

fforwm evidence to the Inquiry into the Economic Contribution of Higher Education by the National Assembly for Wales' Enterprise and Learning Committee

25 April 2008

Introduction

fforwm welcomes the opportunity to provide written and oral evidence to the Committee on the Economic Contribution of Higher Education. The majority of further education (FE) colleges in Wales enrol higher education (HE) students. The Committee's investigation is therefore of interest to FE colleges. In addition, FE colleges are currently in a process of reform that could dramatically affect the FE landscape in Wales. The Report of the Further Education (FE) Review chaired by Sir Adrian Webb and *Skills that Work for Wales*, the Welsh Assembly Government's draft skills and employment strategy will affect the future direction of educational institutions and employers. The investigation of the Committee is therefore timely.

Delivery of higher education courses in FE

FE colleges deliver HE courses in a variety of ways. Franchise arrangements with HE institutions are the most common, whereby colleges deliver part of an overall degree course and are funded by the relevant HE institution from money received from the Higher Education Funding Council for Wales (HEFCW). Some colleges receive direct funding from HEFCW and form compacts with local HE institutions to provide appropriate support, including quality assurance.

In 2005/06, seven FE colleges in Wales enrolled 1,558 HE students directly funded by HEFCW¹ receiving £2.74m direct funding (this sum increased to £3.19m in 2006/07)².

In its evidence submitted in January 2005 to the Rees Review on the Devolution of Student Support, fforwm pointed out that:

21 colleges... enrolled HE students through franchise and other arrangements. fforwm has estimated that FE colleges receive funding of around £15.8m annually for their HE provision. On top of the direct HEFCW income, colleges receive franchise income of around £6.7m and around £5.5m in fees. An estimated total of 7,500 students take HE courses in FE colleges – around 7 per cent of the total 110,000 HE students in Wales. This figure is less than the proportion (11 per cent) in England and there is considerable potential for growth³.

In 2005/06, the total number of HE courses offered by 16 colleges was 320, ranging from two courses to 92, with an average of 20 courses per college. Examples of HE courses provided by FE colleges are listed in Annex 2.

Students on HE courses

Most HE students attending FE colleges are adults taking part-time courses franchised from HE institutions. As such, colleges play an important role in widening access to higher education. In addition, some part-time students take professional and other courses paid for by their employers.

Colleges have an important contribution to make to new types of courses, such as the two-year Foundation Degrees, that are drawn up in consultation with employers and which seek to reflect the needs of business. As yet, the number of these courses run in colleges in Wales is less than that in England. They do, however, represent an opportunity for future expansion to meet the need for higher level skills identified in the Leitch Report.

Economic contribution of Further Education

A number of studies have showed the economic contribution of further education. HE provision forms an important part of the work of FE and contributes towards the results of these studies.

The Department for Enterprise, Innovation and Networks (DEIN) commissioned the University of Cardiff⁴ to investigate the economic impact of the *purchasing activity* of FE institutions and their staff and students. Scottish Executive-commissioned research showed the return on investment in *qualifications*. Combining these two indicators (and assuming that FE colleges in Wales are broadly similar to FE colleges in Scotland), they indicate that FE colleges in Wales contribute an estimated £1.4bn to the Welsh economy; a figure close to that generated by HE institutions.⁵

In addition to the direct economic contributions brought about by an investment in FE, studies have also demonstrated additional benefits to learners. For example, free courses offered to unemployed learners in England have been demonstrated to contribute significantly to the learners' ability to move into work and in improving employability.⁶ A Canadian study has shown that students benefit from increased earnings and improved lifestyles; taxpayers benefit from an enlarged economy and lower social costs; and society as a whole benefits from increased job and investment opportunities, higher business revenues, greater availability of public funds and an eased tax burden.⁷

fforwm would welcome the Committee recommending further detailed research on the economic contribution of further and higher education including the identification of the return on investment in skills for the individual, the employer and the taxpayer. Too often the language of 'cost' and 'expenditure' rather than 'investment' and 'return' is used. Funding has to be constrained but investment in education and training returns wide financial benefits. This may help Ministers compete for resources from spending departments covering health, transport and housing. Education is for the long-term; it cannot provide short term solutions to long standing problems.

Links with employers

Colleges also make a major contribution to the economy of Wales through their partnership with employers. Colleges in Wales report links with over 25,000 employers annually. 21 colleges deliver publicly funded work-based learning (WBL) courses, receiving around £23m from the Welsh Assembly Government (WAG).

The term 'employer engagement' is a term usually used to describe the involvement of employers in developing the skills of the existing and future workforce through links with education providers.⁸ 'Provider responsiveness' and 'meeting learner and employer skill needs' are sometimes used interchangeably with 'employer engagement'.⁹ Employer engagement includes:

- involvement of employers in the design, development, management and delivery of learning to improve the 'work-readiness' and employability of learners;
- direct services that colleges offer to employers, including training needs analysis and bespoke training services;
- strategic partnerships that colleges form with employers, with other providers and with national/regional agencies to meet the skill needs of local areas

The scope of employer engagement in FE in Wales is vast and covers work with micro, small and medium sized enterprises (SMEs) as well as large and multi-national companies. It can be:

- part of the college's WBL contract
- bespoke training
- curriculum links through entrepreneurship champions
- through the Welsh Baccalaureate Qualification (WBQ)
- through learners' work experience programmes

Good practice examples of employer engagement within FE in Wales can be found in a fforwm-commissioned, CIF-funded report.¹⁰

Sector Skills Councils

fforwm recognises the key importance of Sector Skills Councils (SSCs) in bringing together employers and colleges. The Webb Report points out that there is still more to be done and draws attention to the fact that some employers still have little contact with the SSC responsible for their sector. However, SSCs are starting to adopt a leading role in employer-led demand for training. A number of SSCs are currently in dialogue with representatives from FE colleges via fforwm's Work Based Learning Network. Over a twelve-month period, colleges' work based learning managers will have the opportunity to meet representatives from all SSCs. The SSCs, particularly the smaller ones, value this contact highly.

fforwm welcomes the statement in *Skills that Work for Wales* that SSCs should focus on increasing employer engagement, demand and investment in skills; undertaking labour market needs analyses; and informing development of new vocational qualifications. However, to achieve these, they need to be fully supported by other key agencies such as awarding bodies and colleges. Their funding from WAG must be sustainable to enable them to have the capacity to deliver these services.

Foundation degrees

The Webb Report recommended consultation on the granting of foundation degree awarding powers to FE colleges (rec 85). The foundation degree (FD) is a comparatively new qualification at the National Qualifications Framework (NQF) Level 5, which is now showing healthy recruitment in England. A SQW Report showed that there are 61,000 FTE FD students in England with a target of 100,000 by 2010.¹¹ Significant additional funding of £32m was made between 2003 and 2006 to assist the further development of FDs and a major promotional campaign was launched in 2003 to increase awareness amongst employers and prospective students.¹²

In Wales, HEFCW announced development funding of £200k in 2001/02 but no additional student numbers have been funded and 'raising awareness of FDs has been seen as a low priority'.¹³ There were 1,306 FD students in Wales in 2005/06, comprising 3.2% of all undergraduates, having increased from 663 (1.7%) in 2003/04 and 1,067 (2.6%) in 2004/05. This increase was more than matched by the decline in the number and proportion of students taking HNC and HND courses.¹⁴

The SQW Report shows that many FD programmes were being delivered by HE/FE partnerships in Wales, pointing out that in England 54% of FDs were delivered by FE colleges.

How to move forward

The FD needs to be built into the hierarchy of qualifications. The opportunities with Foundation Modern Apprenticeships and Modern Apprenticeships should be straightforward. Both FDs and apprenticeships include work-based learning (WBL). It will be important to articulate progression *into* the foundation degree from Level 3 (e.g. BTEC National Diplomas, AS/A levels and the Welsh Baccalaureate Advanced Diploma). Learners could study locally at FE college to at least level 5.

There needs to be a clear lead from WAG and HEFCW about the importance of developing FDs to meet Wales' strategic priorities, with funding for development and provision. This is a key recommendation in the SQW study and is supported by fforwm. New awards should be developed in economically important subjects, linked to employment. The increase in the numbers of FD learners would more than compensate for the decline in the number of HNDs and HNCs in terms of 'graduates' – a growth situation.

fforwm believes that through their strong employment agenda and their expertise in delivering vocational qualifications, colleges in Wales are well placed to award their own FDs. The FE and Training Act 2007 gave the power to FE colleges in England to award FDs (subject to rigorous quality and other criteria). It was a mark of confidence in the FE sector by the UK Government that was not matched at the time by WAG. Since then, however, the Deputy Minister for Skills, John Griffiths, has stated that the WAG is “keen for further education institutions to have those foundation degree awarding powers” and that WAG wants to “move to a situation where further education institutions have the power to award those foundation degrees themselves”.¹⁵ fforwm welcomes the Deputy Minister’s statements on the matter.

This extension of powers would not undermine the close working relationships that exist between FEIs and HEIs in Wales. It would however increase the number of FDs in Wales – which is necessary for the future health of the economy, according to the Leitch report.¹⁶

Summary and Conclusion

FE colleges make an important contribution to delivering HE in Wales, particularly in vocational subjects. In doing so they work closely with HEIs.

Colleges make a significant economic contribution to the economy, equivalent to that of HE institutions.

Colleges have strong links with employers and are used to working closely with them in designing programmes, providing services and forming strategic partnerships.

The development and expansion of foundation degrees will make an important contribution to raising higher technical and vocational skills.

WAG should proceed quickly to introduce a Measure to give FE colleges powers to award foundation degrees.

Annex 1

fforwm

fforwm is the national organisation representing the 23 further education (FE) colleges and two FE institutions in Wales. It is an educational charity and a company limited by guarantee. fforwm's Board comprises college principals and chairs of corporations, appointed by member colleges. fforwm provides a range of services to its members including networks, conferences, research, consultancy and the sharing of good practice. It also works closely with a wide range of partners in post-16 education and training. Through fforwm, colleges are represented on various committees, working parties and other groups influencing and shaping policy in post-16 education and life-long learning.

FE colleges in Wales

FE colleges are a hugely successful sector, delivering high quality learning beneficial to learners and to business in Wales. In its evidence to the FE Review, fforwm pointed out that:

Colleges are the main deliverers of nationally recognised qualifications in Wales. In fact, no other sector comes close to matching the volume and range of education and training provided by colleges in Wales. Colleges also have an excellent track record in widening access to disadvantaged students and to those wishing to return to learning. Meeting the skills needs of their locality effectively and efficiently through well-established close links with employers is a strong feature of colleges' work. Colleges also have a major role to play in supporting and developing the local and regional economy by being:

- *one of the largest employers of staff in a given area;*
- *a major service provider, and*
- *an important strategic partner to other external stakeholders including local authorities, schools and universities as well as employers and local/regional planning agencies.*

Annex 2

Examples of HE courses offered by FE colleges in Wales

HNCs:

- Aero Engineering
- Business Administration
- Electrical and Electronic Technology
- Animal Studies

HNDs:

- Computing (Business Information Technology)
- Equine Studies
- Design/Crafts

Foundation Degrees:

- Early Childhood Studies
- Multi-Media Studies

BA:

- Management and Hospitality
- Performing Arts

Other HE courses include:

- Introduction to Teaching Certificate
- Youth Work Certificate and Diploma
- various professional qualifications validated by the Association of Accounting Technicians (AAT), Chartered Institute of Management Accountants (CIMA), Institute of Legal Executives (ILEX); Postgraduate Certificate in Management; Postgraduate Diploma in Management.

Citations

1. HEFCW (January 2008) *Funding Enrolments* WO8/01HE, Table 2
2. HEFCW (December 2007) *Annual Report 2006/07*, p.60
3. *fforwm response to the Rees Review on the Devolution of Student Support* (January 2005) p1-2. Available from www.fforwm.ac.uk/1199.dld
4. DEIN (January 2007) *The Impact of Further Education Institutions on the Economy of Wales*
5. HEFCW (2007) *Corporate Strategy and Corporate Plan and Operational Plan 2007-08 to 2009-2010*, p18.
6. Learning and Skills Council (January 2008) *Impact of Learning on Employability: Key Findings*.
7. Association of Canadian Community Colleges (2006) *The Economic Contribution of Canada's Community Colleges and Technical Institutes: An Analysis of Investment Effectiveness and Economic Growth*. Quoted in *Building a Better Scotland, Strategic Spending Review Submission 2007*, Association of Scotland's Colleges, 2007
8. Miller, A., LSN (2007) *Developing Employer Engagement*
9. Hughes, M., LSN (2006) *What do we know about working with employers, a synthesis of LSDA work on employer engagement*
10. Clough, L., for fforwm (March 2007) *Promoting Effective Practice in Employer Engagement*. An excerpt of this report is available from www.fforwm.ac.uk/2758.dld - "Employer Engagement: Supplementary Paper 3".
11. SQW (March 2007) *Study on the Role of Foundation Degrees in Wales: A Report to the Higher Education Funding Council for Wales*, para 2.40
12. *ibid.*, para 2.38
13. *ibid.*, para 2.41
14. HND figures are in 2003/04: 3,743 (9.4%); 2004/05: 3,204 (7.7%); 2005/06: 3,030 (7.4%). HNC figures are 3,212 (8.0%); 3,079 (7.4%); 2,860 (7.0%) respectively. SQW (2007) Annex B.
15. Statements made to the NAW Enterprise and Learning Committee, 27 February 2008.
16. The Leitch report recommended a step change in the provision of these qualifications. The take-up of HNDs has been dropping over the last few years. In order to achieve a significant expansion in provision, it is necessary to develop more foundation degrees, rather than awarding a monopoly to HNDs, especially given their decline in popularity.