs across Wales, to stimulate enterprise and growth and to enhance skills for jobs. The Department's priorities to achieve these objectives include: stimulating economic growth; and supporting job creation and any kind of business support related to innovation, entrepreneurship, investment, and trade and skills. The main provision of enterprise and business support is through Flexible Support for Business (as seen earlier). Dedicated relationship managers work with business to support growth potential by diagnosing needs and sourcing a package of relevant tailored support and a raft of initiatives around growing a business, innovation, IT, finance and various aspects of management.

The Department for Children, Education, Lifelong Learning and Skills (DCELLS) is leading on the delivery of skills issues for all ages and is tasked with the delivery of the skills strategy. The Department's key objectives include: promoting high expectations and performance for all learners and effective regulation, inspection and support; properly accommodated, funded and well-governed education establishments which meet the demand for places, deliver high standards of education and offer facilities for the community; and ensuring that the education system in Wales has excellent practitioners who are supported and developed to deliver for learners. The WAG is supporting greater efficiency in and alignment of its services and as such recently brought together a range of partners (including ELWa and the WDA) with varying responsibilities for skills into the Assembly.

### 3.7 Wider stakeholders

In addition to the key players outlined above, there are a number of bodies in regular contact with employers or employees whose activity in part champions the HPW agenda. These include professional bodies (Chartered Institute for Personnel and Development (CIPD), Chartered Management Institute (CMI)), trade unions (Trade Union Congress (TUC), Scottish Trade Union Congress (STUC), Wales TUC, and the Irish Congress of Trade Unions), business lobby organisations (Confederation of British Industry (CBI) and voluntary associations (IPA). Although they are not tasked by government with the delivery of skills or enterprise strategies, they are nevertheless influencing the government's strategies and are indirectly involved in aspects of implementation and delivery. They are also an important part of the policy landscape, because many information and guidance schemes provided in this area (management and performance issues, job design, etc) refer to these wider stakeholders for assistance. For instance, when it comes to performance management and staff development issues, the WAG's business support website refers its customers to competency frameworks and other support tools developed by the CIPD, a professional body for those involved in management and the development of people. CIPD have been using HPW terminology for a number of years and have sought to define the agenda further, in terms of establishing what HPW practices are. Secondly, many of these bodies are UK-wide and can thus provide an overview on these issues from across the UK nations. This community of practice has no doubt a considerable potential to contribute to the encouragement of the uptake of HPW, especially with the view of establishing learning networks and cluster groups amongst employers, and helping with implementation. The intention here has been for managers and employees to come together to develop and learn from each others' experience and, by so doing, to create more effective solutions for their own businesses (see UKCES, 2009).

### 3.8 Map of strategic targets

We now move to examine the strategic targets a bit more closely. This is important because such targets will inevitably influence the focus of policy initiatives and in turn now influence what is emphasised in delivery terms on the ground, not least with employers. We map the individual targets against the 4A model to assess how much the existing strategies and targets are relevant for HPW and a number of these are presented in Figure 3.1 to illustrate their relationship to different aspects of HPW. To do this we have therefore revisited the model presented earlier and drawn from the UK Commission's thorough review of the evidence reported elsewhere (Belt and Giles, 2009). For this exercise it is also helpful to recall our definition of HPW (also presented earlier):

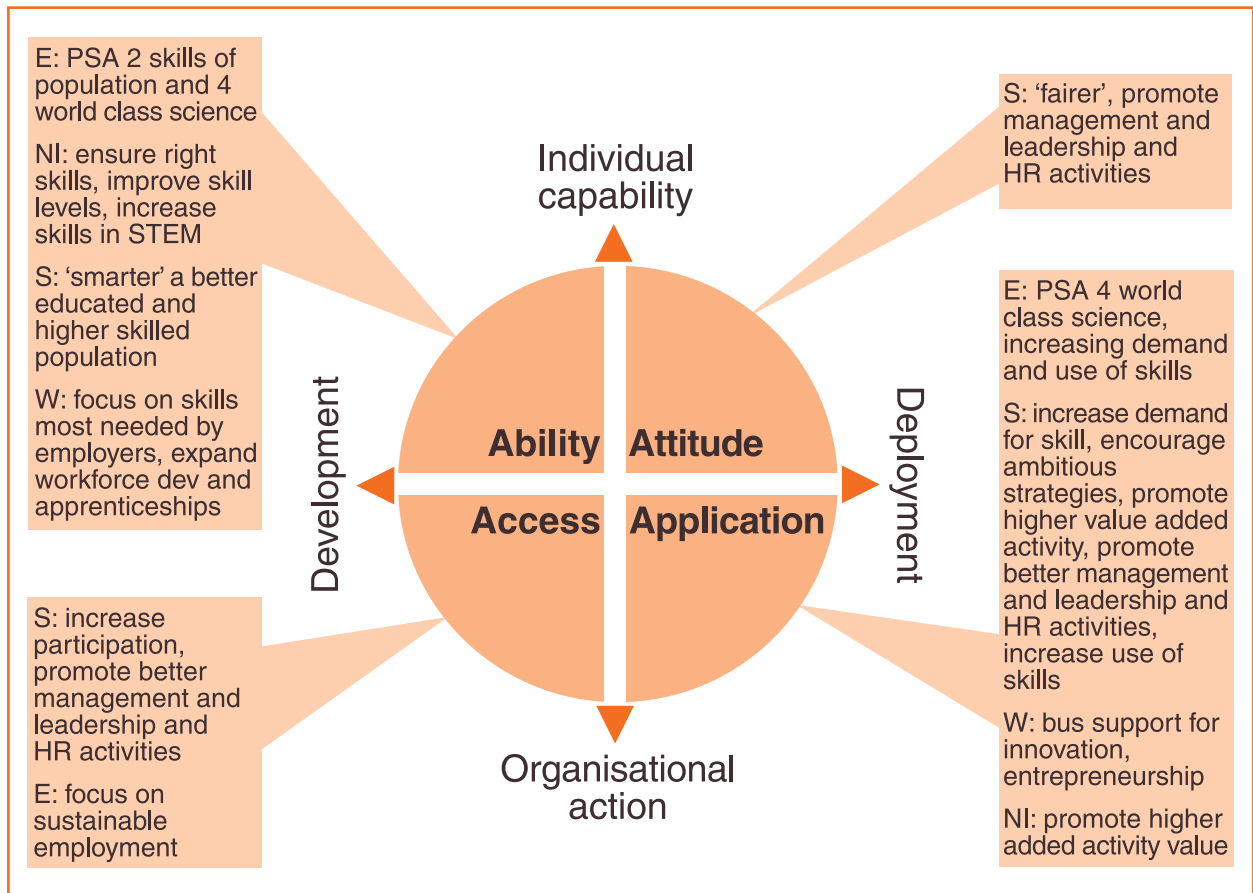
***‘A general approach to managing organisations that aims to stimulate more effective employee involvement and commitment in order to achieve high levels of performance. The precise form this takes within an organisation will vary depending on context, but will include activities in the areas of: human resource management (e.g. pay and incentives, appraisal, workforce development), work organisation (e.g. team working and job design), employment relations, management and leadership (including strategic management and business development as well as line management), and organisational development. Importantly, the HPW approach is specifically designed to enhance the discretionary effort employees put into their work, and to fully utilise the skills that they possess’.***

(Belt and Giles, 2009, page 3)

This clear definition of HPW has been used to underpin the mapping exercise. We have said earlier in this Review that up to now the UK’s skills policy focus has been very much on the supply side, rather than taking a more holistic and balanced approach considering how to stimulate HPW, drive up skills demand and enhance more effective skills utilisation. Having examined more closely the targets and strategic documents that both skills and enterprise policies are based upon, and completing the HPW mapping exercise, we can see why this might be the case.

The mapping exercise reveals a considerable emphasis on the ‘ability’ element of the model, notably through the skills targets confirming the focus on the supply side. There is also a focus on application, through the enterprise targets: seeking innovation, ambitious business strategies, promoting high value-added activity which is helpful and, more specifically in the context of HPW, promoting better Management and Leadership, HR activities and increased use of skills. It is difficult to determine at this level the degree to which all these areas will, in practice, be driving policies to influence employer behaviour on the ground and the separate take up of HPW in the workplace and this needs to be borne in mind in future policy development. For instance, targets for innovation which might stimulate a greater focus on more general issues such as Research and Development may only have a peripheral influence on HPW. HPW is obviously relevant for this, but it is more of a second or third degree issue. Some of these targets are clearly important where they direct initiatives that will drive up employers aspiration and ambition and skills demand at a firm level but whether this translates into HPW approaches is by no means of course certain in practice. The separation of targets between the skills and enterprise policy spheres may also be an issue, especially if it works against effective integration of policy and alignment of delivery initiatives on the ground and hence a more holistic approach to HPW. It may simply lead to increased skills acquisition and development rather than workplace change to better use skills.

Figure 3.1: Mapping policy strategy and targets against the 4A model



What is also clear from the mapping exercise, is that there is relatively little emphasis at a strategic level in terms of targets that might influence either 'access' (the deliberative organisational activity in terms of *sourcing* skills and capable Human Resources (HR) and retaining these resources for a long enough period to fully realise their capability) or the 'attitude' quadrant of the model (which is about the engagement, motivation and morale of the workforce). Both areas are also very important parts of a successful, and more comprehensive, HPW approach, and as such are a necessary component to realise the full benefits.

### 3.9 Relevant policy initiatives

We now move to assess the existing policy initiatives that are related to these strategic policy frameworks and their associated targets in more detail, to review their coverage and to establish whether, and to what extent, they promote the uptake of HPW in practice. As a first step, we have compiled a list of core skills and business initiatives (following the criteria outlined earlier) which we think might be relevant (see Table 3.1 below and more detailed descriptions in Annex 2). The intention has **not** been to produce a totally exhaustive mapping of initiatives, as stated earlier, but to create a sufficiently broad coverage on which to review the general nature and scope of provision in this area. From this the intention is to deduce the support available for more effective HPW and in turn skills utilisation in the workplace. The following chapter moves on to review these further in the context of HPW.

Table 3.1: Examples of key skills and enterprise/business support initiatives

England	Northern Ireland	Scotland	Wales
<ul style="list-style-type: none"> <li>• Acas Model Workplace, Advisory, Conciliation and Arbitration Service (Acas)</li> <li>• Sector Skills Compacts</li> <li>• Solutions for Business</li> <li>• Train to Gain (e.g. Management and Leadership Advisory Service)</li> <li>• The Skills Pledge</li> <li>• Training Quality Standard</li> </ul>	<ul style="list-style-type: none"> <li>• Grow your Business</li> <li>• Management Analysis and Planning (MAP)</li> <li>• Management and Leadership Development Programme (MLDP)</li> </ul>	<ul style="list-style-type: none"> <li>• Acas Model Workplace</li> <li>• Business Mentoring</li> <li>• Company Growth and Account Management Model</li> <li>• Scottish Manufacturing Advisory Service (SMAS)</li> <li>• Skillnet (US Saba)</li> <li>• Leadership for Growth</li> </ul>	<ul style="list-style-type: none"> <li>• Acas Model Workplace</li> <li>• Flexible Support for Business</li> <li>• Workforce Development Programme (WDP)</li> </ul>
<b>Regional Initiatives</b>			
<ul style="list-style-type: none"> <li>• Leadership for Global Competitiveness (South East England)</li> <li>• North West Leadership and Management Skills Action Plan (North West of England)               <ul style="list-style-type: none"> <li>• Skills in the Workplace (SitW) (North Wales)</li> </ul> </li> </ul>			
<b>Initiatives available in all four nations (administered separately)</b>			
<ul style="list-style-type: none"> <li>• New Choices, Investor in People UK (IiP)</li> <li>• Ufi Top Tips, University for Industry (Ufi)               <ul style="list-style-type: none"> <li>• Union Learning Fund (ULF)</li> <li>• Apprenticeships</li> </ul> </li> </ul>			

Overall, this chapter has provided us with a strategic overview of the four nation's public policy frameworks in the area of productivity, skills, and enterprise and business support policies of relevance to HPW. As we can see, securing higher levels of educational attainment and skill acquisition is a crucial element of government policy across the UK and what is striking is the degree in commonality of view across the nations (and English regions). At the highest level there is unified ambition for prosperity, which has resulted in a dominant focus on improving skills levels as expressed in strategic priorities and associated targets. Most skills strategies across the UK, until the time of the review have also been dominated by skills supply issues: in England through basic skills, vocational skills, work based learning and higher level skills; in Wales the emphasis is on improving the appropriateness of qualifications to employers and individuals and expanding workforce development and apprenticeships; in Northern Ireland, the strategy emphasises skills planning, improving skill levels, the quality of education and specifically seeks to improve skills in STEM subjects. Scotland uniquely has a specific strategic priority to improve both supply and demand for skills, emphasising the importance of skills utilisation since 2007. Whilst latest policy developments elsewhere (for example in England) suggest policy thinking is shifting in this direction more widely across the UK such developments are still largely in their infancy and/or partly at early stages of development.

With regards to business and enterprise policy, the national targets largely focus on macro issues around productivity and competitiveness. These are expressed through strategies that emphasise strengthening entrepreneurship and improving the environment in which businesses operate; hence taking steps to stimulate more competitive market conditions via macro policy levers. More specific policy objectives and targets, whilst focusing clearly on the importance of *aspects* of HPW such as Management and Leadership and/or HR practices (not necessarily in combination), within individual firms and have been less explicit about what actually happens within the workplace – that is have been less concerned with in-depth detailed aspects of the business approach, organisation of work and means to raise skills demand and improve skills utilisation. Therefore, there is also an issue around the comprehensiveness of coverage and how the partial nature of this may be limiting the true potential influence and impact. Furthermore, the separation of targets between the skills and enterprise policy spheres, may also be a limiting factor, especially if it works against effective integration and the mutual alignment of policy development and practice.

In the next chapter we will further analyse the nature and scope of individual policy initiatives. We will do this by, firstly, mapping them again on to our theoretical framework for capturing HPW: the 4A model. This will enable us to assess which aspects of these initiatives are relevant in encouraging the uptake of HPW in part or as a whole. Secondly, we will seek to assess how much existing public policy provision supports the uptake of HPW by examining evidence from policy evaluations and derived from interviews with varying stakeholders involved in policy design and delivery.

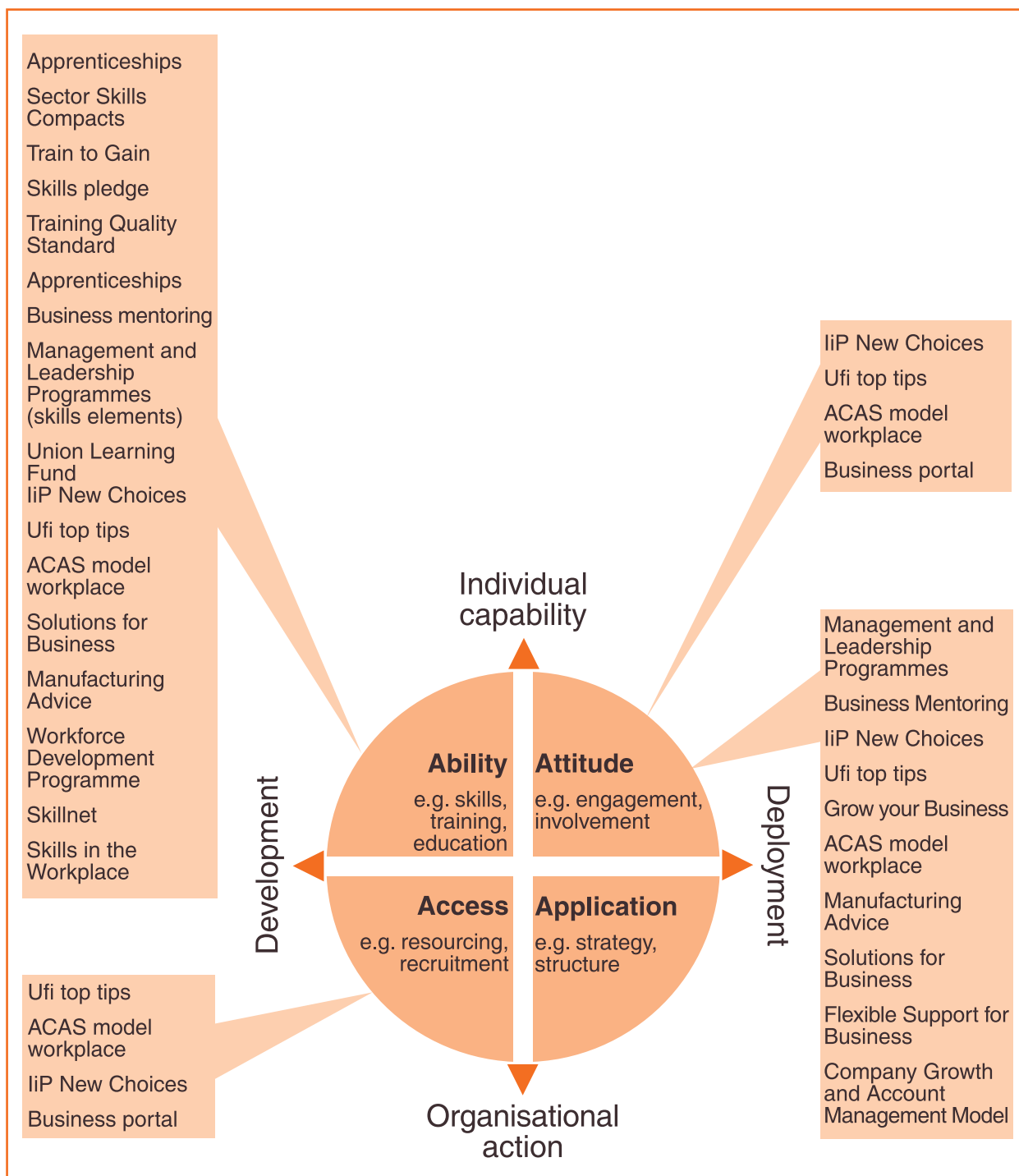
## 4 An overview of policy initiatives affecting HPW

In the following section we will review the nature and coverage of current UK policy initiatives which potentially have an influence on HPW. To allow a sufficient assessment of the degree to which the existing initiatives available encourage the uptake of HPW, we need to do two things: first, we need to establish what core initiatives are relevant to which particular aspects of HPW in part or as a whole; and second, to review the nature and effects of the policy initiatives being deployed in engaging and influencing employers' behaviour on the ground. Two key sources of information have been used in this regard; evaluation evidence and the perspectives of stakeholders actually involved in the design and delivery of the initiatives. In relation to the type of instruments deployed, it is clear that the range of 'potential' policy instruments and/or levers can be relatively broad ranging, from capacity building instruments at one extreme, through levers offering advice and support (e.g. financial support) to more regulatory mechanisms at the other, which compel employers to act, and their potential influence will therefore differ accordingly.

### 4.1 Mapping initiatives against the 4A model

To identify *HPW* initiatives that are relevant to this agenda, we have, first, analysed how far the current initiatives impact across the 4A model presented earlier and which has been drawn from the extensive synthesis of the evidence (Belt and Giles 2009). With a clear perspective of what constitutes HPW, we have mapped the initiatives against the 4A model, assessing what policies are relevant to HPW as a whole or parts of it, and, by so doing, allowing the identification of *HPW initiatives*. This has then enabled us to make an overall assessment about the coverage of policy provision in general, and to deduce the influence on employers in terms of HPW. In some areas we have focused on a few initiatives in more detail as appropriate. A summary of some of the *core* policies reviewed is given in Figure 4.1 for illustrative purposes to show the key results of the mapping exercise.

Figure 4.1: Mapping initiatives against the 4A model



An additional purpose of this exercise has been to establish which of the four quadrants of the model (application, attitude, access, ability) the featured policy initiatives seek primarily to influence. By so doing, this has enabled us to assess the comprehensiveness and range of public support available in this area, and the extent to which this encourages a holistic approach. This is not always clear cut; for instance Management and Leadership programmes could primarily be skills acquisition initiatives and hence seeking to influence the *ability* quadrant, as their primary emphasis is on up-skilling managers and hence skills development. Alternatively, however, they could also be impacting in other areas of the 4A model by, ultimately, changing managers' behaviours as well as wider management and business practices and working arrangements. With such a wider role they would be more likely to influence either the *attitude* quadrant, seeking the means to greater employee engagement, and/or the *application* quadrant of the model, which relates to developing business strategy and wider mechanisms to organise work such as job design, albeit this would not be their primary focus. Care has therefore been needed to assess closely the overriding purpose of the initiatives through the mapping and to attempt to unpack their effects, aims, focus, delivery and influence. Despite, these potential complexities, we feel, nevertheless, the 4A model has been a useful tool to review the nature, scope and broad focus of current provision. The following discussion draws out some of the key conclusions from this initial mapping exercise.

Firstly, the mapping has revealed that, as with the strategic targets examined earlier, the individual policy initiatives mainly **focus on two quadrants of the model**: the '**ability**' and '**application**' quadrants. Put simply this is largely because this reflects the policy origins of the initiatives and the drivers behind their development. Essentially, the ability quadrant reflects the skills agenda and hence a desire to enhance the skills of the workforce; and business enterprise largely reflects the application quadrant, namely, the need to offer a wide range of support for businesses around how they run their organisation. A clear question this raises is whether businesses services adequately support the access and/or attitude parts of the HPW approach.

Secondly, for those initiatives that do focus on this area, **their focus on HPW (either in part or as a whole) is not primary and hence is indirect**, and, more frequently HPW, is a second or even a third order issue. For example various initiatives across the UK focus on management and leadership. More often the primary focus is skills development and management capability, and, hence, ability, which may indirectly have an impact on the uptake of HPW practices but this, is not their primary aim. Furthermore, various business support initiatives to improve for example innovation in the workplace will probably be concerned with production processes and technology and will only indirectly address HPW practices. In most cases it is not possible to know at a general level how much emphasis is placed in practice on HPW because provision is essentially individually tailored to each organisation, its business circumstances and needs and will therefore vary by mentor, advisor or programme provider. But the potential effects here need to be borne in mind.

Thirdly, another aspect of the scope of current provision, evident from this mapping exercise, is that it is **highly individualistic** in nature. In other words, the majority of HPW, business support and skills initiatives reviewed are offered on a one to one basis and therefore operate at a micro level, with firms individually. Combined with the indirect focus of the initiatives (reported above), this might make it difficult to provide an overall assessment of how much and how widely the initiatives actually encourage in practice the uptake of HPW across the economy. The ‘influence’ thus again arguably becomes more dependent upon the individual relationship between an employer and a business advisor, their diagnosis of business needs, the balance of expertise and knowledge of the advisor, tailored to the needs of the employer, and the range of initiatives they subsequently present. This suggests, therefore, the likely reach may be more limited, engaging fewer employers.

Finally, our analysis shows that many of the individual initiatives are **not holistic in their scope**; consequently, they are heavily focused on a single area of the 4A model, and as such are likely to limit a full and more ‘rounded’ adoption of the HPW approach in practice, unless effectively combined through the delivery process. This could affect the attention, in terms of advice and support, for example, given to different parts of the approach. The literature has suggested (Belt and Giles 2009) that partial adoption of HPW can limit the effectiveness in the workplace in terms of, for example, benefits to organisational performance. As a consequence, the sum effects become less than the individual parts, the total influence on HPW is more diluted, and employers therefore may be less likely to adopt a sufficiently balanced approach on the ground. As seen earlier in the strategic overview, there has been a move across all parts of the UK to bring together the delivery of individual initiatives for business through a single, more co-ordinated brokerage service, tailored to national needs. This involves, Flexible Support for Business in Wales, Business Link in England, Invest NI in Northern Ireland and Business Gateway in Scotland. It is possible that this could lead to a more balanced delivery of services across the HPW model in future but this will still be dependent on what is on offer, how it is presented and promoted (indeed, HPW is unlikely to be given a specific focus) and the nature of delivery in practice. Whilst many individual initiatives are not holistic in their focus, the mapping exercise has identified a small number of exceptions.

The initiatives or tools which provide a more holistic and balanced perspective across the model (i.e. have relevance for at least 3 out of the 4 quadrants) and therefore are broader in scope and focus are shown in Table 4.1.

**Table 4.1: Selection of initiatives or tools with a broad relevance across the 4A model**

<b>The initiative</b>	<b>4A areas covered</b>	<b>Leverage</b>
<ul style="list-style-type: none"> <li>• liP New Choices</li> </ul>	<ul style="list-style-type: none"> <li>• Access</li> <li>• Ability</li> <li>• Attitude</li> <li>• Application</li> </ul>	<ul style="list-style-type: none"> <li>• Award</li> </ul>
<ul style="list-style-type: none"> <li>• Ufi top tips</li> </ul>	<ul style="list-style-type: none"> <li>• Access</li> <li>• Ability</li> <li>• Attitude</li> <li>• Application</li> </ul>	<ul style="list-style-type: none"> <li>• Information, Advice and Guidance (IAG)</li> </ul>
<ul style="list-style-type: none"> <li>• Acas Model Workplace</li> </ul>	<ul style="list-style-type: none"> <li>• Access</li> <li>• Ability</li> <li>• Attitude</li> <li>• Application</li> </ul>	<ul style="list-style-type: none"> <li>• IAG</li> </ul>
<ul style="list-style-type: none"> <li>• Business support brokerage services – Business portal</li> </ul>	<ul style="list-style-type: none"> <li>• Application</li> <li>• Access</li> <li>• Ability</li> <li>• Attitude</li> </ul>	<ul style="list-style-type: none"> <li>• IAG</li> </ul>

We have looked at each of these in more detail below to consider their ‘potential’ influence. These are: **liP New Choices**, the **Acas model work place**, **UFI top tips** and the **brokerage services** offered across the UK whose advice is underpinned by the **practical advice web service or business portal**. This includes, as we have already seen, Business Link, Business Gateway and Invest NI (Invest NI provides a separate online portal for business advice through an information website: [www.nibusinessinfo.co.uk](http://www.nibusinessinfo.co.uk)) and, Flexible Support for Business in Wales.

These brokerage and advisory services provide information to businesses that emphasises the importance of employee engagement, work organisation, broader business development and management, and other aspects of good people management. As such the brokerage advice is generally a little broader in its coverage of HPW.

## **4.2 Investors in People – New Choices**

Formed in 1993, liP UK is a non-departmental public body, which receives funding from the BIS in England, the SE in Scotland, the DEL in Northern Ireland, and DECELLS in Wales. It provides a flexible framework for people management and business improvement tools, which offers practical advice and a tailored assessment process designed to support organisations in planning, implementing and evaluating effective strategies to deliver better performance. As of April 2010 responsibility for the standard has passed to the UK Commission.

The liP Standard is a business improvement tool designed to advance an organisation's performance through its people and is part of the liP framework. In 2009 the framework was reconfigured to be more focused on the needs of business and more forward looking, tailored approach under a project called New Choices. The intention has been to ensure liP can be used as a tool to improve businesses by focusing on priority areas. It therefore provides the opportunity for some businesses to reach for a higher level of development beyond the standard. Mapping against the 4A model shows a broader coverage across all quadrants especially at the higher level (see Table 4.2). Whilst the model has existed for some time and has a clear brand, its adoption and use is entirely voluntary (although some procurement contracts for public bodies may ask for liP accreditation) and relies on self selection amongst committed employers, which raises issues about its reach. For instance, can (and should) it be deployed and promoted in different ways to target different, new and wider groups of employers, many of whom do not recognise the need to act? Will the reconfiguration of liP under New Choices widen its offer and application in the future?

**Table 4.2: Mapping liP New Choices against the 4A model**

<b>Ability:</b>	<b>Attitude:</b>
Clear learning priorities linked to objectives.	People's contribution is recognised and valued.
Clarification of leadership and management capabilities needed.	<b>And at higher level:</b>
Plans and resources in place to meet learning needs.	Clear and fair reward and recognition strategy
Equality of opportunity for learning and development.	Constructive feedback is valued.
People's learning and development needs are met.	Managers understand what motivates people.
Managers are effective at leading, managing and developing people, and can describe how.	Managers act on feedback.
Investment in learning can be quantified.	Top managers as inspirational leaders.
Impact can be demonstrated.	Successes are celebrated.
<b>And at higher level:</b>	Reward and recognition strategy externally benchmarked.
Learning and development strategy to build capability.	Benefits strategy beyond legal requirements.
Plans take account of learning styles.	People encouraged to recognise achievements of colleagues.
People engaged in decisions about own learning.	Effective feedback used to understand people's views of how they are managed.
Effective use of internal and external resources.	People's views of how they are managed improves; great place to work.
	Coaching is part of the culture.
	Sharing knowledge and information.

**Table 4.2 (continued): Mapping liP New Choices against the 4A model**

<b>Ability:</b>	<b>Attitude:</b>
Learning is an everyday activity.	
Support for personal development.	
All learning is valued.	
Leadership and management capabilities defined for now and the future.	
Review and support managers to acquire capabilities.	
Everyone encouraged to develop leadership capabilities.	
Top managers demonstrate the capabilities in line with the organisation's values.	
Managers help people to plan and develop their careers.	
Coaching and mentoring are used to help develop potential.	
Innovation and flexibility in developing people.	
Opportunity to achieve full potential.	
People believe their career prospects improve.	
Celebrate learning.	
Culture of continuous learning and performance improvement.	
Promote equality and manage diversity.	
Contribution of people strategies is measured and evaluated.	
Impact on KPIs can be described.	
Flexible and effective approaches to measuring return on investment.	

**Table 4.2 (continued): Mapping liP New Choices against the 4A model**

<b>Access:</b>	<b>Application:</b>
People's learning and development needs are met at induction.	A vision, purpose and strategy for improvement.
<b><i>And at higher level:</i></b>	A business plan with measurable objectives.
Recruitment/selection meets org. needs.	Plans and resources in place to meet learning needs.
Recruitment ensures diverse, talented work-force.	People (and representatives) involved in planning.
	Ownership and responsibility is encouraged.
	Involvement in decision making.
	<b><i>And at higher level:</i></b>
	A clear set of core values; Values are at the heart of strategy.
	Structure makes the most of people's talents.
	Leadership and management strategy links to business strategy, takes account of external good practice.
	Effective use of internal and external resources.
	Social responsibility is at the heart of culture.
	Work life balance links to business strategy and meets organisational and individual needs.
	Diversity links to business strategy.
	Self review is used, and information from external review is used.
	Internal and external benchmarking is used.
	People and stakeholders involved in strategy.
	Support and trust people to make decisions.
	Effective consultation and involvement is part of culture.
	People committed to success.
	A sense of ownership and pride.
	KPIs are used and ROI reported to stakeholders.
	A culture of continuous improvement, openness and trust.
	People can challenge the way things work.

### 4.3 The Acas Model Workplace

Acas is a non-departmental public body funded by BIS with regional offices in Scotland and Wales. In Northern Ireland, a similar service is delivered by the Labour Relations Agency. Acas offers training for businesses of all sizes on key employment issues, with the aim to improve organisations and working life through better employment relations. The Acas Model Workplace is an advisory tool which Acas has developed to help businesses to improve their effectiveness and performance. It provides a model for effective work organisation, based on three elements: firstly, systems and processes related to pay, communication, health and safety; secondly, work relationships such as flexible working and personal development and finally, employee engagement. (<http://www.acas.org.uk/index.aspx?articleid=1461>).

**Figure 4.2: The Acas Model workplace**

#### The Acas Model Workplace

([http://www.acas.org.uk/media/pdf/g/e/Model\\_Workplace.pdf](http://www.acas.org.uk/media/pdf/g/e/Model_Workplace.pdf))

- Formal procedures for dealing with disciplinary matters, grievances and disputes that managers and employees know about and use fairly.
- Ambitions, goals and plans that employees know about and understand.
- Managers who genuinely listen to and consider their employees' views so everyone is actively involved in making important decisions.
- A pay and reward system that is clear, fair and consistent.
- A safe and healthy place to work.
- People to feel valued so they can talk confidently about their work and learn from both successes and mistakes.
- Everyone to be treated fairly and valued for their differences as part of everyday life.
- Work organised so that it encourages initiative, innovation and people to work together.
- An understanding that people have responsibilities outside work so they can openly discuss ways of working that suit personal needs and the needs of the business.
- A culture where everyone is encouraged to learn new skills so they can look forward to further employment either in the business or elsewhere.
- A good working relationship between management and employee representatives that in turn helps build trust throughout the business.

If we map the various aspects of the Acas model across the 4A model we can see how it provides a relatively balanced approach to HPW and indeed shows particularly good connection with the attitude quadrant supporting greater employee engagement in particular.

**Table 4.3: Mapping Acas Model Workplace against the 4A model**

<b>Ability:</b>	<b>Attitude:</b>
<p>Front line managers trained to carry out their duties effectively and develop own careers.</p> <p>Front line managers are coached by senior managers so they openly discuss problems and actively participate in decision making.</p>	<p>Bringing policies and procedures to life.</p> <p>Giving things like appraisal meetings or team briefings the time and care they deserve.</p> <p>Making a connection with employees</p> <p>A good reward system which can support efforts to build a workforce with loyalty, commitment, motivation and morale and improve organisational effectiveness.</p> <p>Good communication at all levels of the organisation.</p> <p>Consultation with elected employee representatives on business issues helps to develop mutual trust and build cooperation in the management of change.</p>
<b>Access:</b>	<b>Application:</b>
<p>Front line managers are recruited and selected to ensure they have the right people qualities to motivate staff and deal with difficult problems.</p> <p>Well managed recruitment selection and induction provides an organisation with the right employees who quickly become effective.</p> <p>Employers who treat employees fairly and flexibly will be best placed to attract and retain staff in an increasingly diverse and competitive labour market.</p>	<p>Management of employees' performance as a continuous process which aligns what they do with the goals of the business.</p> <p>Effective management of business change.</p> <p>Front line managers are given a balanced workload that recognises the need to allocate time for performance management duties.</p>

Despite its holistic coverage, however, it is also important to note that this model is entirely voluntary and therefore its application again relies on employers self selecting and being proactive in its use. Furthermore, whilst organisations can ask for advice on implementation of individual elements of the model there is no control as to how far and how holistically the model is then actually implemented by those employers who chose to adopt it. It is also unclear what role it plays in combination with their support and advice.<sup>22</sup>

<sup>22</sup> It is worthwhile to note that Acas is currently working on developing a new 'Model Workplace'.

## 4.4 Ufi top tips

Ufi, through its learndirect branded services, is a government funded provider of training, using IT to promote skills training. It operates in England, Wales and Northern Ireland. In Scotland Ufi is managed by Learn Direct Scotland which is part of Skills Development Scotland. Based on a report commissioned in 2008 that looked at the benefits of developing talent internally, Ufi developed ‘top tips’ for nurturing talent to help employers take the necessary steps to do so. The Ufi top tips advice is broad and encompasses many elements of our HPW model, importantly making explicit mention of empowerment (the detail is shown in Table 4.3)<sup>23</sup>.

**Figure 4.3: Ufi Top Tips**

### Ufi's top tips for nurturing talent

#### **1 Aim to meet long-term strategic goals, as well as short-term needs**

- It can sometimes be challenging to think beyond the day to day operations of your business, but effectively nurturing the talent in your organisation requires a long-term view.
- Set clear business objectives and build training and development into your long-term business plans.
- Plan for the future by ensuring that your business has the skills it needs to survive and thrive.

#### **2 Assign realistic resource and budget**

- It is important to be realistic about the level of resource and budget required and to factor this into business planning.
- However, focusing budget on nurturing the talent within your organisation rather than recruiting from outside could prove more cost effective.

#### **3 Tap into available funding**

- It's easy to be put off implementing a training plan because of perceived costs, but learndirect Business offers both cost-effective training solutions, as well as access to government funding.

<sup>23</sup> [http://www.learndirect.co.uk/media/campaigns/nurturing/top\\_tips.pdf](http://www.learndirect.co.uk/media/campaigns/nurturing/top_tips.pdf)

#### **4 *Understand your employees' current skills and development needs***

- Work with a training provider or Train to Gain skills broker, who can analyse your staff's training needs and develop a programme that meets the specific requirements of your business.

#### **5 *Introduce a process of ongoing performance and development review***

- Ensure employees have specific objectives which are directly linked to your business plan.
- Identify any development areas that your employees will need to address in order to fulfil your business objectives.
- Review objectives/development areas during the year, at least bi-annually, to ensure that staff remain on track and any changes in the business plan can be reflected in their objectives.

#### **6 *Empower your employees***

- Setting objectives doesn't necessarily mean additional work for your managers.
- Empower your staff to develop their own objectives and identify their development needs to meet your business objectives, which can then be discussed and agreed.

**Table 4.4: Mapping Ufi top tips against the 4A model**

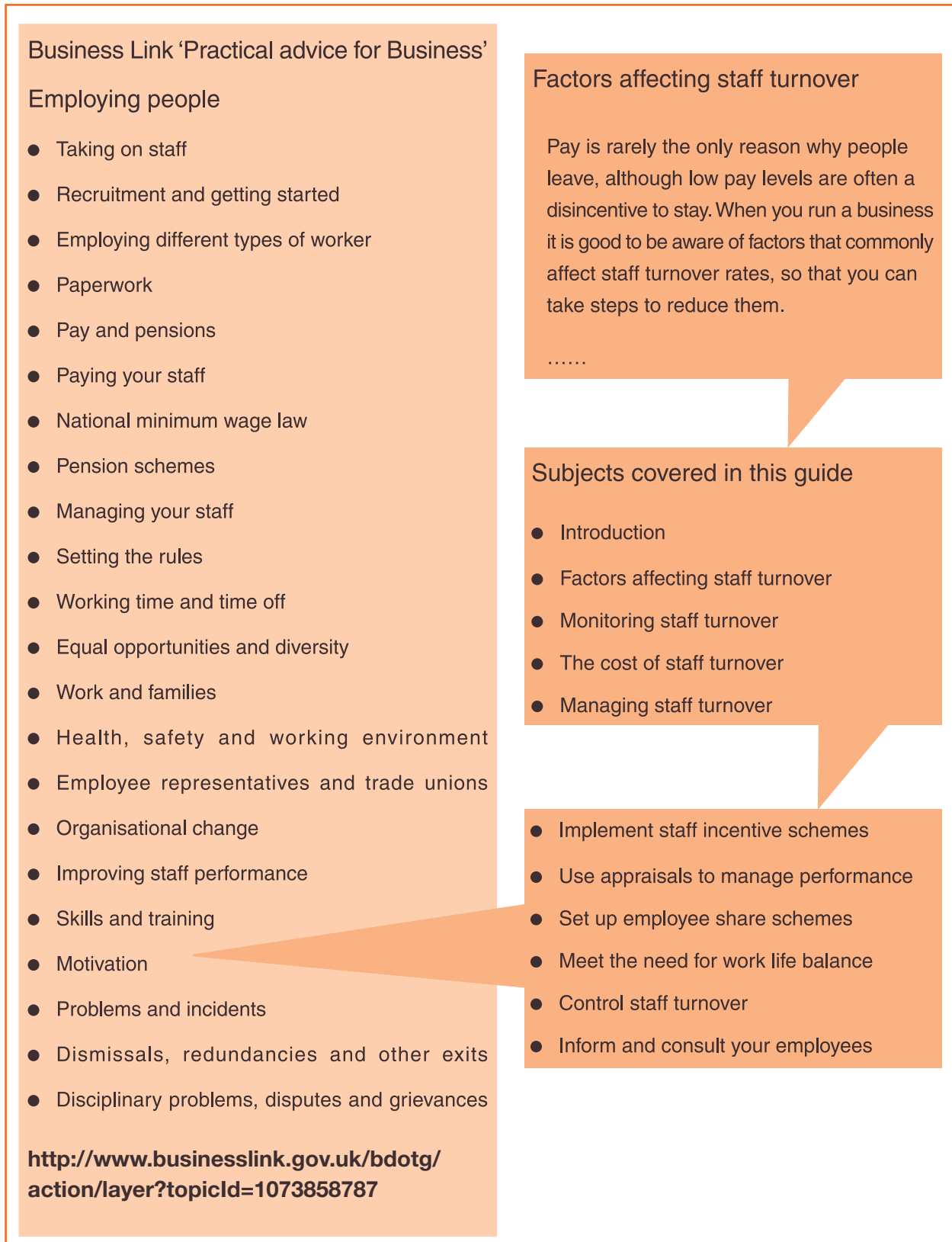
<b>Ability:</b>	<b>Attitude:</b>
Implementation of a range of development techniques.	Empowered staff who develop their own objectives and identify their development needs to meet business objectives.
Training, mentoring, coaching and job enrichment available for employees.	Specific staff objectives which are directly linked to the business plan.
Flexible training solutions to meet business needs.	
Clear learning priorities linked to objectives.	
Clarification of leadership and management capabilities needed. Identified development areas that employees will need to address in order to fulfil business objectives.	
<b>Access:</b>	<b>Application:</b>
Assignment of realistic resources and budget.	Clear business objectives with built-in training and development goals aligned to long-term business plans.
Encouragement on nurturing the talent within an organisation.	

Mapping these ‘top tips’ against the 4A model shows us that they cover all aspects of the model although the detail is relatively light (Figure 4.3). Again, as with the Acas model workplace, it is important to highlight that although this initiative broadly covers all aspects of the 4A model and would thus offer a more holistic approach to HPW, its nature is highly voluntaristic, as it is essentially providing information and advice to interested employers. Furthermore, it is also unclear how this may be used in practice in combination with other advice and support.

#### **4.5 Business support brokerage services – practical advice for business**

There has been a drive towards simplification of business support across the UK’s four nations, notably by providing a single point of contact for all government funded enterprise/ business support programmes and also for a number of skills initiatives. As a result of this policy development, all four nations have established online self-help portals providing more comprehensive online business advice, information and guidance on the range of support initiatives that are available for employer. These portals are Business Link in England, Business Gateway in Scotland, Northern Ireland business info ([www.nibusinessinfo.co.uk](http://www.nibusinessinfo.co.uk)) provided by Invest NI in Northern Ireland and Flexible Support for Business in Wales.

Figure 4.4: Business support brokerage – Practical Advice for Business



This online advice was developed initially by the BERR (now the BIS) that produced a guide that offers practical advice for businesses and covers a wide range of areas from starting up a business to people management and training. The guide has been adopted across the UK (although Wales uses a slightly different format) as a basis for online business advice. The advice provided is comprehensive and covers a host of different areas such as finance, health and safety, international trade and growing your business. The areas of most significance are those on a wide range of people management practices and an example is shown in Table 4.4. Furthermore, the website offers documents that can be downloaded and interactive tools for employers to find out how well their organisation is doing and support services offered directly by the brokers. Across the services there is a considerable amount of information available to employers to help them manage people better and more holistically. The level of detail available freely on the website, in the practical advice pages, is much greater than that in Ufi's tip tips and they do stress the importance of aspects of HPW such as motivation, of consultation and of employee engagement. That said, there is however no direct and explicit mention of HPW or skills utilisation or anything that expresses a philosophy of mutual gains, which ultimately may serve to limit the full potential of what is on offer to this agenda. Whilst the online advice provided is fairly comprehensive across the 4A model, the initiatives brokered through this portal are still focusing on specific areas, such as skills supply or access to finance.

**Table 4.5: Mapping the business link website against the 4A model**

<b>Ability:</b>	<b>Attitude:</b>
Skills and training.	Paying your staff. National minimum wage law. Pension schemes. Setting the rules. Working time and time off. Employee representatives and trade unions. Motivation. Dismissals, redundancies and other exits. Disciplinary problems, disputes and grievances.
<b>Access:</b>	<b>Application:</b>
Recruitment and getting started. Employing different types of worker. Paperwork.	Equal opportunities and diversity. Work and families. Health, safety and working environment. Organisational change.

If Practical Advice for Business is mapped against the 4A model (Figure 4.5) it is clear that the advice is broad but most comprehensive around people management practices.

As the practical advice is provided by the main business support brokerage systems across the UK, which are being more effectively co-ordinated, there is increasingly through the delivery service a direct link with funding for courses and wider more tailored advice and initiatives provided to employers across a range of business issues. This is accessed and delivered through the networks of brokers (in England about 1,400) and increasingly also includes major government programmes on skills supply such as Train to Gain (in England) or the WDP (which includes liP accreditation) in Wales – this is therefore potentially a very comprehensive service. The intention is to connect the business advice with a number of more concrete support programmes and initiatives. However, as noted earlier there are questions about the holistic promotion of HPW. Further, the actual nature of support and advice (i.e. *what* is offered) may vary from adviser to adviser in practice, raising questions about the actual focus on HPW on the ground (either directly or even as is more likely indirectly) and the degree to which HPW is actively promoted. This may raise issues about the sphere of influence and ensuring that the advice targets the most hard to reach employers who are not currently adopting HPW (and hence where market failures are arguably more likely to occur). This, as we will see in more detail below, is an issue for many of these policy initiatives.

Clearly then, the initiatives considered above do have an important role *potentially* in encouraging a fuller and more rounded approach to HPW due to their more holistic coverage of the practices. However, there is an issue about whether this connection is currently made in practice because HPW is not explicitly and consistently emphasised and promoted within the varying tools. A key question therefore is whether the importance of HPW should be made more prominent to enhance and indeed maximise their influence in future. Furthermore, it is also unclear in reviewing these tools at face value how exactly they might be deployed in practice, and hence influence firms and how they might work in combination – for example should, and do, they directly complement and align with each other as a basis to maximise their overall impact in terms of encouraging the take up of HPW? The voluntary nature of the tools thus raises a range of issues about policy purpose, intentions, access, promotion and the breadth of reach.

## 4.6 Lessons for implementation of HPW related initiatives

Now we have a better perspective on the policy and delivery landscape relevant to HPW, it is useful to draw upon our interviews with varying stakeholders in the system, as well as published evaluation evidence available regarding the influence of these initiatives on HPW take up. In thinking about the evaluation evidence, it is important to note certain points. The first concerns the fact that evaluations will be undertaken generally to ascertain if the policy initiative is meeting its core policy purpose. In other words, is it satisfying the explicit objectives that are articulated for the policy. Given, as seen earlier, that many of these are not rooted specifically in HPW, and as such HPW is often an indirect objective and/or a second or third order issue, evaluation evidence has had to be reviewed carefully to draw out the likely affects for HPW. Indeed, assessments have needed to take a direct and indirect focus to capture issues pertinent to HPW and therefore may not have been as concerned with all the wider policy intentions.

The second concerns the variation in coverage of evaluation evidence across the existing initiatives. Indeed, in general most outcomes take some time to reach fruition and cannot be fully detected until the long term. Given that some initiatives, especially when it comes to business support (given recent moves to simplification and co-ordination), are in the early stages of development and/or have not operated in their current form for a substantial time, evaluations may still be in their infancy, if designed yet at all. Furthermore, many of these often focus more directly on process and delivery issues, which means that full assessments of the effects of HPW are by necessity more patchy. The following assessment has essentially been organised into two parts: that focused on delivery issues and that considering the wider effects on HPW and in turn business performance.

Much of the evidence from the evaluations and interviews with stakeholders has highlighted the difficulty of achieving the **effective implementation** of initiatives. This focus has been important because it provides an indication into ‘potential’ **obstacles** to the successful uptake and implementation of services supporting HPW.

Overall, there are challenges for all initiatives in terms of raising awareness amongst potential participants, and ensuring that the services are effectively promoted to encourage and incentivise take up, especially where the policy is intended to target the ‘hard to reach’, including smaller employers, in particular. For instance, the evaluation of the WDP found that a lack of awareness was a greater barrier than a lack of interest. Indeed, two-fifths of participants were not aware that Human Resource Development (HRD) advisors could undertake a diagnostic for their business or could develop a business learning plan (Cambridge Consultants, 2008).

Furthermore, a recent evaluation of learndirect business services found that employers were not always aware of the full range of services on offer and this therefore limited take up. Focus groups with employers found there is a particular perception that learndirect is only for people who have literacy, numeric or IT needs (National Audit Office, 2005). The most recent evaluation of Train to Gain has also identified issues around effective targeting and ‘reach’ as well as inconsistency in implementation (National Audit Office, 2009). A frequent risk in such voluntary programmes is that proactive employers, seeking public help and services, who self select, are more likely to access initiatives and support yet they are often already the most active employers in different aspects of HPW – hence they do not represent the ideal target group. A key issue for delivery is therefore how to reach and influence in a convincing way those who need to change their behaviour the most (thus avoiding issues of deadweight).

Our evidence from interviews, combined with earlier insights drawn from our strategic overview, and the mapping of initiatives, has highlighted the lack of a **holistic perspective** in this area which raises questions around implementation.<sup>24</sup>

Without such a perspective, this restricts, arguably, the development of a clear vision for the delivery system of what HPW working is, why it matters, and, hence, what it contributes to more generally within the skills and business context. This, in turn, undoubtedly, affects ownership around the skills utilisation and HPW agenda and how it is implemented. Where an initiative is brokered by a range of stakeholders, the way in which it is promoted across the different stakeholders is crucial. The message must be consistent, strong and not diluted, due to varying knowledge and/or guidance, to allow the most persuasive case to be made. Any lack of clarity and variation in the supporting narrative for HPW within different initiatives can undermine effective delivery. This has been highlighted by the evaluation on the Workforce Development Programme in Wales, where HRD advisors were found not to always be sure about the aims and objectives of the programme. Some advisors appeared to be strongly focussed upon supporting companies to achieve the liP standard rather than holistically assessing the company’s needs. The evaluation suggested that DCELLS needed to ensure that advisors have a clear understanding of the aims and objectives of the programme and are ‘selling’ workforce development support which is tailored to the business needs of the employer rather than any one particular product (Cambridge Consultants, 2008).

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<sup>24</sup> It needs to be highlighted that given the time that has elapsed since the interviews Scotland has taking considerable steps to move towards this: it has now a clear vision for skills utilisation, a supporting narrative that supports the aims and objectives to encourage employers to improve in skills use. The establishment of the cross-sectoral network on skills utilisation is also an important tool for implementation and both, SE and the HIE and SDS have started to embed support for effective skills use across the range of their products and service.

More specifically, when it comes to the **lack of a clear vision** in this area, there is first and foremost, according to our interviewees a problem around the use and understanding of the HPW terminology within the delivery system, which is often not helpful for employers. Although several stakeholder organisations make reference to the term HPW, it is not necessarily understood in the same way and, depending on the point of view, the emphasis is different. For example, SEMTA's Value Added Programme in Wales refers to High Performance criteria as characteristics that would enable an organisation to consistently sustain and grow their market share, alongside the knowledge management and corporate ethics criteria of the programme. This places an emphasis on the performance link. Others see HPW more narrowly in terms solely of aspects of people management. As mentioned previously, the Scottish Government focuses not on HPW but on skills utilisation more generally, the definition they use throughout their work in this area arguably does not mention HPW explicitly. As a result, employers will receive different messages, which could serve to dilute the potential impact of any communication on HPW. It also means that employers might not be encouraged to implement a holistic version of HPW and as a consequence will not realise its full benefits.

Furthermore, another point made by several of our interviewees was that this lack of a common understanding has made it **difficult for organisations to access information on the benefits of HPW**. Several felt that despite efforts to promote HPW, many employers were unaware of impact and therefore initiatives would be much improved by being able to demonstrate links to bottom line performance. This is not merely an issue of message but also being able to demonstrate it convincingly too. This includes making a 'business case' for HPW and as the means to effective skills utilisation, and hence why this is important. Interviewees also raised the issue of relatively low levels of knowledge by organisations of the need or indeed case for change. Many organisations are focused on survival in the current climate and have relatively little capacity (either in time or capability) to explore or understand the skills utilisation agenda and what might be beneficial.

There is also evidence from the evaluation of existing initiatives that **employers value the experiences of other organisations**, and tapping directly into those who have successfully made changes is attractive. Much of the work on developing management and leadership skills and on business improvement enables owners and managers to interact and learn from each other and hence any steps to bring business experts together and to encourage communities of practice were supported. In addition, there was some evidence highlighting the importance of **engaging key actors** within the system and the **involvement of wider stakeholders** who can bring important knowledge and advice to bear about what action to take. Any policy initiative should therefore include putting forward **examples of best practices** and undertaking efforts to win wider professional and representative bodies for particular intelligence, advice and support.

In addition, some interviewees report that the **delivery system is not very transparent** to employers in relation to HPW and the full range of what is potentially on offer is not clear. Interviewees thought there would be major advantages if there was more clarity about who owned the agenda in future and greater co-ordination and coherence about what was and was not in scope to simplify the offer. Furthermore, on-going changes more broadly in delivery, involving institutions and policy initiatives, were perceived to add on-going complexity and the potential for instability and growing confusion, which may affect employer understanding and engagement.

What is more, some respondents felt delivery issues were exacerbated by **inconsistencies in the coverage** of provision in terms of sector, region and size and raised concerns about the effects of this on different types of employers. This may not always be a disadvantage. Indeed, as we have seen in our strategic overview, and mapping of initiatives, whilst the overall objectives might be the same across different nations, different strategies and targets, measures of success are often intentionally supported by varying delivery tools and mechanisms across different parts of the UK. These have been developed to ensure that policy instruments are appropriately differentiated to meet the needs of varying employers and their business circumstances and this is generally a positive development. However, variations in delivery and the coverage of services due to capacity or capability issues, reflecting for example variations in the knowledge of brokers about what is available clearly is less desirable. It is important therefore that where there is variation in services it is not due to a lack of clarity in purpose and/or vision regarding implementation of services, which undoubtedly will risk undermining the full benefits of what is potentially on offer.

In addition, whilst differentiation is a key element of the current services, some interviewees drew attention to the fact that the provision of initiatives is generally **not sector specific**. The clearest exceptions seemed to focus on manufacturing as a deliberate attempt to support a sector believed to face specific challenges. Such examples include the Manufacturing Advisory Services. However, from our interviews we gathered that some respondents felt a more explicit sectoral focus would provide added value and perhaps should be more closely considered in future. Supporting this view, a report commissioned by the Scottish Government looking at Product Market Strategies and Workforce Skills mentions the importance of sector difference with regards to the ways in which skills are utilised by firms. The report's case studies suggest that *'not only may there be systematic differences between sectors in the demand for skills which stem from their technical relations or technology, but also in the management practices (HPWPs) that are used to utilise those skills in order to generate improved levels of performance'* (see Futureskills Scotland, Scottish Government, June 2009). Furthermore, a sectoral approach is likely to be more effective if the messages are contextualised and adapted to particular audiences.

The **evidence of impact** has shown, on the positive side, that various initiatives, often receive positive perceptions of benefit especially in terms of the views of recipients of the specific services on offer. For instance, the evaluation of the Welsh initiative Skills in the Workplace reported good reactions to the ‘bite sized chunks’ of learning and flexible delivery, the 10 hour minimum was considered a sizeable commitment by some and yet exceeded by others. Many organisations and individuals engaged in repeat training and the £35 charge was not seen to be a constraint on involvement. Furthermore, the evaluation of the Workforce Development Programme in Wales concluded that there were a range of positive aspects ‘including the high perceived relevance of overall concepts, and good employer feedback from those who have become ‘engaged’ to a significant degree’. Satisfaction with HRD advice, workshops tailored training, and the liP leadership and management model was very high. A recent evaluation of Business Link<sup>25</sup> found evidence that some users valued the service in a number of respects, including its accessibility, impartiality, credibility and affordability and the provision of key information.

These positive perceptions frequently extend to intermediate outcomes too such as employee behaviour, covering for example their approach to training. But where such benefits are measured they tend to be for partial aspects of HPW rather than capturing wider impacts of performance and the approach in full. Thus they often reflect the primary focus of the initiatives and their principal purpose and are less about wider assessments of performance – such evaluation evidence is therefore patchy. For instance: evaluation evidence indicates that Train to Gain was seen by employers as an effective means of **raising the skills** of their employees. Indeed, three-quarters of employers taking up training under Train to Gain report that they have noticed an improvement in the skills of employees in relation to their specific job role. Further, over nine in ten employers taking up training under Train to Gain were satisfied with the content of the training course and the provider that delivered it. Furthermore, for Skills in the Workplace, the evaluation identified positive results in terms of views on quality and scope of the training provided and many employers reported benefits – often fairly general (e.g. a ‘more motivated workforce’, etc).

**Acas** evaluations although only covering aspects of HPW, show generally positive impact in these areas. For example, Institute for Employment Studies (IES) undertook a Workplace Training Impact Survey in 2008<sup>26</sup> of the Acas fee-paying service offering bespoke in-house training to British employers. Results suggest that the most commonly noted positive organisational impact was in the organisation’s overall ability to deal effectively with the training topic area, which was mentioned by four-fifths (78 per cent) of all respondents. In addition, nine per cent of respondents noted a change in the number of grievances that they attributed at least in part to the Workplace Training; eight per cent of respondents attributed an increase in productivity in part to the training; and seven per cent attributed a decrease in absence

<sup>25</sup> Fresh Minds (2009) Business Link: Research into drivers of perceptions of Business Link. BERR.

<sup>26</sup> IES (2008) Acas workplace training impact survey, 2008.

levels in part to the training. The impact survey touched on some notions of value for money in its statistical analysis to identify the factors which most affected client satisfaction with the training. The strongest predictor of high client satisfaction was found to be the achievement of the training objectives, followed closely by customers' perception of the service as being good value for money. Impacts on the financial and organisational performance more generally, were less commonly reported. This evidence therefore highlights an important evaluation or measurement gap in the contribution of HPW to the bottom line.

Whilst there is not substantial evidence around wider business impacts of these initiatives, such as perceptions of real bottom line benefits, increased profit or increased financial turnover, there are exceptions. Indeed, in addition, employers who have used learndirect services are positive about their experience and the impact it has had on their business. Further, there is evidence that some of the wider HPW approaches such as liP, are linked to various measures of improved business performance.<sup>27</sup> For instance, for liP this appears to be achieved through its impact on people management practice, with liP recognised organisations more likely to adopt comprehensive approaches than non-liP organisations (Tamkin, P., Cowling, M. and Hunt, W. 2008). This seems to suggest that there might be benefits in extending existing initiatives to strengthen the coverage of HPW more directly and comprehensively. Whilst this does not prove the link nor does it show what is driving what, the association is important and certainly warrants further work and attention. Another issue regarding measuring the detection of these broader business benefits concerns the fact they are likely to take longer to materialise than others (e.g. the further the outcome is likely to be along a chain of impact from the intervention then the greater the time delay is likely to be before it will be detectable). This needs to be allowed for in making any full assessment of impact in future.

Evaluation work has usefully also identified areas for improvement, supporting some of the insights from our own study. For instance the recent review of Business Links pointed to issues around the clarity of the offer, what was provided and how and raised issues about the resource available and areas of expertise, particularly when dealing with very complex business issues.

Finally, in addition, to definitively 'proving' the impact of such initiatives, there are further questions around assessing the additionality of specific initiatives and therefore isolating the 'real' added value in terms of intermediate and ultimate outcomes not only around increasing investment in skills and affecting HPW practice but their effects on business performance. Current evaluation evidence of additionality is quite limited in this regard which therefore limits the true, ultimate assessment of impact. This needs also to be borne in mind and ideally steps need to be taken in future to ensure that these measurement gaps are filled.

<sup>27</sup> See for example Bourne, M., Franco Santos, M., Pavlov, A., Lucianetti, L., Martinez, V. and Mura, M. (2008).

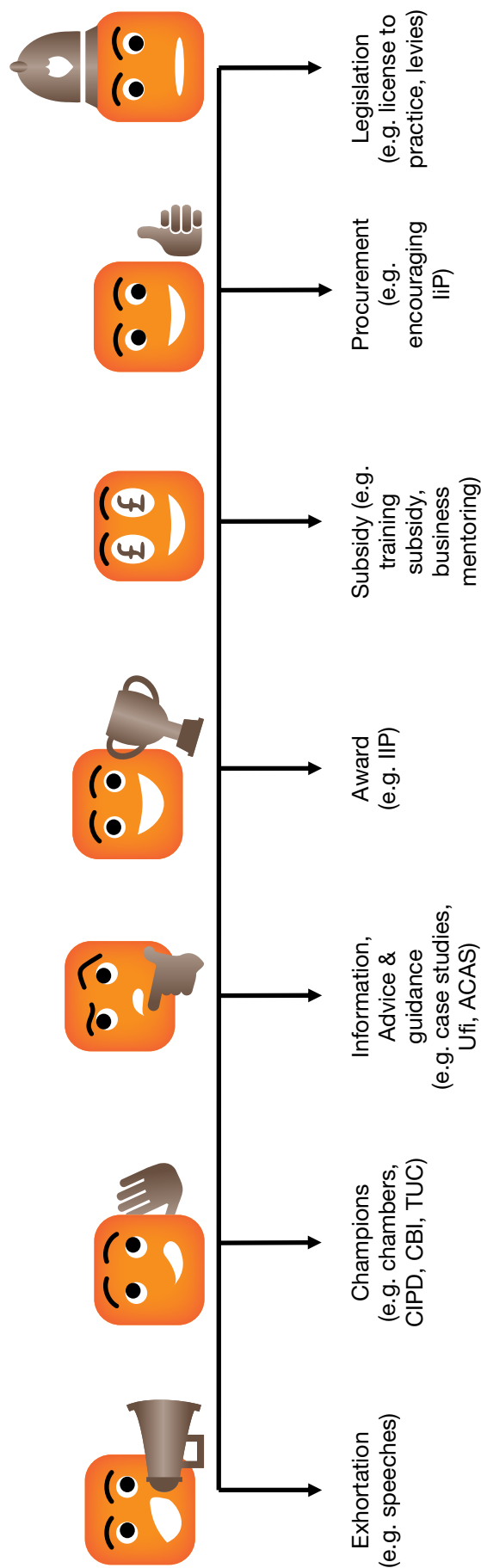
#### 4.7 Policy impact on influencing employer's behaviour

Finally, to enable a more complete assessment of the nature and influence of existing policy provision in this area, we have also considered the range of different types of policy levers deployed. This too has a bearing on the overall effects they are likely to have on influencing employer's behaviour. Broadly, there are two essential policy approaches or types of policy lever: at one extreme there is the **incentive-based approach** (which we have represented as the 'carrot'), and at the other extreme, there is the legislative/coercive approach (captured with the 'stick' which tend to be harder instruments and more interventionist).

These two approaches sit at either end of a spectrum of potential approaches outlined in Figure 4.5 below. As we move towards the right of the spectrum, where initiatives are more coercive, we might expect that the influence of policies will increase. We can therefore establish the following cascade of 'influence,' namely:

- through **exhortation**, when a policy initiative is of instructive nature and tries to convince employers by putting forward an argument of benefit;
- by **championing** a certain behaviour with the support of a wide range of stakeholders likely to be influential (e.g. employer bodies);
- by providing **information, advice and guidance** to employers in terms of practical assistance on how to improve their organisation, explaining advantages and disadvantages of changing behaviour, and offering guidance on implementation;
- by providing **awards** when the right type of behaviour is adopted; (a good example is here the Great Places to Work Index supported by Skills Development Scotland and the Scottish Council for Development and Investment or a director award also sponsored by the Scottish Government);
- by **offering incentives** either through a direct subsidy reducing barriers to participation or more indirect incentives (e.g. public procurement); and finally
- by relying on **legislative backing** (e.g. a license to practice) which would be, at least in theory, the most influential policy lever, forcing employers to act (although this might not necessarily require the adoption of HPW but skills acquisition and development more generally).

Figure 4.5: The spectrum of policy levers



Mapping the core HPW initiatives generally against this broad framework of policy instruments, allows us to establish the range of existing policy provision and to make general inferences about the likely level of influence on employer behaviour (an illustration of this mapping is provided in Table 4.6).

**Table 4.6: Mapping a selection of current initiatives by type of levers**

Level	Initiative
Exhortative	Skills Pledge
Championing	Skills Pledge liP
IAG	liP Ufi top tips Acas Model Workplace Business analysis tools
Support	Scottish Manufacturing Advisory Service Workforce Development Programme Management and Leadership programmes Organisational and business analysis programmes
Incentivised (including award schemes)	liP Train to Gain Coaching for High Growth Starting a High Growth Business Management Development Programmes MAP (NI) Workplace Awards schemes (Scotland) Knowledge Transfer Partnerships
Legislative	License to practice

What is striking is that the majority of initiatives cluster towards the incentive-based end of the spectrum. This means that the underlying policy principle of current provision is **highly voluntaristic**. Indeed, most of the policy initiatives in this area are advisory by nature. For example Ufi top tips, the business brokerage and support services across the UK (e.g. Business links, Invest Northern Ireland, Business Gateway and Flexible Support for Business) and the Acas model workplace, to mention a few, all offer a coherent approach to people management which can be strongly related to HPW but they are only available to those that actively seek advice in this area.

The current range of levers are thus reliant on employers taking the initiative and realising for themselves that they need to adapt their working practices and adopt a HPW approach. In essence, therefore this relies upon them recognising and defining the business need to change and understanding the benefits and the mutual gains for themselves in terms of organisational performance for their workforce. However, as we have seen earlier in this report, there is currently a low uptake of HPW practices in the UK, which arguably raises questions about the effectiveness of such an approach on its own.

The voluntaristic nature of existing initiatives is not automatically responsible for the low uptake of HPW. Indeed, as demonstrated in our recent synthesis of the evidence (Belt and Giles, 2009), there are a wide range of factors working to inhibit take up amongst employers, ranging from low awareness, ignorance and doubts to management capability and capacity to name a few. Furthermore, as the evaluation evidence shows earlier, well-designed, well-targeted and advocated advice, information and guidance can work to tackle some of these barriers and therefore bring benefits (see for example Ashton and Sung, 2002; Guest *et al.* 2001, Philpott, 2006). This is particularly the case where delivery allows flexibility in approach and tailoring to different individual circumstances. A key question however is whether this is enough. In this context, one key issue is certainly about how strongly HPW features as part of the business offer and hence whether it is given sufficient emphasis. The strongest case for voluntarism is clearly that the employer willingly buys into the need rather than being forced and therefore the case must be persuasive.

That is not to say though, that there is still not room for policy-makers to consider the balance of current policy levers in the UK. A further key question in this regard is whether there is also a case for moving further along the continuum of influence, and developing more binding policy levers (albeit effectively targeted) or strengthening the incentive to encourage and stimulate a greater number of employers to act. The UK Commission is undertaking other related work in this area reviewing different types of instruments for its Collective Measures (CM) project which may be effective in the UK. The CM project is seeking to identify what instruments can effectively incentivise more employers to collaboratively invest in training. Whilst it is not principally concerned with HPW, the policy instruments considered clearly still have relevance to this study since a key incentive for employers to act and invest in their staff, is to improve their wider business operation too and hence to assume more HPW as a whole. This Policy Review will therefore not go into further depth here on this issue but the results of the CM project will need to be for the potential potential that they may also offer future policy action in this area. Indeed, the recommendations put forward by this project including supporting and sustaining new and existing employer-led networks; reviewing occupational licensing; working with liP UK; and supporting better investment in human resources, clearly have relevance (UKCES, 2009).

In this section we have assessed the core initiatives to support HPW. Although none of the initiatives are directly or explicitly aimed at increasing the uptake of HPW, there are a number of policy initiatives which are at least partly relevant to HPW. It is possible therefore that these could be further developed and consideration could be given to how they work together and could be more effectively aligned and promoted to better support the uptake of HPW in future. There is also a question about the voluntary nature of current advice and support and whether there is room for deploying stronger policy levers in future, albeit carefully targeted, to particular types of employers. However, at the moment there is no explicitly stated policy statement or commitment within strategy documents and/or existing public policy frameworks to drive this forward.

## 5 Conclusion

In this final section we will reflect on our analysis of the evidence to review the public policy framework with a HPW lens. Our focus has been strategic as well as on delivery. Hence, our study has not only been interested in the initiatives and services provided to employers in the UK to promote, provide advice and/or support to business in areas of HPW, but the strategies they connect to. In the remaining section, we pull our findings together; first from our strategic overview of policy and then from our examination of delivery. We then conclude with some concrete policy recommendations of how to work with and to improve the existing system, putting forward a framework as a basis for thinking about potential policy developments in moving this area forward in different parts of the UK.

### 5.1 A divided policy framework?

Our analysis of the existing policy framework through a HPW lens, and the initiatives it connects to, has shown us that there are many policy initiatives which are at least partly relevant to HPW, and, relatedly, developing a culture of continuous business development. These could be further enhanced to better support and promote the take up of HPW. However, at the moment, there are arguably limits to what can be fully realised due to the existence of a policy gap in this area. In other words, whilst policy makers increasingly recognise the value of HPW and skills utilisation, this is not being translated in general into a core vision for HPW, (albeit appropriately contextualised for different parts of the UK), which can inspire and drive all the different components of the system nationally and regionally. Neither is there a common and consistent analysis of the current HPW challenge. Arguably, this is needed to make the case for change which demonstrates an understanding of the core problem and which translates this vision into key priorities for different parts of the UK and which can support each of the separate strategies. This is essential to setting a powerful policy commitment and call for action. At the time of conducting this review, the exception to this is Scotland, which has since 2007 explicitly emphasised the importance of skills utilisation within its Skills Strategy and has begun to set out actions to enhance skills utilisation in the workplace which are beginning to influence and shape its delivery system. However, even here, there is not a definite and explicit commitment to HPW per se. Rather, the focus of the Leadership Group established by the Scottish Government, has been on ‘better workplace practices’ as a key component to increase the better use of skills. Arguably, this term could also be seen to encompass HPW, but in order to ensure clarity in delivery and maximising outcomes we recommend focusing on the HPW model as the most holistic approach.

Another element of the policy gap currently concerns the comprehensiveness of what is on offer in relation to HPW as a whole. This then has implications for the degree of coherence, alignment and integration strategically across the overall policy framework in relation to HPW. The key issue here is that the most relevant ‘HPW’ policies actually fall into, and hence originate from, two distinct frameworks, which are often, although not exclusively, the responsibility of different parts of government at a strategic level, namely:

- **a skills policy framework** with a strong emphasis on up-skilling and enhancing skills supply, and hence the relevance and responsiveness of provision, with a qualification bias, and focus on voluntarism; and
- **a business enterprise system**, again emphasising voluntarism, and predominately focused on developing entrepreneurship and encouraging business start up as well as growth. Although there are some national and regional variations, overall, the focus of delivery is on tailored one to one advice to individual employers, covering a wide range of business issues (especially financial support), through a network of advisors and brokers. The overall emphasis tends to be on providing information and guidance, rather than direct intervention into how businesses are managed.

Both approaches, and their associated initiatives, therefore focus on their parts of the bigger picture. As such, a key risk is that instead of encouraging and promoting a holistic approach to HPW on the ground that drives up business performance, they operate in practice as two quite separate systems, with limited reference to the ‘bigger goal’. Whilst there may be varying moves towards greater alignment and integration, this is not happening consistently at the same rate, in the same direction in different parts of the UK. This can therefore raise important questions about the ‘real’ influence and impact of policies on the ground in relation to HPW. This is, not least, because their origin is clearly very influential in terms of their design and ultimately their delivery, and will strongly affect their final focus, priorities, coverage (collectively as well as singularly), reach and in turn impact. This is arguably therefore limiting the full effects of what is currently underway and reducing the ‘sum total of the individual parts’ of the two systems in relation to HPW.

## 5.2 A review of existing policy provision

Given that the agenda is largely operated through two separate policy frameworks, this risks a policy to implementation gap. Indeed, our study has found that whilst single Government Departments in parts of the UK (e.g. BIS in England) have overall responsibility for skills and enterprise policy, perhaps encouraging better integration strategically, questions over how this is put into practice still raise potential issues about the degree of integration and the effective alignment of policies delivered to employers on the ground. Whilst there have been attempts to simplify and align business brokerage services across the UK, the actual delivery of initiatives and ‘remits’ are not all owned by a single delivery agency but are often shared, potentially leading to competing priorities. Our research has highlighted a number of issues at an operational level.

- There is not a common holistic perspective on, or understanding of, HPW as a whole within the delivery system amongst different delivery partners about what it is and what it seeks to achieve in terms, specifically, of stimulating business development and performance. This has therefore raised questions amongst interviewees about ownership, consistency in delivery and the alignment of different initiatives relevant to HPW. It undoubtedly too raises a key issue about how strongly HPW features or is promoted as part of an overall *business offer*. Whilst actions in all parts of the UK are seeking to tackle this as the review completed, this now need to be continually monitored to review the full effects of any change at grass roots level.
- For many initiatives the focus on aspects of HPW is not primary, direct or explicit, which means if it is raised at all it is a second or third order issue, which undoubtedly raises issues again about its promotion.
- Related to this some have felt that because of issues around labelling and transparency, it is not sufficiently clear what initiatives, support and services are available in the area of HPW in the delivery system as a whole. This raises issues about enabling services to be better aligned and integrated and therefore to give the '*right business offer*' with an appropriate balance of support and overall coverage to encourage HPW take up.
- There is varying use and understanding of HPW and skills utilisation terminology across the delivery system identified by interviewees, which risks causing confusion and again raises issues around the nature and balance of delivery with consequences for promotion and the impact on HPW take up. If it is not presented clearly by brokers can it be clearly understood by business? There are clearly questions therefore about the strength of the case made and how effectively HPW is being 'sold'. As seen previously, in its skills utilisation literature review, the Scottish Government has suggested a definition of skills utilisation. It would be useful if this could be adopted by the other Governments in the UK as well and complemented by a common definition on HPW.
- There is a demand for more information that brokers and advisers can use to more effectively and convincingly make the business case for HPW and the need for change. This raises issues therefore about the strength of the advocacy role. There is a related need for more information to highlight and illustrate actual 'real-life' practice of what works on the ground, what are the critical success factors, what barriers have been faced and overcome, and to provide examples of best practice for brokers to use and which can inspire businesses to act. This also raises issues about cross agency working and developing effective networks for sharing best practice, learning and directing employers to the leading **business** professionals, specialists, champions who are important experts.

Furthermore, there are issues about the coverage of current initiatives across the HPW approach as a whole or tailored to particular parts of the economy whether in terms of employers of different sectors, different parts of the supply chain, varying regions or of varying size. Mapping initiatives onto the 4A model shows that there are initiatives which impact on each quadrant of the model but there is a greater emphasis on the ‘ability’ quadrant (broadly, reflecting learning and skills policy) and on the ‘application’ quadrant (reflecting business enterprise policy) than on ‘access’ and ‘attitude’ (which relate to employee resourcing and engagement). This may raise issues about future priority areas for policy intervention and focus, and issues of coverage and the comprehensiveness of the offer, which we come back to later.

In addition, the Policy Review has also identified a measurement gap in that current measures of success and **performance outcomes** sought do not tend to capture the full effect of the initiatives in terms of HPW outputs and outcomes and/or objective measures of business performance outcomes and impacts. This may be for a variety of reasons; for instance, historically, many of the initiatives are not rooted in HPW and/or skills utilisation, and at most, HPW is often a second or third order issue if mentioned at all given the fact that initiatives may not have originally been specifically established to tackle it.

However, if skills utilisation and HPW are genuinely to achieve greater importance within the policy agenda, this does raise questions about the focus of future measurement frameworks. Indeed if evaluations are to truly isolate the effects of certain interventions and to demonstrate what is or is not working in this area then such measurement gaps need to be tackled. This will need to include a more strategic perspective across different policy frameworks, which encourage better integration and the development and deployment of common outcome and impact measures capturing different aspects of HPW, skills demand and skills utilisation.

The Policy Review has also examined the type of policy levers already used in this area to enable a more complete assessment of the nature and influence of existing policy provision relevant to HPW. Most of the initiatives are arguably ‘light touch’ and primarily focus on advice and information and, at most, ‘incentives’, to gain employer interest rather than more ‘coercive’ measures, which force or compel employers to act. This means the underlying policy principle is highly voluntaristic, individualistic and is advisory in nature, focused principally on providing individual brokerage and guidance. Whilst this has the advantage of tailoring advice to the different needs of employers, this relies on employers taking the initiative and realising for themselves that they need to adapt their working practices and adopt HPW. Whilst there is a strong case for voluntarism and employers willingly buying in to the need to act rather than being forced to, there are questions about whether this sufficiently targets certain types of businesses and especially the ‘hard to reach’ employers especially those who maintain lower skilled and lower value operations. There are also inevitably issues about spread and the reach of policy provision. A key question for policy makers in future is therefore whether there is

still room, albeit in carefully targeted, and certain exceptional circumstances, to use stronger policy instruments in future, whether at a macro, intermediary or micro level, which could more strongly, and more widely incentivise, ‘nudge’ and stimulate specific hard to reach employers to act. This could provide an additional means to stimulate business development and to extend the take up of HPW.

### 5.3 Towards a policy framework

Given these issues, we conclude this analysis with some concrete policy recommendations of how they may be managed moving forward. This includes proposing a potential policy framework for action which provides a basis to structure thinking amongst policy makers and practitioners alike in different parts of the UK, and to consider refinements to policy and practice in this area in future. Whilst the implementation of the framework clearly needs to be sufficiently differentiated in different parts of the UK, there are some common core principles to apply.

#### **Understanding the wider economic, societal and strategic context**

Any strategic policy approach for skills utilisation, and in turn HPW, needs to start with a clear understanding of the rationale for intervention. Hence it must reflect and be embedded in the wider economic, labour market, societal conditions as well as taking account of the strategic policy context. As such, ideally, a baseline analysis needs to identify where the current challenges are and from this discern what is the legitimate role for public policy. For example, in this context, we might seek to make the case for the state to work with business to enhance the capacity of UK firms to be high growth, high skill, high value added businesses and to take up HPW as a means to stimulate wider economic growth, overcome market failure and enhance market optimisation. This will then clearly play a key role in setting the framework for policies, refining policy objectives and in particular influencing the underlying culture, attitudes and behaviour of employers and individuals to act. Clearly, it is not easy to influence these factors in the short term. The policy framework however cannot exist separately if it is to have a long lasting impact but should seek to anticipate, drive, respond to and reflect changes in the wider policy context and labour market as appropriate. Over time the effects of this wider context would need to be periodically reviewed and refined to take stock of policy impacts and to ensure that the case for intervention can still be made and policies adapt accordingly.

## **A system-wide policy commitment to HPW**

Once the context has been considered, and the case for intervention has been made, the first priority of any policy framework is to set down clear policy aims and objectives. These seek to provide a clear direction for the policy and to drive delivery. In the context of HPW the focus must be sufficiently holistic and fully capture all components of the HPW agenda. This raises a potential complexity because of the wide ranging nature of the agenda, which in practice is covered by multiple Departments and Agencies across different parts of the UK. Whilst the four governments, reflecting their different strategic approach in the skills and enterprise area will have their own approach to HPW, it is valuable too that the four governments share experiences and plans for improving the effective skills use and HPW in particular. As we have seen there is an emerging shift towards endorsing a commitment to skills utilisation in all four governments and this would clearly benefit too from an open dialogue about how this can be achieved and how HPW can be encouraged by all departments and their key agents.

## **A system operating more holistically**

In the future, to achieve a system which operates more holistically, HPW and skill utilisation needs to be appropriately mainstreamed across the current delivery landscape, albeit effectively nuanced and contextualised to meet varying delivery needs in different parts of the UK. In turn an intention is then to embed the vision within the relevant initiatives and services currently on offer in different parts of the system, especially those within the skills and enterprise domain. The new vision for HPW and skills utilisation needs to be effectively communicated in different parts of the UK so that is clear what the 'HPW offer' is and how current core products are contributing to that offer. This means that those core products such as the liP standard, are appropriately positioned in a way that can maximise their potential and impact. It may also mean that some areas of delivery may need to be strengthened, for example, aspects of employee resourcing and engagement, which at the time of writing were less comprehensively covered within business support services (i.e. the attitude and access quadrants of the 4As model).

### *Information, Advice and Guidance for Implementation*

It is vital that in future the information and guidance deployed by the system is fit for purpose. Guidance therefore needs to be reviewed to ensure it provides clear messages and advice to all delivery agents and policy players about HPW. In our analysis and evaluation of existing initiatives we have seen that brokers are key in implementing business support. They therefore need to be well versed in the concept of HPW, how the implementation of this can be supported through existing services, and be able to direct employers to a range of support and services to help them to effectively implement HPW and to seek more detailed advice tailored to their business needs. Clearly then, it is important that staff are effectively supported through staff training and strong advisory materials. Ideally, not only should this include common messages about HPW and its business benefits, persuasively presented across different policy areas about HPW, but it should also seek to draw upon real-life practices and case study examples, set within a wider business context and include sources of advice for further help and support (for example through employer and/or professional bodies – see below).

### *Key delivery agencies and stakeholders*

It is crucial moving forward to integrate all key actors from across different parts of the system, and to create ‘communities of best practice’, whilst ensuring overall simplicity and stability. This means joining up key players and initiatives already operating in this area, ensuring that they are used more holistically.

Existing services and initiatives available that are relevant to HPW focus on a small part of the problem inherent in the larger whole of generating productivity through people (in itself part of the larger whole of the drivers of productivity). But how employers derive their demand for skills, and the systems of people management and work organisation they have in place to enable them to apply skills, will be dependent on a range of issues; not least their product market strategy, their competitive environment, their labour supply, their stock of management and leadership capability, their philosophy of people management and the pressures brought to bear on them by shareholders, by customers and by trade unions or employee representatives.

A holistic system therefore also needs to make appropriate use of non-governmental bodies such as employer and employee bodies and professional organisations which have been instrumental in driving parts of this agenda forward to date.

### *Communication, engagement and understanding*

As a clearer public policy vision is developed for HPW, which presents the case for action, and evidence is strengthened about the business benefits, and examples of good practice, there is a clear need to present and communicate that case for change. Effective, on-going promotion and communication of HPW is therefore arguably crucial to the long term effectiveness of the policy framework and its delivery – Championing the business case for wider adoption and take up. It provides the means to get the message out there, and to engage and involve wider stakeholders (employee and employer bodies, professional associations) in a common agenda as well as to reach out to employers more generally. Furthermore, as on-going changes more broadly in delivery, involving institutions and policy initiatives can be introduced, which may add potential confusion and instability, wider communication programmes can seek to counter such developments, introduce clarity in the core message and overcome any potential negative consequences for employer understanding and engagement.

Communication programmes clearly need to develop a common, employer friendly terminology surrounding HPW and should be supported by on-going case studies focusing on a range of employers of varying size and sectors, and circumstances which promote HPW. There is clearly too a need to draw attention to important sources of expertise and advice. Bottom line messages should also be used to demonstrate the value of HPW to employers.

### **Ongoing monitoring and evaluation**

Finally, it is recommended that core evaluation processes are developed for any initiatives, so that broad, common measures of success and outcomes for HPW, skills demand, management and leadership, and skills utilisation can be developed and agreed across the UK. This will then help to ensure that the overall contribution of individual initiatives can be investigated and progress can be monitored more effectively over time in aggregate as well as singularly. This means capturing the ultimate effects of initiatives on a wide range of measures of business performance and the bottom line. In particular, action is needed to strengthen understanding about ‘what works’ in terms of policy initiatives, as well as understanding variations in HPW take up and benchmarking different practices across the UK. This should develop better and more common measures for capturing and monitoring variations in take up over time too. Another study conducted by the UK Commission as part of the broader suite of skills utilisation projects has sought to develop our thinking around forms of measurement by exploring the feasibility of developing a HPW employer survey tool. Whilst this is not an evaluation project, it will help to support monitoring and evaluation by tracking the uptake of HPW over time. Future evaluations need to draw out stronger recommendations about what works so that delivery can be adapted and made more effective in future. Such developments should thus help to tackle the existing measurement gaps operating in this area.

## **Broadening the evidence base and scoping policy initiatives**

Whilst this project has served to tackle gaps in knowledge, deficiencies in the evidence base remain. In particular, policy-makers need to consider more innovative approaches and policy levers to promote the uptake of HPW and ensure better skills utilisation more widely. An important element in this will be to draw lessons and insights from approaches and policy initiatives from abroad, by pulling together an international evidence base on HPW and skills utilisation. A particular focus of this work should be HPW practices and systems, rather than skills utilisation more generally and how they are supported by public policy internationally, to draw some lesson for the UK in terms of policy space in this area. This would include an overview of how prevalent the concept of HPW is in policy circles outside the UK, how countries have approached the issue, the role wider stakeholders play in the system in order to find out how to best promote HPW and how intervention in the workplace is connected to changes in the labour market.

There is clearly a need for more research to continue to strengthen the business case for adopting HPW and enhancing understanding of what is effective in terms of implementation in different types of businesses, whether different sizes of employers or from different localities and/or sectors. This ideally needs to cover the costs and benefits involved. Such evidence will help to ensure that current advice is as compelling as possible.

A particular focus may also be to develop a wider understanding of the range of policy levers that can enhance take up in this area in future. Currently the focus of policy intervention has tended to be at the micro level, seeking to encourage take up of individual firms and has deployed fairly passive, voluntary measures which focus on promotion and providing information and advice. A question for future work might be in seeking to understand the effects of utilising a wider mix of measures, albeit in a targeted way. A key intention here would thus be in exploring the interplay between, and hence benefits of, intermediary and macro levers amongst wider groups of employers, as well as stronger, more interventionist approaches that force or compel a wider number of employers to act. In this regard there are lessons that can be drawn from the UK Commission's work in another project discussed earlier, examining the range of collective measures that could be deployed to encourage groups of employers to more effectively and continuously modify their business practices and invest in employees skills as well as wider business practices. Clearly, it will also be important to review the use of any intermediary measures alongside, and in the context of, wider on-going developments in national economic development and industrial policy (i.e. broader macro levers) which will affect the wider economic conditions in which firms are operating and hence will affect employers likelihood (or not) to act.

## 5.5 Key recommendations

Finally, we conclude this work, by pulling the thinking into a number of key policy recommendations. Essentially, we feel moving forward in this area it would be helpful to:

1. **Establish a system-wide commitment to HPW and skills utilisation.** Clearly, this needs to be contextualised within separate national and regional strategies, a core vision of HPW setting a clear commitment to the agenda and steering direction for delivery. It should seek to include explicit aims and objectives and common outcomes and success measures, based on a clear analysis of the case for change and public intervention that drives delivery. Ideally, it will stimulate a dialogue and cross-government consensus on the issue.
2. **Improve the existing system** so that it operates more holistically. Greater integration and alignment needs to be encouraged by embedding the vision and mainstreaming HPW and skill utilisation across relevant policies and services, especially within the skills and business enterprise domain. Ultimately, this should seek to present a fuller, and clear, HPW offer. This will require:
  - a. **Active support in the implementation of delivery** through the provision of clear messages to staff involved in delivery (such as brokers, mentors, business advisers), direct staff development, and refined supporting and advisory materials (including websites). Brokers are key and therefore need to be well versed in the concept of HPW and how it can be implemented. This therefore needs to include core, common messages that are mutually supportive, that draw on real life case study evidence, offering practical advice and which really persuasively present the business case for action and business benefits.
  - b. **Strengthening of the position of existing core products and existing expertise.** Such action should seek to position core existing products at the centre of such advisory services (such as IiP) and to enhance existing mechanisms for employer networking and to build on 'communities of good practice'. There a range of wider stakeholders who already reach out to employers in this way such as employer and employee bodies and key professional organisations and steps should be taken to fully exploit these and to point employers quickly to the existing leading experts, and recognised business champions in the field, encouraging peer review.

- c. **Actively promote HPW**, developing a common, employer friendly terminology to communicate the message to employers, as well as policy actors and practitioners. This too needs to be supported by real life case studies focusing on effective implementation within the workplace and, demonstrating the benefit from a range of organisations of different size and sectors and circumstances which promote HPW. Bottom line messages should be used to demonstrate the value of HPW to employers in terms of 'real' business benefits.
  - d. **Regular monitoring and evaluation** of policy initiatives and delivery not only to develop a better understanding of their effects on the take of HPW practices and hence to benchmark varying practices, but to assess their broader impact; for instance their influence on wider management behaviour, skills demand and skills utilisation as well as wider organisational performance.
3. **Investigate more innovative approaches and policy levers** to promote the uptake of HPW and ensure better skills utilisation. In particular:
- a. A better understanding is required of the range of policy levers operating beyond a micro level that might be more effective in future, to encourage more collaborative working amongst employers, greater networking and the sharing of best practice and so on. In this regard there are lessons that can be drawn from the UK Commission's Collective Measures project around the use of employer networks to encourage greater employer investment in skills. There are clear parallels here especially given that the drivers to greater employer investment will inevitably be similar to those for HPW more generally.
  - b. Developments at a macro level, around national economic development and industrial policy are clearly also relevant and need to be borne in mind. Whilst not an explicit aspect of this review, such national policy developments, may also have a bearing on employers future behaviour in this area, by affecting the economic conditions in which they operate and as such possibly providing a further economic stimulus to act and take up HPW. Future developments here therefore will also need to be borne in mind assessing and monitoring the future take up of HPW.
4. **Learn from international best practice**, approaches and policy initiatives from abroad, by pulling together an international evidence base on HPW and skills utilisation.

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# Annexes

## Annex 1: Research questions

This policy review addresses a number of key research questions, outlined below:

### On the scope of provision

- What organisations in the UK are currently involved in championing HPW to employers?
- What initiatives, products and services are currently offered to improve take-up of aspects of HPW amongst employers?
- To what extent are there differences in provision across the four UK home nations?
- Is there room for improvement in terms of current provision in this area?
- Are there any gaps in terms of current provision? Where are these gaps (e.g. in particular countries, sectors, amongst specific types of employer, or in terms of specific HPW practices)?
- Are there existing products and services that could be used to promote take-up of HPW that are not currently being used in this way?

### On impact and effectiveness

- Is there any evidence of success of existing initiatives in improving the take-up of HPW?

### On future action

- How should research evidence on the benefits of HPW be best presented in order to improve take-up?
- Which organisations are best placed to play a role in promoting/supporting the take-up of HPW?
- To what extent should provision be tailored to the employer, sector, sub-nation and how might this be achieved?
- What are the policy choices and levers for government in terms of the promotion of HPW and what are the advantages and disadvantages of these?

## Annex 2: Core provision of publicly supported initiatives and programmes

Initiative	Geographical coverage	Key impact areas	Delivery/Funding
<b>Apprenticeships</b>	UK wide	In work skills development, training programme for learners in employment Eligibility and funding packages vary throughout the four nations of the UK	DELNI (Northern Ireland) Skills Development Scotland (Scotland), Careers Wales (Wales), Train to Gain (England)
<b>Business Mentoring</b>	Scotland	Business-to-business mentoring to develop growing businesses and key sectors	Delivered in Partnership by SE and the Chambers of Commerce
<b>Company Growth and Account Management Model</b>	Scotland	Account manager lead a strategic relationship with companies to identify, develop and support key priorities that will deliver additional growth	Funded by government and marketed through Business Gateway
<b>Flexible Support for Business</b>	Wales	The government's main portfolio of business support initiatives	Government funded, marketed through Flexible Support for Business/Website portal

Initiative	Geographical coverage	Key impact areas	Delivery/Funding
<b>Leadership for Global Competitiveness</b>	South East England	<p>The aim of the initiative is that developing leadership and management skills will particularly improve SME productivity comprised of three initiatives:</p> <ul style="list-style-type: none"> <li>• A leadership Academy – a consortium of providers</li> <li>• Leadership Development Advisors</li> <li>• The Leadership Zone, a website available to development advisors</li> </ul>	<p>Delivered by the South East of England Development Agency (SEEDA)</p> <p>Marketed through Business Link</p>
<b>Leadership for Growth</b>	Scotland	Targets existing and future leaders of growing businesses. Runs over a six month period and includes workshops, mentoring and coaching on specific business issues	Delivered by SE
<b>Management Analysis and Planning (MAP)</b>	Northern Ireland	Supports the development of management and leadership skills in businesses	Department for Employment and Learning (DELNI), Northern Ireland Executive
<b>Management and Leadership Advisory Service (Train to Gain)</b>	England	Financial support to any third sector organisation with between 10 and 249 staff for leadership and management training and development	Delivered through Train to Gain offer via Business Link
<b>Management and Leadership Development Programme (MLDP)</b>	Northern Ireland	A portfolio of training options to help employers meet the specific development needs of their managers and leaders	DELNI

Initiative	Geographical coverage	Key impact areas	Delivery/Funding
<b>New Choices – Investors in People UK (IiP)</b>	UK wide	Development of business improvement tools, designed to advance an organisation's performance through its people	Funded by different government departments across the four nations: DIUS (now BIS), DELNI, DECELLS and Scottish Enterprise
<b>North West Leadership and Management Skills Action Plan</b>	North West of England	A range of initiatives under the North West Development Agency (NWDA) umbrella including coaching, a action plan, and management and leadership programmes and other interventions	Delivered through the NWDA
<b>Sector Skills Compacts</b>	England	Allow particular sectors greater flexibility in how they use Train to Gain resources in return for specific commitments to skills levels	Contractual agreement between DIUS (now BIS), SSCs and the LSC
<b>Skillnet (US Saba)</b>	Scotland	Is a learning management system for learning centres and other partners. The system includes a competency framework, which can be used against any sector by uploading the skills that relate to job roles. The framework is populated with national standards, national job roles and skills for the different sectors	Hosted by SDS
<b>Skills in the Workplace (SitW)</b>	Wales	Provide learning up to NVQ Level 3 for employees in SMEs	DCELLS Plus funding support from the European Social Fund (ESF)

Initiative	Geographical coverage	Key impact areas	Delivery/Funding
<b>Solutions for Business</b>	England	<p>Umbrella term for a portfolio of government products and services for business support, the most relevant are:</p> <p><b>Starting a High Growth Business</b></p> <p><b>Train to Gain</b></p> <p><b>Manufacturing Advisory Services (MAS)</b></p> <p><b>Innovation Advice and Guidance</b></p> <p><b>Coaching for High Growth</b></p> <p><b>Knowledge Transfer Partnerships (KTPs)</b></p> <p><b>Designing demand</b></p>	<p>Funding: BERR, now the BIS</p> <p>Delivery: a range of government suppliers and delivery bodies, brokered through Business Link</p>
<b>Scottish University for Industry (SUfi)</b>	Scotland	As above	Managed by Learn Direct Scotland, part of SDS
<b>Scottish Manufacturing Advisory Service (SMAS)</b>	Scotland	Provides manufacturing firms with expert advice, one-to-one support, training and events	Scottish Enterprise
<b>Scottish Union Learning Fund (SULF)</b>	Scotland	Encourage workplace learning	Provided through learndirect Scotland, funded by Scottish Unions and Government
<b>Train to Gain</b>	England	Identify training needs, tailored training packages, funding for basic, first full level 2 qualifications, subsidises level 3 training and supports other qualifications	Part of the Solutions for Business Portfolio available via Business Link. Previously responsibility of DIUS, now BIS

<b>Initiative</b>	<b>Geographical coverage</b>	<b>Key impact areas</b>	<b>Delivery/Funding</b>
<b>The Skills Pledge</b>	England	A voluntary, public commitment by employers to support employees to develop their basic skills	Commissioned by the LSC
<b>The ACAS model workplace – ACAS</b>	Great Britain	Provides advice and guidance on employment and work policies	Funded through BERR (now BIS) but a non-departmental body governed by an independent Council
<b>Training Quality Standard</b>	England	A framework, assessment and certification process to recognise training delivery and development solutions for employers. recognises and celebrates the best organisations delivering training to employers	Funded through the LSC
<b>Union Learning Fund (ULF)</b>	UK wide	Provides funding to help trade unions use their influence with employers, employees and others to encourage greater take-up of learning at work, and boost their capacity as learning organisations. Union learn has targets to achieve set by DIUS	Unions have to bid into ULF LSC, which used to be run by ULF and is now run by Union Learn
<b>Ufi tops tips – University for Industry (Ufi)</b>	England, Wales and Northern Ireland but accessible UK-wide	Skills development through IT. Promotes skills training through its learndirect branded services	Funding awarded by the LSC

Initiative	Geographical coverage	Key impact areas	Delivery/Funding
<b>Workforce Development Programme (WDP)</b>	Wales	Similar to Train to Gain in England, provides support for training, aims to increase liP uptake and management and leadership, network of HRD Advisors, who are contracted by DCELLS to provide a skill diagnostic and act as independent brokers for workforce development products and services	DCELLS, WAG
<b>Wales Union Learning Fund (WULF)</b>	Wales	Funds workplace learning projects, supports effective and sustainable trade union activity, promotes lifelong learning in the workplace	WAG

## Annex 3: Organisations interviewed

- Acas
- Advantage West Midlands
- Ashton Business School
- British Chamber of Commerce
- Business Link
- Centre on Skills, Knowledge and Organisational Performance (SKOPE)
- Chartered Institute for Personnel and Development (CIPD)
- Chartered Management Institute (CMI)
- Confederation of British Industry (CBI)
- Department for Business, Enterprise and Regulatory Reform (BERR)
- Department for Communities and Local Government (DCLG)
- Department for Employment and Learning, Northern Ireland
- Department for Enterprise and Trade, Wales
- Department for Work and Pensions (DWP)
- Department of Innovation, Universities and Skills
- Department of Trade and Investment, Northern Ireland
- eSkills

- Institute for Public Policy Research (IPPR)
- Invest Northern Ireland (InvestNI)
- Investors in People (IiP)
- Management Standard Centre
- Prime Minister's Strategy Unit (PMSU)
- Scottish Enterprise
- Scottish Funding Council
- Scottish Trade Union Congress (STUC)
- SEEDA
- Skills Development Scotland
- Trade Union Congress (TUC)
- University for Industry (Ufi)
- Welsh Assembly Government (WAG)
- Yorkshire Forward

## List of abbreviations

<b>Acas</b>	Advisory, Conciliation and Arbitration Service
<b>BEED</b>	Business, Enterprise and Engery Directorate
<b>BERR</b>	Department for Business, Enterprises and Regulatory Reform
<b>BIS</b>	Department for Business, Innovation and Skills
<b>BSSP</b>	Business Support Simplification Programme
<b>CBI</b>	Confederation of British Industry
<b>CIPD</b>	Chartered Institute for Personnel and Development
<b>CM</b>	Collective Measures
<b>CMI</b>	Chartered Management Institute
<b>CSR</b>	Comprehensive Spending Review
<b>DCELLS</b>	Department for Children, Education, Lifelong Learning and Skills
<b>DEL</b>	Department for Employment and Learning
<b>DETI</b>	Department of Enterprise, Trade and Investment
<b>DIUS</b>	Department for Innovation, Universities and Skills
<b>DSO</b>	Departmental Strategic Objectives
<b>DTI</b>	Department for Trade and Industry
<b>EFS</b>	European Social Fund
<b>GDP</b>	Gross Domestic Product
<b>GES</b>	Government Economic Strategy
<b>HIE</b>	Highlands and Islands Enterprise
<b>HPW</b>	High Performance Working
<b>HR</b>	Human Resources
<b>HR</b>	Hum Resource Development
<b>IAG</b>	Information, Advice and Guidance

<b>IEG</b>	Institute for Employment Studies
<b>IiP</b>	Investors in People
<b>Invest NI</b>	Invest Northern Ireland
<b>IPA</b>	Involvement and Participation Association
<b>KTP</b>	Knowledge Transfer Partnership
<b>LA</b>	Local Authorities
<b>LLD</b>	Lifelong Learning Directorate
<b>LSC</b>	Learning and Skills Council
<b>MAP</b>	Management Analysis and Planning
<b>MAS</b>	Manufacturing Advisory Service
<b>MLDP</b>	Management and Leadership Development Programme
<b>NWDA</b>	North West Development Agency
<b>OD</b>	organisational development
<b>OECD</b>	Organisation for Economic Cooperation and Development
<b>PAG</b>	Project Advisory Group
<b>PfG</b>	Programmes for Government
<b>PSA</b>	Public Service Agreement
<b>R&amp;D</b>	Research and Development
<b>RDA</b>	Regional Development Agencies
<b>RES</b>	Regional Economic Strategies
<b>SDS</b>	Skills Development Scotland
<b>SE</b>	Scottish Enterprise
<b>SFC</b>	Scottish Funding Council
<b>SMAS</b>	Scottish Manufacturing Advisory Service

<b>SME</b>	Small and Medium Sized Enterprises
<b>SSC</b>	Sector Skills Council
<b>STUC</b>	Scottish Trade Union Congress
<b>TUC</b>	Trade Union Congress
<b>Ufi</b>	University for Industry
<b>ULF</b>	Union Learning Fund
<b>WAG</b>	Welsh Assembly Government
<b>WDA</b>	Welsh Development Agency
<b>WDP</b>	Workforce Development Programme
<b>WESB</b>	Wales, Employment and Skills Board

## List of previous publications

*Executive summaries and full versions of all these reports are available from [www.ukces.org.uk](http://www.ukces.org.uk)*

Evidence Report 1

**Skills for the Workplace: Employer Perspectives**

Evidence Report 2

**Working Futures 2007-2017**

Evidence Report 3

**Employee Demand for Skills: A Review of Evidence & Policy**

Evidence Report 4

**High Performance Working: A Synthesis of Key Literature**

Evidence Report 5

**High Performance Working: Developing a Survey Tool**

Evidence Report 6

**Review of Employer Collective Measures: A Conceptual Review from a Public Policy Perspective**

Evidence Report 7

**Review of Employer Collective Measures: Empirical Review**

Evidence Report 8

**Review of Employer Collective Measures: Policy Review**

Evidence Report 9

**Review of Employer Collective Measures: Policy Prioritisation**

Evidence Report 10

**Review of Employer Collective Measures: Final Report**

Evidence Report 11

**The Economic Value of Intermediate Vocational Education and Qualifications**

Evidence Report 12

**UK Employment and Skills Almanac 2009**

Evidence Report 13

**National Employer Skills Survey 2009: Key Findings**

Evidence Report 14

**Strategic Skills Needs in the Biomedical Sector: A Report for the National Strategic Skills Audit for England, 2010**

Evidence Report 15

**Strategic Skills Needs in the Financial Services Sector: A Report for the National Strategic Skills Audit for England, 2010**

Evidence Report 16

**Strategic Skills Needs in the Low carbon Energy generation Sector: A Report for the National Strategic Skills Audit for England, 2010**

Evidence Report 17

**Horizon Scanning to 2020: A Report for the National Strategic Skills Audit for England, 2010**

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