



EMPLOYER OWNERSHIP

The barriers for policy makers

PhD thesis

UCL

I, Hilary Chadwick, confirm that the work presented in this thesis is my own.

Where information has been derived from other sources, I confirm that this has been indicated in the thesis.

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Abstract

This focus of this thesis is employer ownership: the challenges of incentivising employers to invest their money, time and expertise into apprenticeship, and the barriers which prevent the state from addressing and overcoming these challenges.

I found that many of these challenges have been created by the interventions of the state, not by a failure of the state to act. Paradoxically, in the name of free markets, and facing little expert or political challenge to an approach championed by vested interests, the state has taken control of apprenticeship away from employers and the labour market since 1994. It has imposed its will over prices, outcomes and providers, through complex regulations hidden within a quasi-market designed to deliver political targets which are unrelated to demand or productivity. In an empirical study which illustrates the detailed workings of this quasi-market, first-hand accounts from large employers reveal their shock and disappointment at how risky, costly and difficult they found it to work as partners in a common purpose with the state, and how this affected their sense of ownership. Employers were seen to mitigate their risks by distancing themselves.

Although the traditional literatures of economics and political science may explain the market and non-market challenges of employer ownership, the thesis shows how the third lens of comparative capitalism is required to explain the barriers which prevent policy makers from addressing and overcoming them. This perspective shows how ideology interacts with power, in the distinctive political economy of the English liberal market state, to damage the credibility of apprenticeship policies and limit the solutions available. A better understanding of these factors could enable policy makers to develop more appropriate incentives for both the state and employers, and the study concludes with some principles to underpin future reforms.

Impact statement

Although Apprenticeship is ‘one of those warm cuddly concepts of which everyone approves’, do taxpayers and politicians understand what they are getting in return for their investment¹ since 1994 in the state’s programme? This thesis argues that apprentices may not in fact be getting the combination of ‘direct, intensive input from an employer with formal tuition [over] several years’ which many people imagine is what a ‘real’ apprenticeship is. They may instead be getting a state-designed programme of qualifications of dubious value with ‘some bits of training’ but ‘with minimal involvement from, and at no real cost to employers’ (Wolf, 2015b, p. 36).

This thesis provides a distinctive understanding of why, despite 25 years of state intervention, many employers are not investing their money, time and expertise into apprenticeships. It explores the market and non-market challenges for employers: the lack of return on investment in general vocational skills in the highly mobile and unregulated labour market of the liberal market state, and the failures of the policy processes of design and implementation. However, it also provides new evidence of the impact of these non-market failures, and a new perspective on the barriers which prevent policy makers from addressing and overcoming them.

An empirical study reveals in graphic detail the shock and disappointment of employers, committed to apprenticeship, as they interact directly with the state’s poorly designed and implemented interventions through the English state’s policy instrument of choice, the quasi-market. It finds that while the traditional literatures of economics, political science and vocational education and training may explain these challenges, and the damage they do to employer ownership, they cannot explain what is preventing policy makers from addressing and overcoming them.

¹ In 2017-18, government expenditure on apprenticeships was £1.6bn: NAO (2019) *The Apprenticeships programme*, London: NAO. Available at: <https://www.nao.org.uk/wp-content/uploads/2019/03/The-apprenticeships-programme-follow-up-Transcript.pdf>. Available at: <https://www.nao.org.uk/wp-content/uploads/2019/03/The-apprenticeships-programme-Summary.pdf>. Available at: <https://www.nao.org.uk/wp-content/uploads/2019/03/The-apprenticeships-programme.pdf>.

Using the lens of comparative capitalism, however, the thesis provides a new perspective on the impact on apprenticeships of the distinctive characteristics of the English liberal market state. It is these which explain *why* and *how* successive governments have used the quasi-market to seize control over all the key details of apprenticeship programmes, why it needs this control to deliver its political goals, and why, since *employer ownership* is irrelevant to these goals, it has failed to secure it.

This conclusion challenges the orthodoxy of the VET literature, which argues that the state should do more to regulate employers. It argues on the contrary that the regulations and controls in place are primarily designed to achieve not 'real' apprenticeships but the political and personal goals of the policy makers; they therefore exacerbate, rather than resolve, the challenges for employers. It argues for a more honest approach which is more compatible with the ideology of the liberal market economy.

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Chapter 1: Employer ownership of apprenticeship in England - an introduction to the problem

1.1 Foreword

This Foreword provides the personal context for my decision to write this thesis. The story starts in 1973 when as a newly qualified teacher I faced a class of 15 year olds who had been forced to stay on at school when the school leaving age was raised to 16. They were desperate to go to work, an ambition that we teachers rather disapproved of, as we believed that they needed both more education and more qualifications, but I have never forgotten how little we had to offer which was of use to them. At the time, like many of my colleagues, I personally knew nothing at all about apprenticeships, nor the world of policy making which I would eventually enter.

Some years later, I worked for the Skills Funding Agency (SFA) and many of its Non-Departmental Public Body (NDPB) predecessors where, for 20 years, my role was to let and manage state contracts for a range of education and training outcomes from 'providers' of all kinds. First, in the Training and Enterprise Council (TEC) years, I introduced our local employers to National Vocational Qualifications (NVQs) and then to Modern Apprenticeships (MAs), I then led a large local Learning and Skills Council (LSC) which funded all post-16 education across all institutions below Higher Education (HE), and in the Skills Funding Agency (SFA) years I worked directly with large employers to help them make best use of apprenticeship programmes contracted directly with the SFA. But in all of this time working at the heart of the state's delivery agencies, I could not understand our attitude to, or relationships with, employers on skills and apprenticeships.

This thesis is therefore the product of my desire to make sense of the policies which I was responsible for implementing, but the purpose of which had eluded me. Surely, I imagined, it was self-evident that employers might welcome, but could succeed without, help from the state with their apprenticeship programmes, whereas we could not make the apprenticeship system more effective and efficient without the employers. The nationalized and legacy industries and supply chains which had sustained local apprenticeship traditions for the 16 year olds of the 1970s were gone: the newer

globalised industries engaged differently with the labour market (see Chapters 3 and 4). Local employers told me they wanted to support young people and they valued skills but they had businesses to run; they would walk away from badly designed or pointless government schemes which did not bring them benefits. I believed the onus was on us as policy makers to be smarter if we were to persuade employers that an apprenticeship programme was for them. But I could not see how our policy ambitions were delivering better career opportunities for the descendants of those school leavers I had taught, nor how they took account of the challenges encountered.

Within the state agencies I worked for, I found many colleagues had a different perspective. For many of them it was employers' short-sighted failure to invest in apprenticeships which had created the problem, and it was the training providers - who were successfully delivering the targets on which our performance was judged, and we did not necessarily need to know how they did that - who were our key partners in dealing with employers on our behalf. However, I continued to feel that, by taking so little interest in the decisions of employers, we were 'hitting the target but missing the point' (Denham, 2016, p. 12). Since 2011 I have had the opportunity to reflect more generally on these issues, to stand back from the detail and to achieve some academic understanding of the nature of the problem through the perspective of the social sciences.

1.2 The purpose and focus of this study: an introductory overview

This thesis investigates a problem which intrigued me throughout my career as a bureaucrat working on skills and apprenticeship policies. Why has the state in England not succeeded in working more closely and effectively with employers to get their support for extensive high quality apprenticeships? More specifically, this research seeks to understand the challenges for policy makers attempting to secure what was referred to, in policy documents from 2011, as *employer ownership* of apprenticeship. It investigates what this concept means and why, after nearly 30 years of public investment and regulatory intervention into apprenticeship, with access to successful models of practice in other countries, policy in this area is still perceived to be failing, and why it matters.

To explore this problem the study asks the following research questions:

- What are the challenges associated with securing and sustaining the ownership of employers in apprenticeship policies in England?
- What are the barriers that prevent policy makers in England from addressing and overcoming these challenges?
- How can an understanding of these factors assist policy makers to improve the effectiveness of apprenticeship policies in the future?

It addresses these questions by drawing on a range of intellectual disciplines including vocational education and training (VET), economics, political science and comparative capitalism. It uses these to explore the traditional explanations for the market failure in apprenticeship which justifies government intervention, and for the causes of failure in such government interventions, and it considers what characteristics of the English political economy may be driving some policy solutions and prohibiting others.

I argue in this thesis that, despite its claims to be putting ‘employers in the driving seat’, the state in England has failed to strike an appropriate balance between employer and government control of decision-making, and that the *ownership* of employers as partners, co-decision-makers and clients of the apprenticeship system has been a critical failure for successive governments since the launch of Modern Apprenticeships in 1994.

While I am not the first to argue this, my contribution to this literature is distinctive in its explanation for this failure.

1.3 The problem with apprenticeship policies

The number of apprenticeships available fell dramatically to around 50,000 in the early 1990s, as the history of state intervention into apprenticeship describes in Chapter 2.1. In 1994, the Conservative government established its own programme of training and work experience, which it called *Modern Apprenticeships*, a policy which was reformed but extended by successive governments. However, the programme came under increasing attack from a range of stakeholders: from academics, from detached government agencies such as the NAO, and from employers.

This was primarily because it was not a programme driven by the demands of a market economy, but a supply-driven policy (Fuller and Unwin, 2009, p. 405) driven by a state concerned about the long-term decline in the number of jobs and apprenticeships for young people (the evidence for which is summarised by Wolf, 2011, p. 24). The drivers appeared to be not only the belief that skills are key to international competitiveness, productivity growth and improved living standards (eg Lloyd and Payne, 2003, p. 85; BIS, 2013, pp. 4, 9) but also the perception that levels of employer investment in skills in England are too low by international standards (eg Hansard, 1988). This belief had led policy makers around the world to 'accept unquestioningly the premise that investment in [VET]...is a good thing as a means of securing higher economic growth...national prosperity [and] equity' (Carneiro, Dearden and Vignoles, 2010, p. 255).

The new state-led apprenticeship programme was created as a quasi-market (a policy instrument explored in Chapter 3) in which the state contracted with intermediary organisations to provide training and 'apprenticeship' services, defined and regulated by the state, to employers. Successive governments adopting this supply-side policy have, however, been disappointed that employers appeared to be reluctant to help pay for such services (Banks, 2010, p. 6). Providers were expected to collect fees from employers to supplement public funding for apprenticeship. This was intended to amount to just under £1.2bn in 2010-11 (NAO, 2016, p. 5) but such expectations were rarely if ever met.

This apparent lack of interest from employers is a problem for the public purse, but it is worse than that. The literature sees the real issue as being that what 'most' apprentices experience is not at all 'what people think of as apprenticeship' (Wolf, 2015b, p. 37). For Fuller and Unwin its 'core identity' is no longer 'a model of learning', but 'whatever the government says it is' (2008, p. 18). There were perceived to be particular problems for policy design arising from the perception that apprenticeship should be both 'a job that combines work with training' (NAO, 2019, p. 5) and 'an internationally understood, long-standing, and robust model of learning and skill formation' (Fuller and Unwin, 2008, p. 18). This creates 'ambiguities' for the position of apprenticeships across the 'education and employment paradigms', where:

The employment paradigm sees apprenticeship primarily as a vehicle for employers to meet their skill needs...[while] in the education paradigm, the 'apprenticeship' concept is reduced to a form of work experience that complements a largely classroom-based programme (Fuller and Unwin, 2008, p. 18).

It is a difficult balance for policy makers to strike. In her comparative study (2005, p. 9) Steedman found evidence that too great a policy focus on employer commitment can cause difficulty with the integration of apprenticeship within educational structures: a lack of integration could make the accreditation systems incompatible and that might inhibit learner progression through education. On the other hand, too rigid an adherence to a 'qualification-led straitjacket' with weak employer influence may mean that such qualifications have no currency in the labour market; if employers do not see them as providing a 'testament to expertise and a passport to progression' in the workplace (Fuller and Unwin, 2008, p. 17) such qualifications may not be 'worth having at all' (Wolf, 2011, p. 10).

While stakeholders in England see a problem with this delicate and dynamic balancing of interests, others do not. Busemeyer and Trampusch argue that apprenticeship and skills are contested everywhere. They note that all states' skills formation systems are 'fraught with tensions' with 'always temporary and contested solutions to ongoing conflicts about the distribution of power' as the state, employers and other actors struggle over who should provide, who should pay and who should control the system and how it links with general education (Busemeyer and Trampusch, 2011, p. 2).

In England, however, the question of power and the balancing of interests seems particularly acute. While some see employers as insufficiently regulated with undue influence (Dolphin, Lanning and Institute for Public Policy, 2011, p. 9), Keep sees 'the dominant trend within the English E&T system since the early 1980s [as] the increasing power of the state...to design, control and implement policy (Keep, 2006, p. 48).

Fuller and Unwin too claim that the English system has become

Uniquely...government-owned and directed...with apprenticeships' core identity as a model of learning...replaced by that of a policy instrument [with UK governments making] whatever

changes they wish, and whenever they wish, to what they choose to define as apprenticeships' (Fuller and Unwin, 2008, pp. 4,5,18).

They argue that, with 'no statement of purpose setting out the nation's reasons for continuing to support apprenticeships', this has made the term apprenticeship a 'wrapper' or 'brand' embracing a wide range of different types of 'experiences, opportunities and attainments' (Fuller and Unwin, 2008, pp. 4,5,18). Keep and James see this as consequence of the politicisation of apprenticeship as 'the one form of vocational training visible to the electorate' (2011, p. 55), an issue explored further in Chapter 4. Despite the series of reviews and reforms described in Chapter 2, and slightly different approaches taken by different administrations, Keep claimed in 2006 that the 'broad thrust' and key priorities of policy had barely changed since the 1980s as the importance of E&T within economic and social policy has grown (2006, p. 48).

For Wolf 'these past decades' of apprenticeship policy have been 'disastrous', as we have 'destroyed... what was once a functioning system in the European mode...by launch[ing] a centrally-administered 'competence-based' system...which failed entirely to deliver the productivity miracle promised for them', by underfunding it, and by becoming obsessed with targets. She believes that 'most politicians have no idea how ineffective most current apprenticeships are, and how much needs to change (2015b, p. 36). All too often, she argues, an apprenticeship is just 'qualifications and some bits of training from a 'provider' paid by the government...with minimal involvement from, and at no real cost to, most employers' (2015b, p. 37).

Keep attributes this 'disaster' to the state perceiving its role as the 'architect and driver of the system' (p. 56); in order to secure its objectives from earlier rounds of intervention it has an 'endless need to intervene, frequently and in detail', and then to 'finance, manage and account for this activity'. He argues that this is because

if skills are so important to the national interest, the state cannot afford to be seen to leave their delivery to others, particularly when some of these others, such as employers, appear unable or unwilling to understand that which it is alleged is required (p. 59).

He notes a 'deep, systemic asymmetry of power relationships within the system', albeit masked by the 'language of partnership' in the rhetoric over the past quarter century. But he argues that in fact

the state feels no need to involve other ‘partners’ such as employers in its reforms, and ‘it is unclear what influence employers actually can exert over policy’ (Keep, 2006, pp. 56,58).

The consequence has been a failure reflected in the Confederation of British Industry’s (CBI) description of the ‘grim truth’ of the skills sector:

the client in the [apprenticeship] system has not been the learner or the employer, it has been the government. Provision has been shaped to match what government will fund next (Owen, 9 April 2018).

The problem for apprenticeship, explored in this thesis, is that this imbalance between the interests of the state and those of employers has damaged the incentives for employers to get involved. The next section considers why this matters for the quality of the programme.

1.4 Employers: why they matter for apprenticeship

Even when defined as a ‘a model of learning’ (Fuller and Unwin, 2008, p. 18), apprenticeship policies are different in two important respects from the education policies which are core business for governments. First, it is ‘firms rather than government that will determine who gets an apprenticeship place and how many places there are, rather than politicians’ (Keep, 2015, p. 20). It is employers, not governments, which create first the job and then the ‘crucial’ opportunity for training within the workplace which – unlike classroom-based education – enables workplace learning to take place. Employers are

indispensable actors in the supply of skill formation services, through the provisions they make for work-based learning...not mere carriers of a competitively imposed imperative for profit maximization (Green, 2013, pp. 56, 57, 82).

‘The apprentice’s key identity is that of ‘worker’ rather than a hybrid identity of worker and learner’ and it is the employer who chooses whether or not to capitalise on the programme to ‘deliver longer-term benefits for their organisation, their sector, and the apprentices’ (Fuller and Unwin, 2008, p. 18).

The second difference is that, even though since 1994 the state has also intervened to embed its own policy objectives, a ‘real’ apprenticeship can be distinguished from more general vocational education

and skills training by the opportunity it provides for the apprentice to 'engage in a continuing relationship with an employer' (Cassels, 2001, p. 5). The importance of this relationship is explored by Fuller and Unwin (2003; 2008; 2011) in their studies of how, as Lave and Wenger (1991) described it, 'new entrants to an occupation, workplace or activity become 'old-timers'...through 'legitimate peripheral participation' in communities of practice...defined by the negotiation of meanings both inside and outside the community'. If, therefore, the apprentice is to 'acquire the specific disciplinary and vocational knowledge, applied skills, values and processes/rules associated with a particular occupation' (Fuller and Unwin, 2008, p. 18), the ownership of the employer in supporting that process of acquisition is a necessary condition for success.

Both of these differences create problems for policy makers because they relate to the 'agency' and decision-making roles of employers (Green, 2013, p. 145), and the obvious truth that 'models of learning...emerge from the interaction of people and technologies within work contexts' (Guile and Unwin, 2019a, p. 20), not from regulators. Employers are therefore core owners of this kind of apprenticeship system. It is the failure by policy makers to secure and sustain this employer ownership which is the specific focus of this thesis.

There are, as Fuller and Unwin observe, many types of opportunities and experiences which meet the current contractual criteria to be called an 'Apprenticeship'. For example, many providers (such as the Apprenticeship Training Agencies (ATAs) described in Chapter 2, and some universities) train the learners and find them work experience with different employers. Provided there is a 'clear line of sight to work' (McLoughlin, 2013) through work experience, there may be excellent opportunities for the learner to acquire new skills for a job, and this model² may be the best option available in some sectors where employment is scarce, short term or project-based, where self-employment is the norm, or where training is primarily technical, as in some construction or creative sectors. However, this ATA model requires neither the training provider nor the firm offering a work placement to have the 'continuing' interest in the apprentice's career which Cassels sees as central. Other than the

² Such programmes are now described as 'portable' or 'flexi-job' or 'flexi-apprenticeships'
<https://www.gov.uk/government/news/consultation-launched-to-create-new-flexible-apprenticeships>

contract of employment with the training provider, this model is therefore effectively the same as the much criticized Youth Training Scheme (YTS) model described in Section 2.2.

I share the concern of Fuller and Unwin that this is a ‘reduced’ model of apprenticeship (2008, p. 18) model, and a source of great confusion³ (Unwin, 2012, p. 11): the learners are only eligible for taxpayer funding because their training provider employs them for the duration of their training. I have therefore excluded it from this study of the incentives for employers to *own* their apprenticeships. Although this does not imply that such programmes can never offer excellent vocational education and training, I also share the concerns of Wolf that they may also offer no more than ‘qualifications and some bits of training from a ‘provider’ paid by the government’ (Wolf, 2015b, p. 37).

1.5 The focus of this thesis: *employer ownership*

The literature which conceptualises and analyses employer ownership of apprenticeship is limited: the term itself was first used in policy documents in 2011, only a decade ago.

The term clearly conveys in general terms that policy makers are looking to employers for a greater commitment to, and more investment in, skills training and apprenticeship. Keep describes it as ‘one of the central ‘big ideas’ running through English policy development on training and skills over the last few years’. He also points out, however, that ‘neither the nature of that commitment, nor how policy will deliver it, are clear’ (2015, pp. 2,3).

Since there is no widely accepted definition of the ideal of *employer* ownership, I am adopting the perspective suggested by Alison Wolf on what a successful programme – a ‘real’ apprenticeship - looks like from the point of view of the employer, and what their contribution to that will be. She argues that:

³ ATAs, who employ and train apprentices and find them work experience, are often confused with Group Training Associations (GTAs). GTAs do not employ their learners: they organise the training for the apprentices recruited by local companies, usually SMEs, who share the costs and, traditionally, the responsibility for the programme through their governance arrangements.

Traditional – ‘real’ – apprenticeships, the ones with high pay-offs for everyone concerned...combine direct, intensive input from an employer with formal tuition; completing a full one is good for employment, pay and prospects. This approach is effective and efficient because so much money, time and expertise come from employers. In return, they get an increasingly skilled employee who has excellent lifetime prospects (Wolf, 2015b, p. 37).

What I perceive Wolf is putting at the heart of a ‘real’ apprenticeship is the return on investment – the ‘high payoff’ - for *each* of the actors: the employer, the apprentice and the taxpayer when not only the state but the employer contributes. The employer has an ‘increasingly skilled employee’, the employee has ‘excellent lifetime prospects’ and, through its funding and regulatory roles, the state ensures that the employee acquires general as well as specific vocational skills, thereby supporting both social justice and the competitiveness of the economy. The definition of *employer ownership* which I have therefore used in this thesis is the demand-driven contribution from employers which leads to that payoff: the investment of ‘money, time and expertise’ by employers into their apprenticeship programmes.

These are the ‘real’ apprenticeships where the apprentice has ‘a contract of employment with a specific employer’ (Cassels, 2001, p. 25), a job with training rather than a programme of learning with work experience.

In recognition of the centrality of employers in apprenticeship as described above, not only for their investment but for their time and expertise, government policy documents (eg BIS, 2014) have reiterated the importance, for successful apprenticeship policy, of ‘putting employers in the driving seat’. It is not obvious to the academic or the policy communities, however, what this means and whether this is an appropriate goal and, even if it is, whether governments understand how to do it effectively or even whether they are really committed to achieving it. This puzzle is at the heart of this study.

1.6 The contribution to the field to be made by this thesis

My thesis makes three important academic contributions to the literature on apprenticeships. First it uses the Varieties of Capitalism literature to create a new theoretical perspective on the challenges

and barriers for the state in securing employer ownership of apprenticeship. Second it develops a critical appraisal of this theoretical approach through a specific case study to which, as an insider researcher, I had unique access, the Employer Ownership Pilot 2011 - 2017 (EOP). Finally these two academic contributions have enabled me to reflect further on how, with this new understanding, it might be possible for policy makers to address the problem of employer ownership more effectively. This makes my contribution distinctive because, while there is an increasingly useful literature about employer good practice in apprenticeship, there is very little empirical evidence available regarding the lived experience of employers, as their operational teams and decision-makers engage directly with the state through its policy instrument for apprenticeships, the quasi-market. As an insider researcher with access to the experience of practitioners and policy makers over many years, I can contribute not only a theoretical but a very practical understanding of how policies which are poorly conceived or implemented can thwart rather than secure employer ownership. The absence of this perspective from the literature makes it easy for both observers and officials to underestimate its importance: this may account for the dominance of the notion that the problem is the 'engagement' of employers by intermediaries to support and to pay for what has already been decided. I believe that a new approach is required, if the challenges of *employer ownership* are to be overcome, and policy-making improved.

I argue that employers play an essential role, and that some do wish to take responsibility and own their apprenticeships. I make no claims in this thesis that employers are all saints or hold the moral high ground on any of these issues: of course they are motivated by self interest. However, I argue that so are all the other actors in the apprenticeship system, whether that be ministers seeking promotion, officials securing their bonuses or providers increasing the size of their business. I find that a common discourse, that employers are uniquely untrustworthy because of their profit-motive, is lazy and needs to be examined and challenged if the barriers to ownership are to be overcome and employers' essential contribution realised.

My thesis therefore aims to provide a new perspective on the actions of the state in apprenticeship through its relationship with employers. It provides graphic illustrations of the challenges for policy makers seeking to make that system effective and efficient, and the problems encountered by all the

actors when they overreach their capacity and fall short. Drawing not only on the literature of economics and political science but the theoretical framework of comparative capitalism, it provides explanations rooted in the political economy and constitution of England for the barriers which exist for policy makers seeking to address these challenges. It tests those explanations through an empirical study of the relationship between the state and employers as seen in a specific policy 2011-2017, and it concludes with lessons which policy makers who understand these factors can learn and act on.

The different intellectual disciplines on which I draw in this thesis use different vocabularies for the main actors: the VET literature tends to refer to terms used in microeconomics such as ‘businesses’ or ‘employers’ and ‘government’, while that of economics and comparative capitalism talk in macroeconomic terms of ‘firms’ and the ‘state’. Since their different perspectives are the reason that I cite these different literatures extensively and continuously, consistency is not possible. In order to convey the microconcerns of employers dealing with successive governments, therefore, I have adopted a hybrid terminology of ‘employers’ and the ‘state’, unless it seems laboured to do so, as in the case study in Chapters 6 - 8 or in citations.

1.7 The structure of this thesis

This first chapter has provided an introduction to the argument of my thesis. It has described the problem, why it is important to me, how I have identified my research questions and my contribution to the literature. The final section gives an overview of how the thesis is structured.

- Chapter 2 traces the history of state intervention which shows how, despite a rhetorical commitment by the state to ‘putting employers in the driving seat’, this was eroded between 1994 and 2011 by increasingly prescriptive controls.
- Chapter 3 reviews the literature which explains market failures in apprenticeship and the non-market failures to correct them. It considers the challenges for employer ownership of the quasi-market, which, despite being developed as a policy instrument to mitigate such failures, may exacerbate them. It explores how far the traditional literatures of economics and political science can explain not only the challenges but the barriers for the state in addressing and overcoming them.

- Chapter 4 looks to deeper structural factors in the economy and to the literature of comparative capitalism for a broader theoretical frame to explain the barriers for policy makers created by the political ideology and the nature of English capitalism and constitutional power, and how these may limit what the state is willing or able to do to secure employer ownership of apprenticeship.
- In Chapter 5 I describe the methodology used to test this theoretical framing: the case study chosen to address my research questions, the 'Employer Ownership Pilot' (EOP) 2011-2017; the key issues of research design, including data collection, the analysis and reporting of the data; and ethical considerations for me as an insider researcher.
- Chapter 6 introduces the case study, the 'Employer Ownership Pilot' (EOP) 2011-2017: the key metrics, and the political and institutional context of the Coalition government. It explores the texts and discourses which define how the policy was initially espoused by the state and its agencies, and how unresolved ideological, political and organisational tensions emerged as inconsistencies as the policy levers and processes were put in place.
- Chapter 7 introduces the voices of participants and observers describing how they experienced these inconsistencies, using transcript data from 36 pseudonymised interviews conducted between 2012 and 2021. It gives voice to the government departments and agencies responsible for design and implementation as 'owners' of the policy as they struggled with conflicting priorities; to experienced stakeholders and observers with a long term perspective not only on the challenges for participants but on the barriers faced by policy makers; and to intermediaries participating in the competition.
- Chapter 8 explores how employers, whose *ownership* the policy was designed to support, experienced it. It looks closely at two projects in different sectors, led by large employers committed to apprenticeship. It reveals the policy fractures they experienced, how they felt about them and the impact they had on the way they viewed their relationship with the state, and their ownership of apprenticeship and skills policies. It considers what this reveals about the challenges faced by even the most committed employers willing to invest their time money and expertise in apprenticeships.
- Chapter 9 presents findings and conclusions, and makes recommendations for how an understanding of the challenges of employer ownership for both employers and the state, and the barriers which prevent policy makers from addressing and overcoming them, can assist policy makers to make more effective policies.

Chapter 2: The evolution of government intervention into apprenticeship 1994 – 2010

In order to understand how English apprenticeships reached the sorry state described in Chapter 1, and why government felt the need to take action in 2011, Chapter 2 takes a step back to outline how the role of the state in apprenticeship policy has evolved since the launch of the Modern Apprenticeship quasi-market in 1994, and to identify the emerging challenges for *employer ownership*.

2.1 The market-based apprenticeship tradition in the UK

Since the 16th century, the market-based tradition of apprenticeships relied on the Guilds – as medieval sectoral bodies – to organize registration, monitoring and inspections (Gospel, 1991, p. 196). Elbaum finds in his comparative study of apprenticeship (1989) that where jobs were still expected to be for life, the apprenticeship model was ‘surprisingly persistent’, because the economic incentives worked for both parties. Although Fuller and Unwin claim that such agreements were often informal, not based on indentures (2003, p. 16), Gospel argues that because employers preferred to hire young people who were fully trained, apprentices would stay on to get their certificate because it was in their interests to do so: ‘youths who left their employers before indenture completion forfeited their ‘lines’ and ...had difficulty finding jobs as skilled craftsmen’ (Gospel, 1991, p. 200).

The apprenticeship system changed for employers when, after the Second World War, the 1944 Education Act raised the school leaving age (to 15 and in 1973 to 16) and established separate systems for academic and technical education. While the academic routes and feeder systems established in the decade after the war continued to work well into the 21st century, there were few progression options for young people in technical fields, which were seen as second best and never fully developed. It was left to larger firms to maintain or construct the right balance of work-based and technical training and education for their business, but these were a small minority. Gospel argues that the short-sightedness of the majority of employers who did not invest in training, combined with union pressure for unaffordable increases in apprentice wages, ‘made it difficult ...for

apprentice training to be upgraded and converted into a modern system of industrial training', at a time when there was little in the secondary technical education system to take its place (1991, p. 24). The first major legislative intervention by the state in modern times into firms' decisions on training was the training Levy introduced with the Industrial Training Act in 1964. This was at a time when the state was still seen as having a major planning and interventionist role in economic policy, even under Conservative governments (eg Shonfield and Reisman, 1994). Its particular role in training drew on Becker's Human Capital theory (Becker, 1962). This advanced the view that while it was not in employers' interests to undertake 'general' skills training which could be useful to other employers, it would be in individuals' interests, but for a range of market failures which prevented them from doing so (see Chapter 3). If there were to be more general training, government would have to take the initiative.

The policy intent at that time was to leave the detailed decisions to employers, but to provide incentives for them to train in such a way as to spread the costs of such training between them. The Act therefore required that larger firms – many of which were recently nationalised in industries such as shipbuilding, defence, communications and automotive - paid a percentage of their payroll into a fund managed by their sector body. This enabled smaller businesses, for example in their supply chain, to access subsidised training, while Levy payers too could secure a rebate if they invested in training approved by the sector itself (Gospel, 1991, p. 29). Contemporary debates reveal problems with the system (Hansard, 5 June 1972): the paperwork was said to be extremely onerous, and firms complained of the poor service they got from their training boards. However, Gospel notes a 'small positive effect' on the quantity and quality of training as larger firms 'developed training programmes, established special departments and appointed training officers'⁴. Smaller engineering firms might also share costs and training opportunities through a local Group Training Association (GTA) where the firms, through their membership of the GTA board, would recruit apprentices and jointly determine how, between them, the curriculum would be delivered⁵.

4 Though the author was told in interview with one firm that a training officer had to be employed just to manage the paperwork for the rebate (Source: interview transcript)

5 GTAs are a traditional institution enabling a group of smaller employers to share the training infrastructure and costs of their apprenticeship programmes. Because apprentices have real jobs with training, they are quite different from the

This section has described a system in which it was employers at every level who, at arm's length from the state, determined the details of their apprenticeship and skills training programmes, using a *Levy/grant* system run by their own sector Boards. Presciently, Parliamentarians feared that the 1972 proposals to downgrade the Boards' decision-making to advisory roles would lead to a future of 'Treasury control' (Hansard, 5 June 1972), as described in the next section.

2.2 The post-war role of the state in skills training

As the British economy recovered after the war, skills shortages were seen as a barrier to expansion and economic growth in the 1960s (Sheldrake and Vickerstaff, 1987; Leonard, 2000) and the state responded with a network of state training centres. These state-led 'non-apprentice training arrangements' to increase the supply of skills had first been established in the 1920s, to support disadvantaged groups of the unemployed (initially war veterans) into work. The training in these state-managed centres was mainly in 'basic craft skills' (Leonard, 1999, p. 12), and until the 1980s was quite separate from on-the-job training seen as the domain of employers (Gospel, 1991, p. 24). However, as the oil shocks of the 1970s led to recession and rising unemployment, there was in 1979 a decisive change in the political weather when the electorate rejected a political establishment that they believed had made Britain

the sick man of Europe... [with] marginal tax rates [reaching] 98 per cent, fixed exchange rates, import controls, and prices and incomes policies' (Johnson, 2016, p. 1).

A new political orthodoxy rejected 'central planning...and embrace[d] markets, competition, and openness' (Wolf, 2014, p. 23), claiming that 'the least government is the best government'⁶, that nationalisation and regulation had made business sclerotic (Hayek, 1944; Friedman, 1993) and that there was a need to free up management's entrepreneurial spirit and save taxpayer funds with a

Apprenticeship Training Associations (ATAs) described in Section 2.3 of this chapter, where learners have work experience but are employed and trained by the ATA. The two are often confused Unwin, L. 2012. Report of the Commission of Inquiry into the Role of Group Training Associations. London: LLAKES, IOE..

⁶ Roy Hattersley in 2013 <https://www.theguardian.com/commentisfree/2013/apr/08/what-did-margaret-thatcher-do-britain>

regime of mandatory privatisation of public services. This changed both the services themselves and the government bureaucracy which administered them, as discussed in Chapter 4.

Chapter 3 explores in more detail the key policy instrument - quasi-markets - which these reforms introduced. It describes the theoretical and political implications of this 'New Public Management' (NPM) (Hood, 1995) and its requirements on government departments and local authorities to devolve 'non-core' delivery activities to executive agencies and Non-Departmental Public Bodies (NDPBs) and Agencies. No longer delivering services themselves, or providing grants to specialists to deliver the services, officials now needed to be procurement specialists: they made and managed quasi-markets and funding competitions, as commissioners of services defined as contractual targets. They held their providers accountable for their performance by monitoring against key performance indicators (KPIs), and incentivized them with funding tied directly to the delivery of these outputs. As unemployment rose in the 1980s and 1990s, skills training and job placement schemes for the unemployed were early pilots for these quasi-markets. The contractual key performance indicators (KPIs) at their heart were relatively easy to define for training programmes designed to upskill people back into work: a successful outcome was for learners to be employed (for 13 weeks). However, the market competition was brutal: many charities which had previously supported disabled and long term unemployed clients into work through grant funding were unable to manage the increasingly demanding contractual requirements, and were forced to close⁷, as were most of the newly privatized skills centres, publicly run since 1917 (Leonard, 1999, p. 192).

It was even more challenging to devise contractual KPIs to hold providers to account for improvements in the skills of their trainees. Although 'educational attainment has been the most commonly used measure for the overall skill levels of individuals and populations', there were few qualifications appropriate for training, and in any case, as Green notes:

the general connection of educational qualifications with work skills remains loose, and the multiplicity of qualifications of variable quality can sometimes make it hard to link them to standards (Green, 2013, p. 42)

⁷ In 1992, while working in a TEC, I found that one mental health charity had been funded for seven years for a disabled learner participating in a programme of training for work which he couldn't sustain. The new KPIs caused great heartache.

These difficulties are explored below.

2.3 An expanded role for the state in redefining qualifications as contractual outcomes from 1986

There was an existing tradition of classroom-based vocational qualifications such as Business and Technology Education Council (BTEC) and Higher National Certificate (HNC) in some sectors, many of them well understood and respected by employers. Such courses did not however 'add up to a unified system of vocational education' (Steedman and West, 2003, p. 7), and in other sectors – and many of the new jobs in the 1990s economy were in services – there were none. Policy makers felt that employers and education providers were being held back by an incoherent 'jungle of vocational qualifications' (Wolf, 2011, p. 57). They hoped that if there were a 'transparent' national framework for accrediting what people could do, employers would use it, and it might 'greatly improve the efficiency with which employers were able to identify and hire skilled people' (p. 57).

Consequently, in 1986 a new system of National Vocational Qualifications (NVQs) was developed. This section describes how it increasingly dominated how skills training was defined and its success measured by the state, even in apprenticeship. The pedagogical flaws of NVQs are covered elsewhere (eg Hyland, 1994): this thesis is concerned with how employers engaged with them. Young argues that the problem of NVQs for employers was that their most distinctive design feature - the 'standards' and 'written outcomes' which replaced traditional learning programmes - relied on two 'questionable' assumptions:

The first was that employers would have the time, commitment and expertise to assess trainees. The second was that 'standard tasks' could be used as a reliable basis for judging workplace performance (2011, p. 264).

Employers were invited to join task groups set up by employer-led Industry Training Organisations (ITOs)⁸ to develop the standards and outcomes which the Awarding Bodies would then turn into

⁸ The ITOs were state-funded organisations set up to drive up training after Sector Boards and most levy systems were disbanded.

qualifications. Young (op.cit Young, 2011) claims that Government policy-makers hoped that this process would enable employers to feel that they 'owned' these new standards, and that 'it would be in their interests to take responsibility for using them for assessing their employees' by incorporating standards and outcomes into job descriptions and making assessment part of the role of the supervisor or specialist. When 'many employers resisted taking on these responsibilities as too time-consuming and bureaucratic', however, this component of employer ownership was lost as the state took control: 'the assessment tasks were again taken over by the Awarding Bodies who, funded by government, developed a complex hierarchy of assessors, and internal and external verifiers' (p. 264).

Employers responded with disbelief:

instead of confidence being placed in the judgements of specialists – for example, master craftspersons or professionals – it is placed in those who are experts in procedures [in a way that] collide[s] with the training practices and needs of employers ... it is no wonder these qualifications are given scant regard by employers and discussed with such despair by academics (James, 2006, p. 4).

The determination through the early 1990s to persist with NVQs as the key contractual outcome in the quasi-market for skills - and later apprenticeship - marks a critical moment in the history of what would subsequently become state control of apprenticeship. As Wolf notes, in England we have since then become 'distinctive in the way we use qualifications...as a key component in accountability systems, in high stakes 'league tables' and as the basis for funding allocations to post-16 (non-university) education' (Wolf, 2011, p. 55). Young suggests that this has happened because of 'the superficial plausibility of its appeal to governments who are more interested in finding ways of controlling public expenditure than addressing the complex problems concerned with the role of skills and knowledge in economic development' (2011, p. 277). It has created a widening gulf between the interests of employers, for whom skills needed to be 'productive of value' (Green, 2013, p. 18) and those of the state who were now using them to manage their programme budgets. This fundamentally undermined the value of NVQs in the labour market: their design flaws meant that in most sectors there was little interest in using them (Child, 1996, p. 238). Despite the 'despair' of academics and the indifference of employers, NVQs became the basis of all state-funded contracts for

youth training. By 2006 fears expressed at the time about their value to learners were confirmed when it was found that there was no evidence at all for earning gains from the relatively low level qualifications (levels 1 and 2) favoured by the policy (Wolf, Jenkins and Vignoles, 2006, p. 555).

Despite such bureaucratic complexity and difficulty, in two sectors, health and accountancy, the employers managed to wrestle back some control. Young ascribes this to the determination of the National Health Service (NHS) as the dominant employer in the Health sector and of the professional bodies in the Accountancy sector to take leadership roles and remain fully involved in the development of the standards and assessment practices. As highly regulated sectors, with demand coming from employers and the profession, not primarily from the state, they were able to 'make the framework fit the goals, not vice versa' and integrate NVQs into licences to practise (Young, 2011, p. 273 ff). It was in their interests to give their money, time and expertise to ensure that the NVQs met their needs; in return the HRD policies underpinned the credibility of the qualification for both employees and employers in the sector (p. 277). As Unwin noted, it was possible even in unregulated sectors for 'the values and commitment of institutions, occupational sectors, and the individuals concerned' to be reflected in the way that NVQs were delivered, and where this happens

some NVQs bear no relation to the stereotype of a knowledge-light qualification that can be achieved by simply performing routine tasks...[when the] real world of individuals developing their skills and knowledge [are] supported by a range of teachers and trainers in a range of settings (2010, p. 52).

That stereotype appears to have been more common, however, as many employers saw the structure and bureaucracy involved in NVQs as too costly for an outcome that did not bring sufficient return, while smaller enterprises found it inappropriate for their setting to approach learning in such 'highly formalized and structured ways' (Bishop, 2012, p. 507).

2.4 An institutional role for employers in supporting state training arrangements 1987 - 1997

Employers, of all sizes, were intended by the traditionally business-friendly Conservative administration to play a central role in addressing social justice and economic growth through training, and they were also at the heart of reforms of the institutional landscape in 1987. Based on a

policy borrowed from the USA (Finegold, McFarland and Richardson, 1993), the Training and Enterprise Councils (TECs) were established to lever change in skills at local level (Bennett, Wicks and McCoshan, 1994). It is in the prospectus for the TECs where the strapline of ‘putting employers in the driving seat’ (p. 29) appears to have first featured in the aspirational rhetoric attached to state training arrangements.

The resources available to TECs, as employer-led private enterprises holding a contract with the state, were the budgets allocated for the state’s existing training and business support programmes, which initially they had some discretion to use as a ‘a catalyst for change with [their] community ... a forum for local leaders ...to raise skill levels and smooth the transition from education to work’ (Bennett, Wicks and McCoshan, 1994, p. 2). Unwin finds that most of the employers who sat on TEC Boards were in fact motivated by their ‘general commitment to their local communities’, not, as the government hoped, by the ‘leadership of the national training system’ advertised in the Prospectus, nor by the prospect of ‘reforming vocational education and training at local and national level’ (Unwin, 1996, p. 60).

However, it emerged that their actual role was to provide efficient oversight of the delivery of government targets for the Youth Training Scheme (YTS) and training for the unemployed, outsourcing the delivery of policy as part of the New Public Management (NPM) (see Chapter 2). The more they drove down costs in the procurement of these quasi-market programmes, the more discretionary funds they had. However, their performance was minutely monitored as systems were developed to count the specified ‘outputs’ - jobs and NVQs⁹ - while under-performance of contracts led to stern ministerial letters to the TEC’s Chair¹⁰ or worse¹¹. But while NVQs continued to define the success of these bodies in delivering the government training contracts, they delivered little value for most employers and few adopted them. This was not a paradox explored publicly by ministers,

⁹ Performance league tables for TECs were published comparing a range of precise indicators including the number of trainees, their age, ethnic origin and disability, and with relative achievement rates for each group, along with the number of weeks on programme (Source: author’s own records).

¹⁰ <https://api.parliament.uk/historic-hansard/commons/1991/nov/18/youth-training-guarantee>

¹¹ <https://api.parliament.uk/historic-hansard/commons/1995/jan/24/south-thames-training-and-enterprise>

who argued that since 'it is employers who are the customers for training and they are also the main providers of training ...[they should be] responsible both for promoting training by employers and for operating the Government's existing training programmes'¹². But the two worlds of training they described were very different, and the gap was growing between the training that employers saw as adding value to their own business¹³ and the new vocational qualifications that the state increasingly incorporated into its centrally designed training programmes.

2.5 The growth of outsourcing in education and training

This decade was a period of rapid growth in outsourcing in both the private and public sectors (eg Lonsdale and Cox, 2000, p. 2). In the private sector global changes to supply chains (explored in Chapter 4) led to changes in the boundaries of the firm, as non-core services were contracted out. A new industry of Business Services¹⁴ sprang up as subsidiaries of enterprises such as Capita, Serco and Carillion competed for contracts in the new public service markets, not only for road-building and office cleaning but also for government training. A wide range of commercial operators, including recruitment firms, not-for-profit and private enterprises spun off from local authorities and from central government departments, as part of NPM, started to compete fiercely with traditional FE college and other educational specialists to win contracts to deliver the TECs' business (Bennett, Wicks and McCoshan, 1994, p. 150). Without the overheads carried by educational specialists and FE colleges, many of these new organisations had low fixed costs and could deliver increasingly high levels of achievement of NVQ outcomes – with their undemanding pedagogical requirements - at ever lower prices. Since the reward systems for TECs and their providers depended on ever-higher levels of performance from these quasi-markets, one way to achieve this was to increase financial incentives for contractual outputs, even if this excluded 'hard to help' groups, the problem of 'cream-skimming' (Le Grand, 1991b, p. 32) discussed in Chapter 3.

¹² <https://api.parliament.uk/historic-hansard/commons/1988/dec/05/employment-for-the-1990s>

¹³ In the author's experience, employers serving as TEC directors secured institutional credibility through Investors in People accreditation, rather than by using NVQs

¹⁴ https://en.wikipedia.org/wiki/Business_Services_Association

The Further and Higher Education Act of 1992 which established TECs also freed FE colleges from local authority control and made employer and other governors non-executive directors, accountable for college solvency through the delivery of qualification ‘units’ (Hammond, 2003). This created perverse incentives, similar to those of the TECs, for ‘unit-farming’ by FE¹⁵, in which they offered a proliferation of ‘low-cost, poor-quality programmes including NVQs which failed to equip learners with the skills necessary for their long-term employability’ (Panchamia, 2012, p. 3). Even if their lack of effectiveness put the goals of higher skill productivity and social justice at risk, such policies reduced a complex issue to a few headline metrics of government achievement, which made them politically compelling. This was a key moment of jeopardy for employer ownership, as training output volumes became a more important ambition for the state than training effectiveness.

2.6 The Conservative launch of state apprenticeship programmes 1994: Modern Apprenticeships

It was during this period from 1979 to the early 1990s, as the impact of privatisation, two recessions and the acceleration of global supply chains transformed their sectors, that many of the manufacturing and construction jobs which supported the UK’s traditional apprenticeship programmes were lost. Around 1m jobs were lost in manufacturing and construction during the recessions of 1980 and 1990 (Jenkins, 2010, p. 29). While job losses were less severe in service industries, which were growing as a proportion of the economy, there were relatively few traditional structured career development paths within these industries on which new apprenticeships could be built. There were also no institutions to build them after 1982 when the Industrial Training Act was repealed and most training boards were disbanded¹⁶. The number of apprenticeships declined ‘from

¹⁵ The FE colleges, to whom employers had traditionally turned for the locally respected workshop and classroom-based part-time courses which supported their apprentices and other employees, had previously been funded by local authority grant, but after 1992 the FEFC used a system similar to that of the TECs of output-related funding.

¹⁶ Sectoral bodies continued to exist, no longer as independent entities but as advisory groups within the Manpower Services Commission, since from 1981 ‘responsibility for training would henceforth shift from the boards to the industry concerned’ <http://discovery.nationalarchives.gov.uk/details/r/C10166>

a peak of 236,000 in the late 1960s to 90,000 in the 1980s' (Gospel, 1991, p. 29) to a low of less than 50,000 in the mid-1990s¹⁷.

As youth unemployment rose through the 1980s, the much criticized Youth Training Scheme (YTS) was launched. Not only was it what Fuller and Unwin describe as 'a cheaper version of apprenticeship' but it also 'stripped out the key characteristics of the model of learning' because of the role of the provider:

YTS providers recruited young people to the scheme and found them training 'placements' with employers. For the young people involved, this meant that the training agent rather than any one employer was the most important focal point for their period on the scheme. The agent was the 'home' to which trainees returned, from where they received their state-funded weekly training allowance and off-the-job training, met other trainees and bided their time if they were waiting to find a suitable placement or were looking for a new one (Fuller and Unwin, 2009, p. 409)¹⁸.

When in 1994 the government needed a flagship skills training programme with greater employer ownership and credibility than YTS, it already had an institutional infrastructure. The TECs combined a business-friendly profile with an established contractual quasi-market machinery and tight accountability to government. They were the ideal vehicle through which to develop, promote and deliver the new quasi-market in training known as Modern Apprenticeships (MAs).

Initially MAs were led by employers through the TECs and supported by government as the 'third stakeholder' [in apprenticeships]... with a direct role in its funding and specification' (Fuller and Unwin, 2003). Unlike the lower-level YTS, MAs were only offered at craft or technician level, Level 3. The apprenticeship programmes were no longer defined by the number of years in training, as in the traditional model, but by the achievement of competence. Announcing the scheme, the Secretary of State David Hunt described how the programme was being designed by employers:

¹⁷ <https://www.parliament.uk/documents/commons/lib/research/olympic-britain/olympicbritain.pdf#page=81>

¹⁸ This model is almost identical to that of the Apprenticeship Training Associations (ATAs) described in Section 2.3; in April 2021 they were being relaunched and promoted as 'portable' or 'flexi' apprenticeships <https://www.gov.uk/government/consultations/flexi-job-apprenticeships-reshaping-the-role-of-apprenticeship-training-agencies>

It is now very much up to employers to develop the scheme. We have not laid down a statutory Government scheme: we have asked employers to come forward with prototypes that they believe will be successful in delivering at NVQ level 3—equivalent to two A-Levels—the skills that they believe are necessary in their industries'¹⁹.

However, these employer-owned innovations were not sustained, as provider contracts became more prescriptive and the flexibility employers had to design the programme was reduced. At level 3 perhaps MAs could have been supported by employers and might have become part of the solution for the UK to what was increasingly seen as a 'low skills equilibrium' which stood in the way of economic growth (Esland, 1991, p. 215). When in 2001 the New Labour Government re-branded much of the Level 2 youth training as Apprenticeships, however, Unwin argues that it overturned John Major's aim to create a distinctive, Level 3 pathway (Unwin, 2010, p. 54). The majority of 'apprentices' were still trainees receiving an allowance for work experience with training, not a wage: politically useful for reducing the unemployment statistics but different from a job with training. Apprenticeships had now become 'merely the latest in a line of misconceived Youth Training schemes', part of a portfolio of training schemes in which the state not the employer was the customer, for which young people expressed their 'hostility at being used as cheap labour' (Gray and Morgan, 1998, p. 124).

It was this Modern Apprenticeships programme, initially launched in 1994, which transformed England's apprenticeships system into a state-led, supply-led quasi-market for training, with work experience but detached from the demands of the labour market. Even as the Conservative government of the 1990s promoted *laissez faire* in industry and the sovereignty of management within the firm, the state's 'appropriation of apprenticeship as an instrument of policy undermin[ed] it as a model of learning' and wrested control from employers for 'what should be an employer-led process' (Fuller and Unwin, 2009, p. 409). It is ironic that the mechanism used for this transformation was the quasi-market which, as Chapter 3 describes, was designed – in line with the intellectual

¹⁹ <https://api.parliament.uk/historic-hansard/commons/1994/may/17/modern-apprenticeship-scheme>

discourse of the time - to combat government failure by introducing market-based disciplines into government intervention.

This transformation of apprenticeships from a labour market institution, driven by employer demand, into a policy instrument, driven by the ambition of delivering an arbitrary number of qualifications, did not go unchallenged as the new Labour administration came in.

2.7 Labour's support for state apprenticeship 1997 - 2010: the poetry and the prose

In 1997 the incoming Blair-led Labour administration declared its prime goal to be social justice, delivered through 'education, education, education' (Barber, 2007). Its key priorities were to get 50% of young people into Higher Education, and public sector reform. Apprenticeships were less of a state priority than the HE target, but still a concern: by 1998, 225,000 young people had started an MA in England and Wales, but 'rates of qualification and completion...and employer involvement' remained low (Mirza-Davies, 2015, p. 6). This section considers two examples of the reforms it introduced to apprenticeship and how successfully their implementation addressed issues of *employer ownership*.

Two major employer-led reviews, launched by the Labour government in response to concerns, led to policies espoused as significant reforms to make the system more responsive to employers. The first, the employer-led Modern Apprenticeship Task Force, called for a more 'demand-led' skills system (Cassels, 2001) which engaged directly with employers. Among Cassels' concerns were the lack of direct communication with employers by those commissioning programmes, and a confusion over the role of the 'training providers'. He argued that because it was the employers who did the workplace training, these organisations which the state funded 'facilitated...assisted and advised', but were not 'independent principals' so were more appropriately termed 'agents' (ibid, p. 13). This reference to the 'principal-agent' problem, where the agent may not always act in the best interests of the principal, is explored in Section 2.3. The government publication *21st Century Skills* (HMT, 2003) did not include a response on this point, but did promise to

put employers' needs for skills centre stage...raise ambition in the demand for skills...focus on driving up skills and productivity in each sector of the economy and in each region...create[e] a

truly demand-led approach...[by] reforming qualifications, reforming the way we fund colleges, and reforming the way we deliver training...[and] achieve much better joint working across Government and the public services (Foreward HMT, 2003).

One major policy for achieving this 'demand-led system' was Sector Skills Agreements (SSAs). This policy was designed to ensure that employers, as the customer and voice of demand in the skills and labour market, were using their market power to secure training provision which was relevant to their needs, high quality and good value: a critical requirement for 'real' apprenticeships. The SSAs were governed by the policy discourse that they were a 'deal' negotiated between 'partners representing both demand and supply' (HMT, 2003, p. 57), in which the employers in that sector would set out what their workforce and skills requirements were, now and in the future, so that Awarding Organisations such as City and Guilds could design qualifications which incorporated these skills and standards. In parallel with this process, and to deliver on the policy intent, the local LSCs²⁰ would carry out Area Reviews (eg HCC, 2004): these would eliminate any duplication, identify gaps and restructure local provision to address them. The training 'providers' facilitating an apprenticeship would then be able to find, and broker access to, provision tailored to what the SSA revealed that employers wanted, and the LSCs would then fund that.

What the SSA policy actually demonstrated, however, was that employers were not in fact empowered customers in a 'truly demand-led' system. The bureaucratic process of completing the SSAs was complex, time-consuming and laborious, and by the time they were published the policy tide had turned and the LSC stopped commissioning Area Reviews (Ramsden, Bennett and Fuller, 2004). After the policy, and the employer expectations built up by it, were eventually abandoned, it was found that it was not the policy intent, nor a lack of data that were the problem: it was that no means had been devised for implementing any of the decisions which employers or their sectoral bodies had made (GHK, 2008). The two policy levers which were required to work together had never been joined up, and local LSC offices were given 'neither the power nor the political support to

²⁰ In 2000 Labour had abolished the existing infrastructure of all post-16 education and training outside university, including apprenticeships, and created an integrated funding and planning body, the national Learning and Skills Council (LSC) with local branches.

reorganise provision...in the radical and innovative ways the original policy had suggested' (Steer *et al.*, 2007, p. 181).

The second review was commissioned by the Brown Labour government (Leitch, 2006) which responded with *World Class Apprenticeships* (DIUS and DCSF, 2008). Leitch's report had expressed concerns about low levels of both public and private investment in 'economically valuable' skills and qualifications in the UK, and the dominance of decision-making by government agencies; it called for more effort to 'put businesses in the driving seat'²¹ to make the UK 'a world leader in skills by 2020, benchmarked against the upper quartile of the OECD' (Leitch, 2006, p. 2). The government's response was to set new targets for expanding the number of apprenticeships, and two new flagship policies. First the 'Skills Pledge', a recommendation of the report, was intended to get employers to make a public commitment to 'take responsibility for the skills of their employees' (DIUS, 2007, p. 7) and to address poor levels of skill in their workforce. The concept was initially supported by the Human Resources (HR) press; it became increasingly challenging, however, of a policy which seemed to be focused only on 'delivering government targets for qualifications' (Blyth, 2008, p. 1). Second, the new 'employer-responsive' programme 'Train to Gain' funded providers to deliver qualifications, or units of them, to people in work. A slow start in delivering contractual targets, derived not from employer demand but from OECD benchmarks and described by the NAO as 'unrealistically ambitious', led to a rapid relaxation of the regulatory criteria; however, as demand from providers soared, both achievement rates and value for money were judged to be poor (Executive summary NAO, 2009, p. 1). As its published targets for the programme had been defined in terms of the number of participants, however, the SFA chose to challenge this conclusion by asserting that its objectives had been achieved (NAO, 2009, p. 8). Intended to be a policy driven by employer demand, the programme was instead found to have been characterized by 'employers being approached by 'cold-call' providers who offer to deliver and assess training, free, with minimal involvement by the employer' (Wolf, Jenkins and Vignoles, 2006, p. 557).

²¹ <https://www.ft.com/content/9f683162-8471-11db-87e0-0000779e2340>

To give the Skills Funding Agency (SFA)²² greater focus on its role in promoting and delivering apprenticeships, as distinct from the broader education provided by the FE and Sixth Form Colleges it funded, a separate division was created: the National Apprenticeship Service (NAS). However, NAS' role was still to achieve the targets rather than to engage employers *per se* or address issues of productivity through apprenticeship, despite the promotional efforts of an Apprenticeship Ambassadors Network of employers²³. Although the SFA funded advisers to promote Train to Gain, there were few direct relationships between the agency and employers within the SFA, other than the large employer unit the National Employer Service (NES)²⁴. There was also no reliable data on which employers were involved in apprenticeship, an anomaly first flagged by the Cassels report above (2001) as part of the problem of agency (discussed in Chapter 2). This was both a consequence and a symptom of the problem that it was providers, rather than employers, who were the agency's key partners in delivering their targets.

By 2010, when Labour lost power to a Coalition government, apprenticeship policies had been coming under increasing attack from employers, from more detached government agencies such as the NAO, and from academics. The employer-led body established following the Leitch review (2006) to be the voice of employers in the employment and training system – the UK Commission for Employment and Skills (UKCES) - demanded change. The old rhetoric of 'putting employers in the driving seat' reappeared, and in 2011 a new pilot policy under the title of 'Employer Ownership' was launched, which is the subject of the case study in Chapters 6 - 8 of this thesis.

2.8 Conclusion to Chapter 2

This chapter has shown how the challenges of securing and sustaining *employer ownership* have increased as the state has tightened its control over apprenticeship policies. It has shown how, responding to the recommendations of the external reviews it has itself commissioned, successive

²² In 2008 it was announced that the LSC was to be replaced in 2010 by the Skills Funding Agency (SFA)

²³ <https://engage.apprenticeships.gov.uk/aan-ambassadors>

²⁴ Pursuing my interest in the state's relationship with employers, I became the Director of NES 2006-2010

administrations have promised to put 'employers in the driving seat' of skills and apprenticeship policies, but have failed to design or implement policies which make this possible.

To understand how this has happened, Chapter 3 considers theories drawn from the traditional literatures of economics and political science, which may explain why the state is intervening in this labour market institution, and why its interventions may be failing.

Chapter 3: Market and government failures: the traditional explanations

Chapter 1 set out the focus of this study as *employer ownership* of apprenticeship, the challenges for policy makers in securing and sustaining it, and the barriers which prevent them addressing and overcoming these challenges. It defined success as the voluntary investment of ‘money, time and expertise’ by employers into a labour market institution which delivers ‘high payoffs for everyone concerned’ (Wolf, 2015b, p. 37). Chapter 2 described how, in the years between the launch of Modern Apprenticeships in 1994 and the Employer Ownership pilot in 2011, and despite its rhetoric of ‘putting employers in the driving seat’, the state used the mechanisms of the quasi-market (discussed in more detail in this chapter) to take control of apprenticeships and exclude employers from their decision-making roles. It argued that, either despite or because of this control, apprenticeship policy was failing to deliver the ‘real’ apprenticeships which employers would want to *own* and invest in.

Chapter 3 considers the extent to which the traditional theoretical perspectives on the economic justifications for state intervention to correct market failures, and the reasons given by political science for the non-market failures which may follow such intervention, can explain this. It considers the change of direction in the 1980s and 1990s, as different economic theories became influential over government policies on intervention, and public services were increasingly outsourced through quasi-markets. It explores the implications of this change for more recent state interventions into the provision or financing of vocational training, and particularly for employer ownership. Finally it reflects on the limits of all such approaches in providing an explanation for what many see as a peculiarly British phenomenon.

3.1 Market failure: the concept and its use in apprenticeship policies since 1994

Standard neoclassical economic theory argues that efficiency derives from individuals making their own self-interested judgements in a world of minimal government interference. However, there is also a long standing recognition that there are limits to individuals’ capacity to make rational

judgements, particularly over the long term, and that some features of economic life are not best advanced by purely individual choices: this can lead to 'market failures' (Littlechild, 1978, p. 12). The analysis of a market failure, according to these economic theories, is concerned with 'establishing the conditions under which competitive market allocations will be inefficient' (Le Grand, 1991b, p. 425) as a consequence of these individual choices. There may be inefficiencies either if the market produces more or less of a good, such as training, than is required for the firm to be competitive, or it may be 'allocatively inefficient' if it is a public good but not all consumers who need it have access to it. It will occur if there are externalities in the market whereby, for example, self-interested agents such as employers underprovide an activity such as the general vocational skills which have external benefits, if they cannot capture those benefits. It may also occur if the information in the market – in this case employers and potential apprentices - about the value of the good is imperfect or asymmetric. This will result in a lower level of the activity than is 'socially efficient' (p. 426) after also taking into account social justice and equity.

Neo-classical welfare economic theory claims that, where the market does not provide the right incentives to allocate resources efficiently for society as a whole, there is a case for government either to correct the incentives, or to replace the market entirely (Littlechild, 1978, p. 12). The Treasury requires that, before funded policy interventions are signed off, their value in social welfare in overcoming barriers created by market failures must be calculated (HMTreasury, 2020, p. 28).

In short, economic theory has provided a justification for state intervention in the *field* of vocational education, but not its *form*. This explains why the economics of vocational education and training, and policy makers' perspective on the nature of the market failures, are so central to this study investigating the incentives for employers to invest their money, time and expertise in apprenticeship.

The concept of market failure in apprenticeship

The theory of market failure in education and training which applies to apprenticeship is based on the theory of human capital (HCT) originally set out by economists Schulz (1961) and Gary Becker (1964). Their insight was that there were incentives for people to invest in their futures through education and training, and for firms to train, but that some individuals are excluded from such investment in

their own and, therefore society's, future. They sought to understand what it was that motivated individuals and firms to invest, and what barriers there were which inhibited this process.

This came to be called the human capital approach: if individuals invest in education and training to increase their skill level, they will be more productive than those who are less skilled, and will thereby justify higher earnings (McCracken *et al.*, 2017, p. 13). Becker summarized this in his Nobel lecture as:

Human capital analysis starts with the assumption that individuals decide on their education [and] training ...by weighing the benefits...[including] non-monetary gains along with improvement in earning and occupations, whereas costs usually depend mainly on the foregone value of the time spent on these investments (Becker, 1992, p. 392).

The cost to apprentices, however, is not just earnings foregone but the very low earnings that they may receive while in training.

To explain this, Becker made an important distinction between general and specific skills. Firm-specific human capital (such as understanding who in the firm to ask to resolve a problem) raises an individual's productivity only in the firm that provides the training: employees and potential employers would not benefit from the same level of productivity if they changed jobs. They may therefore share the costs since:

neither the employer nor employee would want to bear all the costs because then they risk being exploited by the other party. For example, if the employee bore all the costs the firm could threaten to fire the employee unless they gave the employer some of the increased productivity in terms of a wage reduction. The threat is credible since the employer is indifferent about whether the employee stays or goes (McCall, Smith and Wunsch, 2016, p. 493).

By contrast, general skills (such as communication skills) are *portable*. They raise an individual's productivity equally in all jobs: it increases their value to all firms. An employee could easily switch to another employer whether the firm had invested or tried to recoup the cost by reducing the pay of a trained worker to less than the value of this post-training marginal product. Firms will therefore be

less willing to pay for general skills primarily because, in a competitive labour market, where workers receive their marginal product, firms could never recoup their investments.

Becker argued that it is the employees themselves, therefore, not the firms, who have the incentive to bear the costs because, in competitive markets, they are the sole beneficiaries of the improvements in their productivity (Acemoglu and Pischke, 1998). They can anticipate higher future wages, regardless of the firm they are working with (McCracken *et al.*, 2017). In a perfect market they might pay for this by accepting a lower wage during their period of training (Becker 1964) or by accessing loans through the capital markets.

The problem of **market failure** is that there are both intrinsic and extrinsic barriers to such investments by individuals, derived from 'constraints in the markets and other systems that impinge on the demand for learning' (Green, 2013, p. 112). Green cites those who may need to access loans in the capital market if they are to meet their living costs and service their debts; there may be problems securing such loans if they do not have good credit records and if lenders believe there is a risk of default, for example through problematic behaviour. Others who would otherwise choose learning programmes to enhance their future earnings may be unable to access the childcare, or cheap transportation, that makes it feasible for them. For any of these external reasons, the demand for learning opportunities may be 'lower than its best level'. There may also be Intrinsic barriers where individuals may 'lack confidence in their ability to learn, perhaps resulting from poor schooling experiences' or have insufficient information available about the value of the learning. This may lead people to 'err on the side of caution' (Green, 2013, p. 112).

The evidence that individuals faced with such borrowing and other constraints will underinvest in human capital, relative to a situation with perfect capital markets, provides an important rationale for government intervention in education/training markets (Carneiro, Dearden and Vignoles, 2010, p. 494). Such market failures are also used to support policies to lower other barriers such as the provision of state-backed credit, subsidies for child care, and the improvement of information, advice, and guidance services, as aides to individuals' skill formation (Green, 2013, p. 112).

Despite the widespread use of HCT to legitimize state intervention in apprenticeships, the assumptions and their implications for policy making have been extensively critiqued. Green notes

that Backer's analysis 'oversimplifies matters' (Green, 2013, p. 85). The literature shows that there are real problems with its application. First the theory does not leave room for the 'agency of employers' (Green, 2013, p. 145) which might explain exceptions such as the 'observable fact that many employers do pay for general training leading to skills which are potentially useful in other firms' (Mason and Bishop, 2010). Second, Spence argues that education is primarily a signaling device to employers and does not necessarily provide information about the quality or skills of workers (Spence, 1973, p. 367). Third although the theory must hold across different economies, it does not explain why different political economies decide why and how to intervene in the apprenticeship market in different ways, or why there are significant differences between systems of apprenticeship across developed economies (OECD, 2017; Field, 2018) as discussed in Chapter 4.

In terms of its implications for English policy making, Keep argues that HCT is only important to the successive governments because it allows them to treat employers and the workplace 'as a 'black box' within which government intervention need not penetrate', so that whatever the issue is can be addressed by means of a 'government-funded skills initiative' (Keep and Mayhew, 2010, pp. 570, 578). Certainly, in the absence of a 'statement of purpose' from the state to clarify why the nation is supporting apprenticeships (Fuller and Unwin, 2008, p. 18), there are no parameters which can be used to guide the design of the policies, or to hold the designers to account.

Evidence which should be fundamental to the state's case for intervention, both macro and micro-economic, has been highly contested, as have been the conclusions to be drawn from it, since the nature of the problem of skills is defined in many different ways. In his analysis of what he sees as the causal link between skills and the economy, Finegold (Esland, 1991) sees a spiral of decline in demand for and investment in higher level training – a 'low skills equilibrium' - which determines not only what levels of skill exist in the population, but also the product-market strategies available to industries to compete. However, some argue that the causality argued by Finegold runs in the opposite direction: that the low investment in training by employers is the *consequence* of their product market mix, not its *cause* (eg Keep and James, 2010, p. 7), a debate which I return to in Chapter 4. Others see the *laissez faire* state as being at the root of the problem, in being 'supportive in fact, if not in rhetoric, of the continuation of the short-termism that has dogged British industry',

arguing that the state should not settle for this 'neo-liberal version of globalisation' (Lauder, 1999, p. 291), but do more to support the post-Fordist 'knowledge economy'. This has led to calls for a change of direction with a 'more active state with greater regulation of the labour market and control of the City' (Lloyd and Payne, 2003, p. 91). Some argue that it relates to a problematic relationship between firms and their workforce in the UK: whereas investments in physical capital are strictly the company's own decision, investments in the skills of its workforce involve interaction with the employees to be trained, so the firm and its workers must find a way to agree on the sharing of costs and benefits of those investments (Wolter and Ryan, 2011, p. 525). The Institute of Fiscal Studies argues that the key problem is not so much the drop in apprenticeships as the lack of policy focus on skills for productivity; consequently, although 'the UK does have a productivity and skills problem compared with other countries, 'the extent to which lower use of apprenticeship training contributes to [it]..is far from clear' (Amin-Smith, Cribb and Sibieta, 2017, p. 6).

Such a lack of clarity, on what problem is being addressed by the state's interventions, has consequences for employer ownership. In the liberal market economy of England explored in Chapter 4, the *laissez faire* state makes it clear that workplace skills are a matter for employers because 'nobody understands the skills employers need better than the employers themselves' (BIS, 2015b, p. 1). Since it cannot be assumed that even the employers themselves will always know precisely what those skills are, it is not at all likely that the state can second-guess the workplace training components of apprenticeship. The same may not be true for the general vocational skills training, which HCT argues is where the market failures lies.

Despite these uncertainties, state intervention into apprenticeship since 1994 has been designed to incentivize and regulate the whole programme, including workplace training, through its funding and audit processes. This fact was noted both by Cassels (Cassels, 2001, p. 17) and Ryan and Unwin (2001), and led to Wolf making recommendations for 'subsidies to employers when they are involved in general education rather than specific skill training' (2011, p. 12). However, its significance was seen differently by each of them. Only Cassels saw its importance for employer ownership: he noted that there was no added value in the NVQ – the accreditation of workplace competence at that time – for employers with the commitment to run their own apprenticeship programmes inhouse, and

suggested that their programme should instead be 'approved' by their sector body (p. 17). Ryan and Unwin saw the decision to set a price for the whole programme as 'state pragmatism': they suggest it was driven only by a desire 'to generate sufficient apprenticeship places to satisfy a government keen to meet its skills targets'. However, what might appear to be pragmatism – routing the whole apprenticeship grant or contract through the provider - means that in practice the state has acquired regulatory control, through its contract, not just of the vocational education or off-the-job training funded by the state but also of the work-based training component. The intervention is being used not only to address the market failure but to legitimize greater state control over the part of the apprenticeship where the employer makes the greatest contribution. If the effect is to crowd out investment by the employer, it risks a failure by the state to allocate resources efficiently, and also a loss of employer ownership.

This section has shown that markets can fail: but so can governments. I therefore turn in the next section to the classic literature which seeks to explain 'non-market', 'government' or 'political' failures, and which will provide a theoretical frame for the analysis of the case study in Chapters 6 - 8.

3.2 Non-market failures: the explanations of economics and political science

An economic perspective on non-market failure: public choice

Using the same classical theory of 'rational choice' which was seen in the first section of this chapter to underpin theories of market failure, the theory of government or 'non-market' failure put forward by Charles Wolf (1986) and developed by Le Grand (1991b) claims that Government institutions too may

Fail in a fashion that parallels market failure...Neither markets nor governments can guarantee that results will be either efficient or equitable' (Wolf (1986) in Le Grand, 1991b, p. 428).

The literature of political science, which I draw on in this section, applies the methods of economics to the day to day practice of politics and governance to suggest that self-interest, or rational choice, drives not only the decisions of the market but also the decisions of policy makers. Individual public servants, like everyone else, make choices that are for their own or their organisation's advantage rather than for that of those they serve. Their choices may not align with the public interest.

This claim that the public interest may not always be well served by government intervention has a modern sobriquet - the economic theory of Public Choice - but is not a new argument. Early proponents included Machiavelli in 15th century Italy and David Hume in 18th century England²⁵, but it is fiercely contested by those who believe that public servants are ‘knights’ driven by altruism and the desire to provide a public service (eg LeGrand, 2010). The early modern Public Choice literature saw officials as driven primarily by the need to maximise their budget (Niskanen, 1971), an explanation derived from US bureaucracies but made more relevant to the British context by the incorporation by Dunleavy of ‘a wider range of phenomena’ relating to the self-interested choices of British politicians and lobby groups (1991, p. 7). Challenging the prevailing view described in the previous section, that intervention is needed to improve social welfare in the ‘public interest’ by correcting cases of ‘market failure’, this literature sees such state action instead as ‘a process by which individuals seek to protect their own interests’ (Buchanan and Tullock in Butler, 2012, p. 34).

Public choice provides a useful framework for looking at the actions of the different parties in the case study in Chapters 6 - 8. It might seem, in the context of apprenticeships, that policy makers have no conflicts of interest. However, the English policy process may provide opportunities for self-interest which are relevant here. The first is the general phenomenon observed in bureaucracies, described by Dunleavy as ‘bureau-shaping’ (Dunleavy, 1991, p. 7). Known in England as *machinery of government changes*²⁶, the constant restructuring of the institutional infrastructure has been a dominant feature of the landscape of apprenticeship, as cited by a despairing group of stakeholders (City&Guilds, 2014) and described in Chapter 2. This trend was enabled by the power of the state executive (a characteristic of the English Constitution considered in chapter 4) and accelerated by the introduction of New Public Management, quasi-markets and the phenomenon of outsourcing, introduced in Chapter 2 and discussed further in Section 3.3. Christopher Hood, previously a senior official and then an academic, sees the phenomenon and its impact on the delivery of public services as:

²⁵ *The Independency of Parliament* (1742)

²⁶ <https://www.gov.uk/government/publications/machinery-of-government-changes-information>

the propensity of top public managers to aim for high-status analytic work in collegial elite units and to distance themselves from front-line supervisory roles in favour of a 'super-control' position which offers more job satisfaction and less tedious routine. Once bureaucrats adopt such preferences, there is nothing against their interests in enthusiastically cutting service delivery budgets down the line, or in breaking up and deprivileging the world of public service delivery, so long as the power and status of central agencies is retained or augmented (Hood, 1995, p. 94).

The second area where self-interest by policy makers is of interest is in the way that they define outcomes and measures of success. The setting, for example, of a '3m starts by 2020' target for the expansion of apprenticeship by the Conservative government in 2015 was described (later), by the minister who announced it, as a political decision (Ryan, 2018), and by Wolf as a 'heart-sink for anyone listening' (Wolf, 2015b, p. 37). The drive to achieve such volumes has dominated apprenticeship policy, and may have excluded other measures which might have better safeguarded the social or economic goals supporting the ownership of employers.

A third opportunity for self-interested decisions by the state arises from the implications of the first two: in setting targets and designing the apprenticeship quasi-market created by NPM to deliver them, the regulator is able both to manipulate the outcomes it wants, and to create incentives for contractors to deliver them. This institutionalizes the problem of 'agency' in apprenticeship policy identified by Cassels (2001, p. 13) referred to in Chapter 2, since the best interests of providers (and potentially of employers if they hold the contract) is in delivering the priorities of the state which funds them (Jensen and Meckling, p. 1976), not those of the employers who are customers of the system. The case study provides an opportunity to observe how committed the state is to addressing this problem.

Public choice can be seen therefore as a key cause of non-market failures in apprenticeship policies, but through operational mechanisms which are hidden from most observers. In this case the expansion of the apprenticeship numbers may appear to justify the state intervention, but if it does not deliver better productivity and skills, or incentivize investment by employers, it is not obviously good value for money. On the contrary, the self-interest of ministers, officials, providers and

employers in the achievement of such expansion may have led to 'more of the non-market activity...than is warranted by the original market-failure reason for undertaking it in the first place' (Le Grand and Bartlett, 1993, p. 13).

A political science perspective on non-market failure: the policy process

The previous section has described the economic perspective on how and why government interventions can fail, citing the concept of rational choice and the self-interest of policy makers to argue that this might help to explain the problem of the failure of the state to secure and sustain employer ownership of apprenticeship. However, other social science disciplines analyse causes of failure which are not purely economic:

Economists generally ascribe policy failures to the absence of those incentive structures that should induce individuals to pursue their consistent and stable preferences ...Political scientists, on the other hand, identify the root cause in the power of the entrenched interest of various political groups inside and outside government...Organisational theorists in turn draw on institutional conceptions of social life, defined as a set of shared meanings and practices established over lengthy periods (Fotaki, 2010, p. 703).

This section illustrates not only the 'rational' perspective but these other two perspectives on policy making – the political and the organizational - which may also add to the understanding of policy failure in employer ownership. Each one provides what Allison and Zelikow, in their classic analysis of perspectives on decision-making following the Cuban missile crisis of 1962 (1999 first published 1971), describe as different pairs of 'glasses which magnify one set of factors rather than another' and so lead to different explanations of problems that appear to be the same (p. 387). They argue that the rational actor model, which analyses 'how an individual has defined his problem and what resources he has available', is often the main way that we seek to understand people's decisions, as I did in Section 3.1. They claim however that this approach is inadequate for the task, and that the dominance of this lens of rationality may cause the analyst to overlook other important factors. These factors are not only the politics - the bargaining and games between, and the individual current motivations of, the players who share power – but also the impact of the institutional or organizational pressures on individuals' actions, which may overshadow the decisions of the political

leadership. I find compelling Allison's argument that the analyst should employ all three of these conceptual lenses, not choose between them. This approach informs the analysis of the case study that follows in Chapters 6 - 8.

Policy as a rational process

The rational actor model which is the main model most analysts use to understand people's decisions, as identified above, is embedded in government thinking (Green Book Treasury, 2011). In the early policy literature (eg Lasswell, 1970), analysts saw policy making as a comprehensively straightforward process where 'society can be [the] object of a rational design; social problems can be solved' (Hill and Hupe, 2012, p. xxix). Because of the 'staggering complexity of the policy process, the analyst must find some way of simplifying the situation in order to have any chance of understanding it' (Sabatier, 2007, p. 4). The process is often characterised therefore as moving smoothly through the 'stages' of a planned policy cycle, from agenda setting to evaluation to a rational decision to terminate or maintain a policy. Emerging at a time when administrative planning for a better world in post-war Europe was still seen as the key task of policy makers, the early policy literature (eg Shonfield and Reisman, 1994) sees such 'comprehensively rational' policymakers as combining their values with evidence to define policy problems and their aims, 'neutral' bureaucracies producing multiple possible solutions consistent with those aims, and policymakers selecting the 'best' or most 'evidence-based' solution (Hill and Hupe, 2012, p. 9). In this idealized world, the policy decision-making process would be predictable, and all actors would know how to engage with policymakers to translate their evidence into policy. The belief has endured in hearts and minds, if not in reality, that 'politicians decide on policies, while administrative agencies implement these policies' (Gottweis, 2017, p. 23).

Over time, however, other theories emerged, for example from the analysis of an economic development programme conceived in Washington and implemented in Oakland Ca. (Pressman and Wildavsky, 1984) where Pressman and Wildavsky challenged this hyper-rational view (Ostrom (1991) in Sabatier, 2007). They observed that it was 'amazing that federal programmes worked at all', given the vast number of systems of communication and control involved in implementation. The hyper-rational top-down perspective on policy making and implementation, described above, was

understood to be perpetuating what Elmore (1979-1980) described as ‘the ‘noble lie’ of conventional public administration and policy analysis ...[which is] the implicit and unquestioned assumption that policymakers control the organizational, political, and technological processes that affect implementation’ (p. 603).

If, as this literature suggests, however, a complete policy cannot be designed in detail at the top of a hierarchy and implemented faithfully at the bottom, then it has to be adapted during implementation in response to unforeseen events, to meet the original objectives or to correct errors (Mazmanian and Sabatier, 1989). Such adaptations may be incremental (Hill, 1997, p. 197) and require both a feedback system to inform the policy, and a willingness on the part of policy makers to learn from such experience and to make changes in a continuum of ‘policy-action’ from the ‘bottom-up’ (Barrett and Fudge, 1981, p. 15). Such willingness cannot be taken for granted: Barret and Fudge claim that it can be easier for policy-makers to blame ‘street-level workers’ than to develop and seek out their problem-solving skills: the need for change can be positioned as a failure by the implementers, and policy makers might raise questions about the legitimacy of operational decisions taken in response to experience. There may also be a difference of view between different arms of the state on how to measure the success of a policy (as in the SFA’s response to the NAO criticism of Train to Gain (2009, p. 8) cited in Chapter 2).

I see the ‘noble lie’ of the rational actor perspective, and its belief in the crude economic incentives for employers discussed in Chapter 1, as an essential starting point for understanding what factors may have caused the failure of design or implementation of policies to secure employer ownership. However, it is just a starting point: policies designed by ‘top public managers’ who lack expertise in the apprenticeship field may well not be interested in feedback from ‘street-level actors’; they may not be ‘neutral’ bureaucrats, and there may be inconsistencies, for reasons which may not be at all rational, between the way that a policy is espoused and how it is enacted. Gottweis argues that what is missing from these rationalist analyses of policy is the importance of ‘phenomena such as trust, credibility, virtue, emotions, feelings and passions’ (Gottweis, 2017, p. 237). This has informed my approach to the case study.

Policy as a political process

There may be evidence that there is a social or economic problem to be solved; there may also be many conflicting but still legitimate views of what that problem is, and of the best way to address it, as cited by Barrett and Fudge above. Different stakeholder perspectives on apprenticeship may reflect different views, in the absence of any clear statement of purpose from the state, on what exactly the state's investment in, and regulation of, apprenticeship is designed to achieve. For some it may be assumed to be to constrain the self-interest of employers by regulating their workplace training, while others imagine it must be addressing skills gaps for example in STEM skills. While there may be a consensus that there is a lack of *employer ownership* of English apprenticeships, the problem may not be perceived as the absence of the time and expertise of employers which make apprenticeships 'real' for learners and the economy as defined in Chapter 1, but simply as a shortfall in revenues to pay for public services. Increasingly therefore, through the 1990s, the policy literature recognises (Elmore, 1979-1980; Kingdon, 1995; Sabatier, 2007) that securing a policy change, such as that needed if employers are really to be 'in the driving seat', is not only a complex process but one which is highly politicised.

For example, the building of a coalition of support for EOP, the case study policy considered in Chapters 6 - 8, can be analysed through the Advocacy Coalition Framework ((1999) in Vol 1 Hill and Hupe, 2012, p. 204). This theory posits that coalitions of political support are built, not from rational analysis based on evidence, but from the shared beliefs about the world which drive the decisions of the actors. Members of such a subsystem or coalition may share

some almost religiously held deep core beliefs,...[will] resist information suggesting that [these] may be invalid and will use formal policy analyses to buttress and elaborate those beliefs to attack their opponents' (Sabatier, 2007, p. 323).

The literature argues that even passionate coalitions will not by themselves, however, be sufficient for a radical change of policy without other factors coming into alignment. In his model of Multiple Streams Analysis (1995), Kingdon uses the metaphor of the messy and contingent policy development process as a 'primeval soup' composed of three streams of actors and processes:

a problem stream consisting of data about various problems and the proponents of various problem definitions; a policy stream involving the proponents of solutions to policy problems; and a politics stream consisting of elections and elected officials' (Sabatier, 2007, p. 9).

These streams normally operate independently of one another and it is the lack of coordination between them which inhibits radical change. Occasionally however a 'window of opportunity' opens, and if there is a 'policy entrepreneur' ready and able to couple the various streams successfully, the result can be a major policy change. Chapter 6 will show that new policy thinking and business leadership from the UK Commission for Employment and Skills (UKCES) in 2010/11, at a time when the incoming Coalition was open to new ideas, opened such a window and made it possible to start a radical change to the funding system for apprenticeships, intended to give back to employers the power to commission their own apprenticeship training. This led to the launch of the Employer Ownership of Skills Pilot.

However, in addition to the individual self-interest and political games which can lead to non-market failures, a third powerful force is the inertia of the bureaucracy.

Policy as an institutional or bureaucratic process

This third perspective on decisions which may lead to policy failure is that which sees them simply as the 'outputs of large organisations functioning according to regular patterns of behavior' (Allison and Zelikow, 1999, p. 5). This framing of the acts and choices of officials may help to explain decisions in the case study. Under the scrutiny of hindsight, such decisions by officials may appear to be inappropriate, leading to accusations that officials are lacking the skills and capacity to do the job that is required, or are deliberately resistant to changes in direction²⁷. This risk, likely to be exacerbated by uncertainties introduced by the constant bureau-shaping described above, has been acknowledged within the English Civil Service. For example, a speech in 2018 by the CEO of the Civil Service described his 'vision' for a transformation of the Civil Service from one which is dominated by people

²⁷ <https://www.theguardian.com/politics/1999/jul/07/uk.politicalnews2>

with a 'policy or economics background' to one which is 'as effective in execution, services and procurement as ... in policy-making' (Manzoni, 2018, p. 1).

The inertia of bureaucracies in responding to new policies is explained by Ostrom's theory of 'Institutional Rational Choice' (Ostrom, 1991) as the influence of powerful institutional norms on individual behaviour. Ostrom claims that the decisions made by those who have to implement policy are determined by their 'institutional responses to certain triggers', responses which are so well-established that, even if decision-makers wanted to stop them, 'they [would] not have the information or power to do so'. She argues that such behaviours are the consequence of 'bounded' rationality' (Simon, 1957) by 'fallible learners... [who] must make choices based on incomplete knowledge of all possible alternatives and their likely outcomes', but whose specific behaviours have been shaped by the norms and processes of their institution (in Sabatier, 2007). This 'logic of appropriateness' leads actors within state bureaucracies to be guided by criteria of 'similarity and congruence rather than likelihood and value' (March and Olsen (2008) in Vol 1 Hill and Hupe, 2012, p. 58). As the case study in later chapters illustrates, while such caution by officials can operate to protect the taxpayer from poor policy designs or from the self-interest of individual ministers (see Section 3.3), it may also inhibit or subvert policy change.

Perspectives on the tensions within the policy process

These three lenses on decision-making in policy described above – the rational, the political and the organisational - illustrate some of the pressures on policy makers, as perceived by the literatures of political science. They may lead to unresolved tensions or inconsistencies between the policy as it is described in the policy rhetoric, and what the policy levers actually deliver during implementation. While the rationalist analysts of policy expect consistency between the policy rhetoric and implementation, others see such inconsistencies as inevitable, even desirable. Ball claims that policy texts are 'primarily discursive' (1993). He challenges the notion that they will be 'clear or closed or complete', because it is not the discourse which determines the outcome but the processes. He argues that all the discourse does is to 'establish the location and timing of the contest, its subject matter and 'the rules of the game'' (Offe (1984) in Ball, 1993). Others see the rhetoric as a discourse shaped by the politics, which becomes a 'narrative storyline': this is seen as an interpretative process

to 'offer social orientation, reassurance or guidance' designed to hold fragmented policy coalitions together in support of a policy change (Fischer, 2003, p. 10). The policy as it is then implemented through funding, regulations or legislation – the policy 'levers' (Steer *et al.*, 2007) or 'instruments' (Hood, 1995) available to the state - will be shaped by different pressures on the bureaucracy such as the logic of appropriateness described above. Chapters 6 - 8 explore how this happened after the *espousal of employer ownership* as EOP was launched.

Other theories of the policy process consider the risks and consequences for the effectiveness of policy making if such inconsistencies are left unresolved. Davies and Hughes argue that it is these inconsistencies between the rhetoric and the implementation, which they describe as the *espousal* and the *enactment* of a policy (Evans, 2003), and the way that they are *experienced* by participants, as 'policy fractures' which may cause the policy to fail (2009, p. 596). They provide a typology for analysing such fractures: these include a shortfall in skills and capacity within the bureaucracy, conflicts between different arms of the state, and a clash of ideologies. This typology is used in the case study in Chapters 6 - 8 to frame the analysis of challenges to employer ownership, and the barriers for policy makers in overcoming them.

3.3 Mitigating market and government failures: the apprenticeship quasi-market

Section 2 of this chapter explored the claim, in the literature on non-market failures, that the self-interest of politicians and bureaucratic decision-makers was a key cause of failures by states to achieve economic or distributive efficiency in their interventions. It argued that resources could be misallocated, in the absence of market signals to link supply and demand to set an equilibrium for prices and volumes, in a drive to oversupply specific outcomes or shape policies in ways that were not in the public interest. In the late 1980s in the UK, a theory was developed by economists to address these kinds of 'non-market' failures in social policies through the creation of 'quasi-markets' (Le Grand and Bartlett, 1993, p. 2). The use of this policy instrument has been, as cited in Chapter 1 and discussed below, at the heart of the state's intervention into apprenticeships, through successive governments with different political leadership, since 1994.

This section explores the importance of quasi-markets (QMs) to skills and apprenticeship policies. It considers how the concept emerged, and why successive governments in the UK have adopted and retained them as a way to address the market and non-market failures explored in previous sections. This provides the political and ideological context within which the quasi-market was used for the policy experiment in the case study in Chapters 6 - 8, and enables me to explore in greater depth the implications, for the Employer Ownership Pilot, of how it was operationalised.

Quasi-markets: bringing market disciplines into public services

The term quasi-market was coined to denote a market mechanism in which the state was primarily the funder, but not the provider, of public services. The classic texts (eg Le Grand, 1991a) describe how the state would tender for services from a wide range of private, voluntary and public providers, competing independently of one another to win resources that would be determined by the outcome of this bidding competition. Minimum intervention would be required from the state beyond setting the regulatory framework and monitoring delivery. The market this created would be 'quasi' because it differed from conventional markets on both the supply and demand sides. On the supply side, there were competitions for resources between different types of organisations, both private and not-for-profit (Le Grand, 1991b, p. 1257). On the demand side, the service would be specified and quality assured by public commissioners on behalf of customers, and delivered by their agents.

The contracting out of public services through such quasi-markets has become routine for the UK economy since the 1990s (see Chapter 2). The NAO estimated that half of public expenditure on goods and services were commissioned in this way by 2012 (NAO, 2013). It began in catering and cleaning services for the NHS (Le Grand, 1991b, p. 1258), in education with the 'big bang' of the Education Reform Act in 1988, and by 1989 most local authority services, from refuse collection to libraries, were subject to Compulsory Competitive Tendering (CCT). It was not just in the public sector that this shift in decision-making from 'make' to 'buy' took hold. It was also used extensively by private sector organisations whose activities had previously been vertically integrated, but who were now concentrating on their core functions, while outsourcing internal corporate services such as facilities management, IT, training and Human Resource Management (HRM) which required specialisms not considered core.

In principle, the quasi-market was designed to mimic the self-interested decisions of individual producers and consumers operating in a competitive market, and thereby to mitigate the risks that resources will be misallocated. The problem with this rational approach, however, is that, unlike a conventional market, one player has all the power. In the apprenticeship quasi-market it is the state which specifies the service, defines the regulatory framework, determines eligibility for funding, defines and applies the audit standards, identifies how contractual success will be measured, and sets the prices. The providers have some power if successful delivery is also important to their customer, the state, and they comply with the rules and receive state funding. However, unless they hold a contract themselves, the power of the employer is limited to choosing a provider and any options offered to them by that provider. The perspective of the quasi-market as a means to address non-market failure does not, therefore, take into account how the details of the quasi-market are defined within the ideological, political, and organisational context of the time, as explored in the next section.

The political and ideological context of quasi-markets: neoliberalism

This is not the place to discuss the wider advantages and limitations of quasi-markets, but they were at the heart of the wave of reforms to public administration and services, known as New Public Management (NPM) (Hood, 1995) under the Conservative leadership of Margaret Thatcher, as outlined in Chapter 2. They operationalised in a British context the thinking of US economists of the 'Austrian' school, Hayek (1944) and Friedman (1993) which became known as 'neoliberalism'. This challenged the prevailing orthodoxy of neoclassical welfare economics, of a mixed economy of private and public provision, cited in Section 3.1, in which the bundle of publicly funded goods and services known as the welfare state was a key 'instrument of greater social justice understood as greater social equality' (Plant, 2010, p. 116). Neoliberals argued that a more effective way to achieve an efficient, responsive and increasingly wealthy economy, and to lift people out of poverty, was to remove government-imposed regulations and barriers to new entry (such as nationalised industries and industrial cartels and collaborations), to strengthen the system of private property through enforceable contracts, and to allow the market to regulate itself and find its own equilibrium (Littlechild, 1978, p. 93). In claiming that competitive markets are the only source of prosperity in society, neoliberals also argued that not only state intervention but collaborations between economic

actors were distortions to be kept to a minimum (Hann, Hann and Hart, 2009, p. 2); that marketisation was a rational and neutral technique, to ensure that individuals were able to make decisions in their own interest, and that governments could not do better and should step away.

These claims were highly contested by those who disputed such decisions as a rational process, and saw them as political, as described in Section 3.2. Cutler and Waine see the notion that quasi-markets are a neutral bureaucratic 'technique' as particularly problematic, arguing that they are instead 'distributional mechanisms' whose operation is in fact political (1997, p. 22). Bourdieu claims that the argument that collaborations were an obstacle to the 'logic of the pure market' were driven not, as was claimed, by rationality but by those whose power came from the 'political and economic power of those whose interests it expresses': those who had most to gain from lower taxes and less regulation (Bourdieu, 1998, p. 1). Polanyi observes that 'keeping the free market open' required not a lessening of intervention by the state but

an enormous increase in continuous centrally organized and controlled interventionism...[for which the state had to be given] new powers, organs, and instruments required for the establishment of laissez-faire (Polanyi, 2001, p. 147).

Despite the controversies, these were the ideas which drove the 'bureau-shaping' reforms of public services and the introduction of quasi-markets in the UK in the 1980s, as well as radical changes to the state's interventions in economic development and industrial strategy. As public sector bodies in the UK were reorganised under NPM, the changes were highly significant for the design and implementation of training policies in the UK and the impact of the quasi market in apprenticeship on employer ownership, identified below and explored in more detail in Chapters 6 - 8.

State-funded training had previously been overseen by the tripartite planning system of the Manpower Services Commission, as described in Chapter 1. As unemployment rose in the 1980s, and it became clear that the labour market at least was not self-regulating, or not within a timescale appropriate for the politics of the time, the Conservatives under Thatcher were forced to intervene. However, since 'massive state intervention was undoubtedly contrary to the[ir] neoliberal principles...they tailored that intervention to effect a shift from a tripartite to a neoliberal training regime' (King, 1993, p. 234), putting state-funded provision out to competition. The management,

reporting and accounting approaches of the bureaucracy managing apprenticeships, like all public services, was redesigned to mimic methods used in competitive markets, as observed by ex-official Hood (Hood, 1995, p. 97). Budgets were reworked to be transparent in accounting terms, with costs intended to be attributed not to inputs but to outputs, measured by quantitative key performance indicators (KPIs). As NPM required ‘a shift in emphasis from policy making to management skills, from a stress on process to a stress on output’, Hood notes his concern that there had been no debate about what core competencies needed to be retained by public servants in such changing conditions. He argues that a public service organisation could be ‘hollowed out’ as it distanced itself, both from the realities of the service and from why it was needed. It would be ‘progressively losing its grip on the insights available from involvement in production, losing sight of possibilities for new forms of competition, and possibly losing direct contact with ultimate customers’ (Dunleavy and Hood, 1994, p. 16). Hood claims to have observed public servants coming to view providers in their quasi-markets as ‘a chain of low-trust principal/agent relationships’, and he notes other changes impacting on the culture, skills and capacity of the public sector. He also argues that, in offering discretion and flexibility to a wider group of officials than the civil service elite, NPM now also offered less protection from ministers’ and officials’ self-interest (p. 9).

These concerns may be highly significant in this analysis of the impact of state intervention through the quasi market on employer ownership, identified below and explored in more detail in Chapters 6 - 8. Those officials who agree apprenticeship contracts with providers may no longer need any understanding of apprenticeship: they only need to monitor whether the contract is delivering its contractual outcomes. The contractual outcome itself is approved elsewhere (Dunleavy in Hood, 1995, p. 102), in apprenticeship in what is currently the Institute for Apprenticeship and Technical Education (IfATE)²⁸. Good practice would require the commissioners of such services to keep their distance from their contractors but the need for both of them to achieve ambitious apprenticeship targets may create a relationship of intense mutual dependency between the state and its provider ‘agents’ as its key partners. By contrast, the state’s market ideology eschews such closeness with the

²⁸ <https://www.instituteforapprenticeships.org/>

employer: one of the many paradoxes of the quasi-market policy on apprenticeships (discussed in Chapter 4).

While the UK has been in the forefront of this approach to outsourcing public services, Hood notes that in fact some form of NPM was adopted from the late 1980s onwards across most OECD countries including those with left-wing governments such as Sweden. Chapter 4 considers some of the key differences in the approaches taken by nation states, and the implications of those differences for their labour markets, their apprenticeship policies and for the relationships between state and business. The next section considers how the interests and ideology of the political establishment were to be embedded in the design of the quasi market for apprenticeship.

The state's ambitions for the apprenticeship quasi-market: measures of success

The way that the quasi-market reveals political priorities can be seen most clearly in the way its success is measured. Early in their introduction, Le Grand and Bartlett proposed a set of four measures or criteria against which any quasi-market might be judged (1993, p. 14ff). These are: *value for money*, which delivers both quantity and quality at the lowest possible cost, because 'there is nothing caring about wasting resources ...[and] a low cost service may also ... deliver a low level of benefits to the people who use it'; *responsiveness*, which can also be measured as part of a judgement on *quality*; and *choice for customers* of service or provider, to promote provider efficiency through the mechanism of competition and to achieve other policy ends such as a greater diversity of providers. Their fourth criterion, *Equity*, which they note under the Conservative administration of the time 'rarely appears explicitly as one of the policy objectives of the quasi-market reforms' (though this changed under New Labour²⁹), they define as achieved when service use is 'determined primarily by need...[rather than] income, socio-economic status, gender or ethnic origin'. *Equity* may also be elusive: quasi-markets may have similar problems of selectivity to those of real markets (1993, p. 24) as described in Chapter 1. In order to meet their contractual targets, providers may act to select those clients who are easiest and cheapest to deal with, and they may thereby sustain social injustice

²⁹ Prime Minister Tony Blair set out these principles in a speech reported at <https://www.theguardian.com/society/2002/jun/10/social-exclusion-politics1>. CCT remained in place under Labour but now required local authorities to include criteria other than cost.

rather than overcome it. The quasi-market may fail to establish real choices for all users, but these failures will not be transparent.

While these criteria might be considered to be common sense, the measurement of them, in apprenticeships as in other public policies, may be both problematic and political but, within the quasi-market, is rarely transparent. *Value for money*, for example, is as much about the quality of the outcome of the apprenticeship, and how much it is valued by employers, as it is about cost, but would seem to be harder to measure. On the costs, a judgement is required on what is included: the average cost in participation funds can be calculated, but if a new infrastructure is required to create and sustain the quasi-market, that cost should also be included because 'if the market relationship is a contractual one, then contracts must be devised, their implementation monitored and, if necessary, enforced' (Le Grand and Bartlett, 1993, p. 13).

Decisions on defining contractual outcomes, and how to assess them, may be even more problematic. If, for example, apprenticeship regulations require that workplace assessment must be done by an outsider, it may be easier – and feel more appropriate if that assessor is from an educational background – for them to tick off educational inputs than to judge a level of workplace competence and improved productivity. Despite the Train to Gain rhetoric emphasising responsiveness to employers' needs and preferences, the outcome appeared to have been shaped to 'match government ideas on how to promote productivity' (Wolf, Jenkins and Vignoles, 2006, p. 540). Self-interest may also shape the quasi-market where there are ambitious targets to meet. In the well-publicised case of provider Elmfield's programme for the supermarket Morrisons, for example, '17,870 apprentices aged 25+ [started] on a Level 2, 99% of them in retail' over a period of nine months (Linford, 2012, p. 1). Given the financial return to Morrisons from their arrangement with the provider, there may be little doubt in this case of what was driving their decisions. Previous sections have noted the significant problem of agency in the choice of qualification in the apprentice's learning programme. If it is easier and more profitable for providers to deliver a lower level qualification, and employers either do not understand or do not care what other options are available, that will distort what is delivered to secure the greatest benefits to the actors. Since it was found that the payment to

Morrison's by Elmfield of £60 per learner was within the rules (Henwood, 2012), these rules also appear to have helped the state to achieve its targets.

The next section identifies the implications for employer ownership of these kinds of operational details, hidden within the quasi-market.

The workings of the quasi-market for apprenticeship: issues for employer ownership

As described in the previous section, factors which prioritise ease of target delivery for the state may create challenges for employers to take ownership, but these key elements of the design of the quasi-market may be hidden from view.

First there is the problem, described above, of defining the apprenticeship outcome so that it provides the 'testament to expertise and a passport to progression' in the workplace (Fuller and Unwin, 2008, p. 17) which makes it a 'real' apprenticeship. Le Grand and Bartlett warn that, although the state purchaser who defines the outcomes is ostensibly 'driven by a concern for user interests' in buying apprenticeships on behalf of employers, it is 'far from clear' how the state will know what these interests are, and public choice predicts that 'even if it does know, it may not exercise its power so as best to serve that interest' (1993, p. 21). It is also not clear what the incentive for the state is to get the outcome right for learners and employers, if political goals can be met without it doing so. Secondly, it is the state, as described in Chapter 1, which subjects employers' apprenticeship programmes – including not just the general vocational skills but their own workplace training - to the massive 'centrally organized and controlled intervention' of which Polonyi warns in the previous section. Such regulations may prioritise ease of delivery for the state but they can add enormously to the complexity, for employers, of getting the best support for the apprentices they employ, and this may increase the transaction costs of apprenticeship, defined by Williamson as the 'equivalent of friction in physical systems' (1985, p. 19). In their management of skills issues, employers may experience an increase in such costs if regulations are inappropriately complex or lead to risks which – since their contracts are 'complete' - are not shared by the state.

Thirdly, the outsourcing phenomenon described here in Section 3.3 has transformed the internal organisation and capacity not only of the state, as discussed, but of firms in England since the 1980s. Chapter 1 described the role of officials, following NPM, as managers of contracts, whose roles are

only to monitor the delivery of contractual outcomes. On the employer side, those firms which would once have employed training teams with high levels of expertise in apprenticeships may have retained a role only as 'intelligent customer' of outsourced HR and training services. Those inhouse experts in apprenticeship, who were employed in sectors with long apprenticeship traditions, have increasingly moved to become consultants or training providers or college lecturers and governors. These changes are likely to have transformed all the actors' perceptions of what a successful apprenticeship programme in their sector or workplace looks like, as regulatory requirements have become more complex. The impact of this on employer ownership is explored in the case study. While a well-designed and managed quasi-market may deliver targets and bring down costs for the state, therefore, they may increase the costs and risks for employers of using apprenticeships to secure the increase in productivity they look for. This range of predictable challenges arising from state interventions may be eroding rather than correcting the market incentives for employers to own and invest their money time and expertise in their apprenticeship programmes. The relevance of these challenges is further explored in the case study in Chapters 6 - 8.

3.4 Conclusion to Chapter 3

The chapter has addressed theoretical perspectives on government interventions, identifying a series of internal contradictions, paradoxes and conflicts of interest which help to explain government failures in the design and implementation of apprenticeship policies. It considered how the different lenses which these theories offer – the rational, the political and the organisational – may explain tensions between what is promised by the state and the self-interested goals which its interventions really deliver.

It explored how economic theories of market failure may legitimise interventions in the *field* of apprenticeships, but do not determine what *form* they should take. It considered the policy lever of the quasi-market, which has dominated the delivery of public services since the 1980s, and which some may perceive as a neutral bureaucratic instrument for securing efficiency and effectiveness in public services. It showed how this effectiveness may be compromised where the operation embodies the political goals and self-interest of the state, for example in incentivising high volumes of low value apprenticeships for which there may be insufficient employer demand. Its complex

regulations enable the state, and its agents the training providers, to take control from employers over key decisions, despite a reassuring rhetoric of 'putting employers in the driving seat'. This may be preventing them both from addressing any market failure in apprenticeships, and from securing the investment of money, time and expertise which characterises *employer ownership*.

However, while these theoretical perspectives on apprenticeship policy may help to explain the challenges for employer ownership and *how* it is being lost to state controls, they do not explain *why* it is in the interests of the state in England to operate this way. If the general theories about market and non-market failures are also valid in other countries, this raises the question of whether these are particular problems for policy makers in England; if so a framework is required to explain why that is. The next chapter therefore considers an approach which could explain what is different about England. It explores comparative capitalism and the nature of English capitalism and constitutional power to understand the barriers which may apply for the state in England in addressing and overcoming the challenges to employer ownership.

Chapter 4: Liberal market capitalism in England and its impact on apprenticeship policy making

The first three chapters drew on the literatures of VET, economics and political science which traditionally explain both the market failure in general vocational skills and apprenticeship, and the non-market failures resulting from state interventions. They showed the nature of the challenges for employer ownership - the investment of money, time and expertise by employers which are essential for 'real' apprenticeships - but did not explain why policy makers have not addressed and overcome these challenges. Since these general theories about market and non-market failures are also valid in other countries where, it is claimed, employers do invest their money time and expertise into apprenticeship, this chapter considers what specific issues may be creating barriers for policy makers in England.

Chapter 4 therefore now draws on the literature of comparative capitalism to explore what is different about England and English policy making, and what deeper structural factors might be at work, to do with political ideology and power, which might help to explain such barriers for the English state. There is a wide historical literature about the evolution of national culture in England (eg Wiener, 2004; Sanderson, 1999, p. 105). However, this thesis will limit itself to the evolution of liberal market capitalism in the UK compared to other advanced market economies, how this enables us to understand the relationship between the state and business in England, and the implications of this relationship for employer ownership of apprenticeship.

It draws on the Varieties of Capitalism (VoC) literature to frame the factors which characterise the differences between the liberal market economy (LME) of England, and other more coordinated market economies (CMEs). It considers how the actions and preferences of firms in response to the pressures of globalisation in LMEs and CMEs are mirrored in their *varieties of public policy*. This framing enables me to explore the powers and constraints which shape the interventions of policy makers into apprenticeship, and the barriers which may be preventing them from addressing and

overcoming the challenges, for employer ownership, of the market and non-market failures of the apprenticeship system in the liberal market economy of England.

4.1 Varieties of capitalism: the liberal market economy and the actions of firms

A typology of political economies is provided by the Varieties of Capitalism literature (Hall and Soskice, 2001), which argues that there is a set of factors which allow for a comparison between national economies in the developed world. This literature claims that most post-war analyses of national differences tended to focus on state action alone and therefore to 'overstate what governments can accomplish' (p. 4): it argues that, on the contrary, national economies should be understood through the decisions of firms. This is because it is they who are 'the key agents of adjustment in the face of technological change or international competition' and this makes them the 'crucial actors in a capitalist economy' (p. 6). This literature develops the argument that differences between states are fundamental and persistent, and that this 'firm-centred' perspective can explain many of these differences, including those between national vocational education and skills and apprenticeship systems.

At the heart of their argument, Hall and Soskice claim that, to be successful, a firm has to be able to resolve issues of coordination in certain key relationships which are critical to their performance. These include relationships with employees, suppliers, clients, collaborators, business associations, governments and other stakeholders, all of which involve transaction costs and may be problematic, particularly for managing change (p. 6). Hall and Soskice focus on five spheres of activity where their capacity to resolve these relational problems is most crucial to a firm's success. These are: industrial relations, which may determine levels of wages and productivity; their own employees and how information-sharing may support their culture and competences; corporate governance and the terms on which they secure funds; and inter-firm relations with customers and suppliers including the setting of standards and collaboration. The fifth, and most crucial for this study, is vocational education and training; not only do firms face the problem of finding suitable skills, but workers too decide what skills they need and how they will secure a return on their own investment in time and wages foregone (see Chapter 3). The claim is that 'on the outcomes of this last coordination problem

turn not only the fortunes of individual companies and workers but the skill levels and competitiveness of the overall economy' (p. 7).

Hall and Soskice posit that it is possible to differentiate and compare national political economies by reference to the ways in which the firms operating in these economies resolve these relational problems. They argue that at opposite ends of a 'spectrum along which many nations can be arrayed' are two contrasting ideal types of political economy: liberal market economies (LMEs) and coordinated market economies (CMEs). In LMEs such as Britain or the USA, firms coordinate their activities primarily via competitive market arrangements characterized by 'the arm's length exchange of goods or services in a context of competition and formal contracting' (Hall and Soskice, 2001, p. 8). Where they experience problems of coordination which increase their transaction costs (Williamson, 1985, p. 19), LME firms will look to the market, not to any institutional networks, to resolve these, if necessary by changing the boundaries of the firm. Their priority for the state, therefore, is primarily that it should 'remove obstacles to market-clearing, and...locate decision-making power unambiguously in [the management of individual] companies', for policies including the acquisition of skills and the provision of training (Hall and Soskice, 2001, p. 7).

By contrast, in CMEs such as Germany, Hall and Soskice claim, firms depend more heavily on non-market relationships, which generally entail 'more collaborative, as opposed to competitive, relationships to build the competences of the firm'. They see these relationships as supported by longstanding, complex, complementary and coordinated multi-sector institutional subsystems of finance, governance, technology and pay, as well as education and training. Such institutions are likely to include 'powerful business or employer associations, strong Trades Unions [and] extensive networks of cross-shareholding [as well as] legal or regulatory systems' (2001, p. 28). These networks and subsystems are claimed to provide a capacity among firms for 'deliberation', which can 'substantially thicken the common knowledge of the group' or create a 'shared understanding about ...what it is appropriate to do in such circumstances'. They cannot be established overnight, but take time to develop: firms are learning 'by virtue of experience with a familiar set of actors and the shared understandings that accumulate from this experience' (p. 15). This enables firms in CMEs to secure joint gains and also distribute risks, as it

reduce[s] the uncertainty actors have about the behavior of others and allow[s] them to make credible commitments to each other...[as they] coordinate on equilibrium strategies that offer higher returns to all concerned ... (Hall and Soskice, 2001, p. 15).

Unlike other commentators (eg Hutton, 1996), Hall and Soskice do not claim that one type of economy and set of institutions is superior to another (2001, p. 21): they argue that both provide long run economic performance but based on different market positions, with different capacities for innovation and different degrees of inequality.

Institutional complementarities with product market strategies

Such 'institutions', defined by Green as 'not just legal/political entities but also rules, customs, norms, and beliefs' (2013, p. 151), are claimed by Hall and Soskice to lead firms to respond differently to external threats in each type of political economy: in turn this leads them to develop different product/market strategies. While these ideal institutional systems of LMEs and CMEs are entirely different, they are internally complementary in the way they support these product market strategies as firms respond to external shocks and pressures. For example, under competitive pressures, firms operating in England as a 'typical LME' need to maintain their access to the capital markets and resist takeover: they therefore need to prioritise their current profitability over market share (p. 16). This leads them normally to pass price rises directly to customers even at the expense of market share. They can do this because they are supported by fluid labour markets which allow them to lay off workers readily to reduce their fixed costs. This is likely to encourage them to concentrate on labour and products that compete in terms of cost advantages and flexibility. Their need for flexible recruitment, utilisation and layoff of skills means they are unlikely to get a return if they invest in general vocational skills and apprenticeships; they are therefore more likely to recruit those who already have the general skills they need, because these skills are 'switchable assets, whose value can be realised if diverted to other purposes' as they move them around in search of higher returns (p. 17).

By contrast, the labour institutions in a CME make layoffs difficult, but the subsystems supporting production include access for firms to patient capital, irrespective of their current profitability. This

enables them to accept lower returns as they maintain their prices in order to preserve market share (p. 16). They will also be members of institutional networks which provide 'reliable flows of information about appropriate skill levels, the incidence of training and the employment prospects of apprentices'. This gives firms the confidence to make longer term investments, in expectation of a return, in capital equipment for automation and in the general vocational skills of an apprenticeship.

The role of collaborative institutions on firms' decisions on skills

This sense of confidence, which firms gain from the institutions and associations which are seen as characteristic of CMEs, is widely argued and not only by the VoC literature (eg Green, 2013, p. 88) to be of 'fundamental importance' in persuading employers to invest in apprenticeships (Culpepper, 2001, p. 276). Culpepper argues that these membership institutions can secure access to information about member firms and the functioning of training practices. In turn this gives them influence: they can negotiate changes to qualifications or to the way the system works on their members' behalf, and can diffuse information back so that members are aware of new requirements. Reducing uncertainty in this way, Hall and Soskice claim, leads firms in CMEs to actions 'to which they would not have been led by market relations alone' (p. 10).

Firms in most sectors in LMEs such as England are claimed by the VoC literature not to have formal associations, particularly since the decline of union power which, it is argued, they were set up to 'countervail' (Gooberman, Hauptmeier and Heery, 2019, p. 82). Consequently they do not generally have access to the benefits: neither the sources of information, nor the capacity for 'deliberation' which builds confidence in 'the common knowledge of the group' (Culpepper, 2001, p. 17) which might overcome their uncertainty and reluctance to invest in apprenticeships, nor the level of influence over policy which might encourage membership (as explored in the case study in Chapter 5).

There is some evidence that at local and regional levels, however, networks do form and they do support firms' learning. While these may not have a formal status or be supported by government, Bishop notes that smaller firms in LMEs too will look to 'informal, insider networks' of local and sector-specific bodies which are 'in tune with the shifting, informal networks, supply chains and ebbs and flows of the market' and from which they can glean 'reliable, accurate and useful' information in

‘a cooperative atmosphere based on mutual trust and dependency’ (Moreira, 2009 in Bishop, 2011, p. 329). This is not what Bishop finds they get from government-sponsored schemes: those promoting training and national initiatives were viewed with great scepticism, unless they were able to be viewed as insiders, especially if there was ‘a whole accreditation structure attached’ (Bishop, 2011, pp. 337, 339). Green too argues that both sectoral and regional agencies should be able to develop relationships with employers, and to do so much more effectively than central governments, ‘once the agency of management is recognised’ (Green, 2013, p. 146).

In this section I have described how the VoC framework sees the institutional complementarities within the ideal political economies, determined by the different ways that firms resolve their coordination issues in the face of competitive pressures. While the network of supply-side institutions provide CME firms with patient capital, information, a forum for deliberating, and a sense of ownership and influence for example on how the skills system works, firms in England, by contrast, must themselves act to secure what they need, directly from the market or from those perceived as ‘insiders’, and will tend towards competitive strategies which depend on them doing so. Before Section 4.3 considers how this framework can also be used to understand *varieties of policy making*, Section 4.2 first considers the nature of these competitive pressures as a consequence of globalisation, and their impact not only on firms but on the state itself.

4.2 Globalisation: its impact on the role and practices of the state

Over the last 40 years, many of the external shocks and threats cited above, and the need for firms to develop the competences to resolve them, have resulted from the impact of globalisation. The rapid diffusion of new technologies has transformed supply chains and communications, with capital, labour and goods traded across national borders. Not only has this changed the responses of firms, as set out by the VoC literature, but the globalization literature (eg Hirst and Thompson, 2019) shows that it has also transformed the developmental trajectories of states, including the UK.

Historically, advanced nation states had aimed to improve the prosperity of their economies with strategies for increasing their territory and controlling the movement of goods, capital and labour within them (eg Judge, Dickson in Esland, 1991, p. 13). Following the Second World War, the

industrial policies of advanced states had been focused on planning and building modern economies (eg Shonfield and Reisman, 1994), and by investing in the mixed economy welfare state (discussed in Chapter 3), which enabled them to 'decommodify...and insulate certain key elements of economic life from market forces' (Cerny, 1997, p. 259). This meant not only 'protecting the poor and helpless' in society, but also regulating business in the public interest, 'fine tuning' business cycles...nurturing 'strategic industries' and 'national champions' (p. 259).

A 'cathartic crisis' for the world economy came when states found they were unable to protect their economies from the Oil Shocks of the 1970s (Hay, 2004, p. 39). With the transformation of international trade, as both public and private institutions and enterprises became increasingly multinational (Cerny, 1997, p. 253), markets were becoming 'more powerful than the state itself' (Strange, 2003, p. 152). Traditional forms of national economic management were argued (eg Maloney, 2012, p. 1012) to be increasingly irrelevant. The literature claims that this was experienced by advanced nation states as a 'moment of punctuation' between the demise of the *welfare state* and the rise of a new *competition state* (Hay, 2004, p. 39), seen by Cerny in his classic article on the paradoxes of this process as a 'quasi-'enterprise association' in a wider world context' (1997, p. 251). He claims that the 'fundamental learning process' which states had undergone in this period 'altered the norms [on] which they operate' (Cerny, 1997, p. 262). He argues that the need to make their economies more competitive internationally led advanced states to *converge* on 'liberal markets and liberal democracy' as the most effective system of governance, a moment announced by Fukuyama to be 'the triumphant end of institutional history' (Hage and Hollingsworth, 1993, p. 199).

This is argued to have changed the role and practices of advanced democratic states. All such states were now claimed to be focused on 'microeconomic interventions': the process of reinventing their own roles and 'reshaping political practices and institutional structures' to enable 'liberalisation, deregulation and privatisation' (Hay, 2004, p. 260). As described in Chapter 3, the bureaucracies of most advanced economies were no longer directly delivering public services, but were now 'policy steering' (Steer *et al.*, 2007) by means of quasi-markets. These were characterized by policy levers... which closely monitor and supervise contracted out and privatised services according to complex financial criteria and performance indicators' (Cerny, p. 266).

England was in the vanguard of these changes, led by Prime Minister Margaret Thatcher who came to power in 1979 at a time when England was known to its competitors as ‘the Sick Man of Europe’, with large swathes of the economy were in public ownership (Johnson, 2016, p. 1). Her administration adopted the neoliberal arguments of the ‘Austrian’ school of economics, outlined in Chapter 3, that individuals were able to make decisions in their own interest, that governments could not do better and should not try, that competitive markets were the only source of prosperity in society and that the most effective way to achieve an efficient, responsive and increasingly wealthy economy, and to lift people out of poverty, was to open up markets and remove government-imposed regulations.

One policy area particularly affected was education and skills: this new competitive global environment where ‘flexibility, product quality, design and innovation were paramount’, was going to require, as perceived in the UK:

a paradigm shift out of Fordism towards a post-Fordist, high-skill, or knowledge-driven economy...[in which] whole nations must throw their energies into exploiting the commercial advantages offered by a more autonomous, well educated and polyvalent workforce...and investment in human capital and learning was believed to constitute ‘the key’ to national competitiveness and social cohesion (Lloyd and Payne, 2003, p. 85).

However, while the transformation of advanced states and their policy aims may not be in doubt, the real causes of such changes in states’ practices are highly contested, as described in the discussion of neoliberalism in Chapter 3. Hay notes that the two writers who in his view give the most coherent account of the process, Cerny (1997) and Jessop (1995), both perceive this reshaping of the state as ‘forced’ on states out of *economic* necessity. However, the evidence cited both by Hay and by Hood (Dunleavy and Hood, 1994 in Chapter 3) is that the Nordic states, for example, approached the reform process in different ways and at different times to that cited by the neoliberal discourse on convergence. Wood too argues that these ‘much vaunted’ theories of the globalization literature are inconsistent with historical facts, such as

the persistence of the generous welfare policies..[which] were supposed to be economically unsustainable in the face of high mobile capital (Wood, 2001, p. 247).

The key paradox pointed out by Cerny is that, instead of shrinking the state, in practice this transformation has

necessitate[d] the actual expansion of *de facto* state intervention and regulation in the name of competitiveness and marketisation (p. 251).

With little evidence that the state has become either less intrusive or less expensive, therefore, Hay argues that there is a 'clear danger' that this

highly contingent and political process of neo-liberalization is mistaken for a simple internalization of externally imposed and non-negotiable economic imperatives (Hay, 2004, p. 44).

He therefore sees the purely economic explanation of the emergence of these quasi-markets as 'starkly apolitical' and 'strangely agentless' (2004, pp. 43, 46). On the contrary, he argues, it must be possible to identify the agency behind this change, and 'repoliticise the state' (Hay, 2004, p. 49). The next section explores the nature of this agency and the factors which may constrain it.

4.3 Incentive-compatibility, power and varieties of public policy

While the VoC framework, described in Section 4.1, identifies firms as the crucial actors in the economy, the same literature also argues that economic activity depends, for its viability, on the legislative and regulatory activities which are the domain of government. The roles and interventions of the governments of advanced states may have been transformed by economic pressures in recent years, as described in Section 4.2, but political agency is still argued to be at the heart of this process. This section now considers how the institutional complementarities, the powers and constraints which shape the varieties of capitalism also shape the *varieties of public policy* and how these are pursued 'in systematic ways' within them (Wood, 2001, p. 247).

In his comparative analysis of labour market policies in the UK and the FRG³⁰, Wood claims that different policy regimes are derived from the different patterns of business-government relationship in each variety of capitalism, and can be understood in terms of the role they play in supporting the different production regimes in CMEs and LMEs. He argues that there are two key factors which

³⁰ Prior to the reunification of Germany, West Germany was known as the Federal Republic of Germany, the FRG.

shape these *varieties of public policy*. The first is the *preferences of the firms* and the second is the *power* of the state; it is the way that these factors combine which determines the *content* of policies, the *stability* of policies and the constraints on policy makers in a specific political economy (p. 247).

The preferences of firms for the *content* of policies.

The mutual dependence between state and business in a capitalist democracy means that firms are not just another interest group but are argued to have 'structural power' (Lindblom (1977) in Wood, p. 256). LME firms in England, dependent on resolving their coordination problems through the market, will put pressure on its government to ensure that their preferences for the organisation of the factors of production – such as skills, technology, finance - are *incentive-compatible* with their existing product market strategies. To minimize the transaction costs of their coordination strategies they are predicted to look to policy makers to:

remove obstacles to market clearing, and to locate decision-making power unambiguously in companies (Wood, 2001, p. 251).

For example, in the context of labour market policies, LME firms' preferences will be for government to free up the labour market: this will require *legislation* to limit the power of organized labour and compatible *incentives* such as a limit to employment protections, as shown in Wood's comparative analysis (p. 250). Removing restrictions and minimizing mandatory requirements, for example for qualifications as a licence to practise (where health and safety and consumer protection allows), makes it easier for firms to create new jobs especially at low skill levels (Bagehot, 2011). If the benefits system incentivizes school leavers and job seekers to take on low paid jobs and apprenticeships, this can reduce the transaction costs for firms of acquiring labour to resolve their skills issues. Firms will thus look to their government to support them with policies which reinforce the variety of capitalism on which they rely, and without which their competitive strategy may no longer be viable.

By contrast, a CME firm, whose competitive strategy is dependent on a stable 'interlocking' network of supply-side institutions to support its requirements for capital and skills, will require its government to maintain and support those institutions. Employment regulations may restrict the

freedom of firms, for example by requiring workers to have a qualification as a licence to practise in a specific occupation, but this may lead to lower staff turnover. This is argued in turn to impact directly on the market incentives for CME firms to invest in the 'specific assets' or vocational skills of people in their workforce, to create a pool of skills, and potentially apprenticeships, from which all firms can benefit (Hall and Soskice, 2001, pp. 10, 17).

The incentives for the state to respond to the preferences of firms have been shown in this section to be the first key factor in the *variety of public policy* in the LME state. Whether and how the state does respond to these pressures, however, depends on the second factor: its power to determine and reform policies. This power is specific to the state in England, as seen below.

The power of the English state

Just as significant as the preferences of firms for policies which support their production strategies is the *power* of the Westminster government to determine, and reform, policies with or without stakeholder support. It is claimed to have two sources of power: *constitutional* and *political* (Wood, 2001, p. 248).

Wood notes that the *constitutions* of most advanced economies, other than England, incorporate checks and balances between upper and lower houses, or between federal and regional government, which put limits on the power of the executive. They require most governments to conduct extensive negotiations in order to get agreement on policy reforms, and this may encourage compromise, secure cross-party support and slow down change. By contrast, in England there are no established traditions for such a separation of powers (Blick and Hennessy, 2011, p. 23). Between the Commons and the Lords, by convention the Upper House has the power to challenge but not to veto. Nor are many important powers devolved to the regions, which lack the independence which comes with tax-raising powers. Although the introduction of City Regions and Mayors, and Local Enterprise Partnerships (LEPs), and the threats to the Union have in recent years introduced greater devolution, it is too early to assess their impact on skills policies. The current lack of constitutional constraints on the Cabinet gives the Westminster executive a degree of formal power 'unmatched anywhere in advanced industrial democracies' (Hennessy in Thompson, 1996).

Politically, too, there are normally few constraints on the Westminster executive's ability to exercise its constitutional power. Exceptionally, the 2010 election which led to a Conservative-led Coalition with the LibDems was the first such Coalition since 1945: the first-past-the-post electoral system usually creates a single majority party with party whips who 'ruthlessly' enforce party discipline, while the opposition is reduced to 'heckling' (Wood, 2001, p. 255). The case study in Chapters 5-8 provides an example of how policy compromises, secured by the LibDems in 2011, were swiftly reversed by the majority Conservative government from 2015.

However, although the Westminster executive has the constitutional power to impose any policies it wants, as seen above, it is still vulnerable to 'ideological, political and electoral [pressures] that compete for attention' (p. 248). Its need to respond to such pressures, and its power to do so irrespective of the preferences of firms, means that its policies may be unpredictable, radical and unstable:

Although the government has an incentive to produce policies that reinforce the comparative institutional advantage of an LME, its structural power means that it is not constrained to do so. There are few institutional obstacles to British governments pursuing whatever policy experiments they choose (Wood, 2001, p. 259).

This combination of constitutional power and instability makes the English variety of public policy very distinctive and unlike that of CMEs. The latter were claimed, in Section 4.2, to provide a policy stability, and a protection from state interference, that is 'central to the logic of supply-side coordination', in response to the preferences of its firms and the need to negotiate with key actors before policies can be reformed. The English variety of public policy does not protect such networks, and this leads to a 'constant churn' of policies and institutions (Adam and Norris, 2017, p. 8). The next section considers the implications of these factors for apprenticeships, and the barriers which may be preventing policy makers from addressing the challenges of employer ownership.

4.4 The English variety of public policy: the implications for apprenticeship

The previous sections have described how the literature of comparative capitalism provides an analytical frame for understanding the factors which combine to shape *the variety of public policy* in

England. This section considers four factors which may cause problems for employer ownership as they impact on the policy options available to the English state.

LME ideology: a conflict with the institutional subsystem needed to support apprenticeship

The previous sections have described how the English state as an LME sees its role in deregulation, in response to the preferences of firms whose competitive strategies depend on it. However this ideology conflicts with the policies which appear to be of fundamental importance in supporting the apprenticeship systems of CMEs. The first factor causing problems for *employer ownership* is that deregulation, which is central to LME ideology because it frees up the labour market by reducing firms' transaction costs as they acquire or shed labour, makes the labour market more volatile. The mobility of this market was seen in Chapter 3 to be a key reason for the under-provision in England of general vocational skills; rather than paying back their employer's investment in improved productivity, apprentices are likely to capitalize on their own and their employer's investment by moving to another firm.

By contrast, the policies claimed to be characteristic of CMEs will legislate and regulate to address the market failure with labour market regulations designed to make the skills market more sticky: these might include licences to practise and constraints on firms' ability to shed labour. Seen through this lens of comparative capitalism, therefore, the first constraint on policies to support employer investment in apprenticeship in England is in the ideological conflict (see Chapter 2) between policies of coordination which support a system of apprenticeship, and policies designed to deregulate to free up the market in skills.

It is not, however, an option for policy makers to borrow policies from one political economy which reflect the preferences of firms for public policies from another. So while much of the VET literature seeks to challenge the government on what it sees as a *laissez faire* attitude to firms, as described above and in chapter 2, and to call for interventions which, within the context of a CME, may appear to be effective, the VoC framework helps to explain the barriers for policy makers to respond to such calls.

For example, Hutton argues for the state to do more to combat what he sees as short termism in British capital markets and promote 'stakeholder capitalism' through stable, long-term coordinating mechanisms such as union or workforce representation on Boards (Hutton, 1996, p. 87). Lloyd and Payne argue that the state should resist calls from firms for further deregulation (2003, p. 91). However, this VoC lens shows that such regulatory policies are not incentive-compatible with firms' existing competitive strategies, which depend on their preference to resolve their skills issues through the market.

The need for institutional compatibility also makes other types of policy borrowing unlikely to succeed, where these are incompatible with its variety of public policy, since the VoC framework sees the preferences of firms as 'locked-in' (Wood, 2001, p. 250) to the institutional complementarities of policy makers, national institutions, organisations and culture. In the context of skills and apprenticeships, the institutions which support skills in CMEs are 'built on conceptions of skill and occupational identity, and forms of work organisation and job design that are more or less wholly absent' within the LME of England' (Keep and James in Dolphin and Lanning, 2011, pp. 55 - 65). Because firms' strategies depend on the market rather than on any 'collective provision of transferable skills' (Wood, p. 252) they are unlikely to be able to call on institutions which support collective action and collaborative practices. Indeed, such collaborations could be viewed with suspicion as cartels or impediments to the free market, and will not be 'incentive-compatible' (Hall and Soskice, 2001, p. 46) with LME 'production regimes and company strategies' (Wood, p. 248).

The limitations of the quasi-market in apprenticeships

If borrowing policies which work for CMEs is not an option, it might seem that the quasi-market in apprenticeships is the best of both worlds: it resolves the ideological conflict by introducing free market disciplines, it leaves employers to decide on whether or not to invest, and it is overseen by the state to ensure quality through regulation.

Chapter 3, however, showed that in the English *variety of public policy* the quasi-market does not exhibit free market disciplines, and this is the second factor which causes problems for *employer*

ownership. This is because, despite its ideological commitment to the market, it is not controlled by supply and demand but by the state's political goals - the targets – in its own interest. State interventions since 1994 into apprenticeship have neither been shaped by any analysis of market demand, nor designed to address known skills shortage areas (as seen in Chapter 2) and 'it remains difficult to understand the impact of the programme on economic productivity' (NAO, 2019, p. 9). So while most analyses of market demand identify that there is a skills shortage of young technicians at Levels 3 and 4, the vast majority of apprenticeships delivered through the quasi-market are adults doing a Level 2 in retail or customer care. This is because it is the state which defines the outcomes, decides who holds the contracts to provide them, and prices those outcomes, not on the basis of the value for the employer as customer, but on the cost to those providers. The achievement of targets is what brings the providers and the state the greatest rewards: the ownership of employers – their time and expertise, if not their money - is of marginal importance.

When these targets were increased in 2015, Wolf's view was that they conflicted with the purpose of the policy: she argued that the dual commitments in 2015 by the incoming Conservative government to deliver 'three million new apprenticeships' over the next five years, and to 'ensure they deliver the skills employers need' ..[were] going to be very hard indeed to reconcile (Wolf, 2015a, p. 1).

Even the minister who increased these targets later described them as 'nonsense' (Ryan, 2018). The public commitment however forces the state to seize and retain control; its key policy instrument, the quasi-market, is its means of securing this control. This is how such targets distort policies, but in ways which are not always obvious.

Evidence considered in Chapter 3 on the manipulation of the quasi-market reveal these targets as a key barrier to employer ownership. The eye-catching ambition of targets might allow junior ministers to 'succeed', but that might mean having to make contractual regulations more flexible. This was done, for example, when the initial take up of Train to Gain was slow (NAO, 2009); when a 100% classroom-based training programme was redefined as an apprenticeship (Panorama, 2012); and when eligibility for apprenticeship funding was expanded to 25+ adults in a supermarket, while allowing the provider to pay the employer for access (Linford, 2011; Linford, 2012). This has distorted the 'real' apprenticeship, which may be worth investing in, and transformed it from a labour market

institution driven by employer demand into 'whatever the government wants them to be' (Fuller and Unwin, 2008, p. 18). It has incentivised providers to deliver large numbers of low level qualifications, rather than support firms to develop productive skills (Wolf, 2015a, p. 1). It has opened up the state to vested interests: to ensure that the budgets are spent and the targets delivered, the government must prioritise the interests of the training providers, without whom the government cannot achieve its targets, over the interests and ownership of either employers or learners, as seen in the previous section. Where firms have inhouse programmes supported directly by the state, it also redefines the status of such firms, not as partners with a common purpose but as *contractors*.

The need for control over delivery of targets may also be a barrier preventing policy makers from devolving power and budgets over apprenticeship to regional and local authorities such as Local Enterprise Partnerships. Local and regional leaders are prevented, by the central control of apprenticeship, from integrating or coordinating apprenticeship support along with their adult education budgets and other public services. This distorts the working of skills 'ecosystems', which may arise 'within distinct industrial and regional clusters, or within value chains, [and can be] an important source of collective learning' (Green, 2013, p. 88), particularly for smaller firms (Ashton et al (2008) cited in Bishop, 2015, p. 72).

The consequence is that the limitations of the quasi-market, ostensibly established as the key policy instrument for supporting employers to develop skills and apprenticeship in England, may in fact be a significant barrier to employer ownership.

The lack of expert challenge to the power of the English state

The third set of issues for employer ownership, arising from the English variety of public policy, is that specific policies may be poorly designed and/or poorly implemented, and they may be constantly reformed by the state in a way which undermines their credibility, but there is no means of challenging this in a way which makes any significant impact.

This is first because of the centralised power which the state derives from the Constitution and its parliamentary majority described in Section 4.3. If it wishes to introduce a new policy or a new set of

bureaucratic arrangements, the government does not generally need to effect meaningful consultations or negotiations before announcing it. This not only deprives experts and stakeholders of the chance to challenge poor decisions, but it cuts policy makers off from any means of understanding the issues for employers arising from such changes. In the case of detailed policies such as the alteration of regulations within the quasi-market, as described in the case study in Chapter 8, agreement or support from stakeholders may not be required. As Section 4.3 described, despite its power the state is still vulnerable to immediate political pressures that ‘compete for attention’ (Wood, 2001, p. 248), so if a scandal about an employer or a provider profiteering from public funds hits the press (eg Linford, 2012), it must be seen to respond quickly. This may result in additional individual regulations³¹ but not necessarily a wider review of their cumulative impact, and this may increase the complexity of such bureaucracy.

Second, poorly thought out policies cannot be challenged because the field of apprenticeship appears to have few champions with influence over ministers’s decisions. In a report from the Institute for Government one former ministerial adviser explained that apprenticeships are:

Areas with relatively weak stakeholders and low media interest. Journalists did not usually go to FE colleges, and neither do their children. Politicians – even Labour ones – are more and more likely to have gone through traditional, elite education routes; therefore their understanding ...is low...We are also unlikely to notice if things are going wrong – because the elite will not have friends who are experiencing disaster. Contrast this with science funding or higher education, where...the terror of taking on the vice-chancellors, the Nobel Prizewinners and the research councils prevents frequent change - a reliable way of getting an irritated call from No. 10, alienating members of your own party and losing the opportunity for promotion (Rachel Wolf in Adam and Norris, 2017, p. 22).

The difference in the levels of concern and understanding which the public, and therefore ministers, have about apprenticeships and about universities is very striking. When the Augur report of 2020, for example, revealed how limited have been the resources invested in FE and apprenticeship

³¹ In this case it led to an increase in the minimum length of an apprenticeship

compared to Higher Education (Augur, 2019), the press coverage was primarily focused on the potential threat to HE if FE funding were to be levelled up (Morgan, Sept 8 2021). Noting that ‘public debate focuses relentlessly on universities...[even though] that is not where the fundamental problems lie’, the highly respected Head of the Institute for Fiscal Studies Paul Johnson admitted ‘it is not until it is part of your experience that you really feel it’. After difficulties experienced by his own son, he now understood that:

our education system is designed for students who go straight from A levels to university...It is staggeringly hard...to find the right [apprenticeship] opportunities... The neglect of this sector, in both funding and public debate, is extraordinary.... It has been starved of funding on a scale far beyond anything experienced by schools (Johnson, 2018, p. 1).

Policy instability: the impact on employer investment

In addition to problems arising from poorly devised policies, the fourth factor which causes problems for *employer ownership* is that the lack of challenge and the power of Westminster makes policy highly unstable, another issue which is noted to be particularly acute in England. Policies, and the institutions which support them, are vulnerable to the whims of ambitious ministers who are ‘prone’ (Adam and Norris, 2017) to change direction in response to the ideological and political pressures of the day as they compete for attention with those who have more ‘visible’ briefs (p. 8). Since such policies may only ever have been an *ad hoc* response to political or ideological pressures, they may also be likely to be swiftly reversed, creating a highly volatile policy environment which discourages employer investment:

the legislative strength of British governments brings uncertainty...and confirms the unavailability of supply-side coordination...Companies are unwilling to make the risky long-term investments that would be necessary for constructing networks of coordination (Wood, 2001, p. 259)

The problem for employer ownership is that unstable policies are not credible policies. Although intense irritation is regularly voiced by a wide range of stakeholders, it appears to have no impact. There appears to be a ‘collective amnesia’ surrounding past policy:

Since 1981, there have been 61 Secretaries of State with responsibility for skills policy, each with their own agenda for change....[leading to] rapid changes in policy: each minister wants to leave his or her mark....it feels like a case of change for change's sake. When our future workforce is concerned, this is simply not acceptable...Skills and employment policies need to be carefully designed, thoroughly tested and slowly embedded (City&Guilds, 2014, p. 3).

For employers who are committed to their apprenticeship programmes, such random reforms of policies and regulations can lead to unexpected risks and transition costs, and this is damaging to their confidence. Rather than invest their money, time or expertise in *owning* their programmes, it makes it more likely that they will distance themselves to limit their risks, by outsourcing these programmes to specialist providers.

This section has described how *employer ownership* may be impacted by the specific characteristics of the English *variety of public policy*. It has shown how the power, both constitutional and political, of the Westminster executive, and the weakness of expert observers and the institutions of apprenticeship in demanding 'real' apprenticeships, may be damaging both the quality and stability of policy making and the confidence of employers.

4.5 Conclusion to Chapter 4

This chapter has explored what is distinctive about England and its characteristic *variety of public policy*, and how this might explain the barriers which prevent policy makers from addressing and overcoming the challenges for employer ownership of apprenticeship. It has drawn on the Varieties of Capitalism literature to identify the key factors which have shaped the liberal market economy (LME) of England, where relational issues, including the acquisition of skills, are resolved by firms through the market, unlike more coordinated market economies (CMEs), where firms will look to established collaborative and institutional networks for such resolutions.

It has considered how such factors are claimed to have combined to shape the *variety of public policy* which differentiates apprenticeship policies in England. First is the preferences of firms, whose viability depends on their being able to address and resolve their relational issues through the market rather than networks, and who look to the state to deregulate. Policies which are not compatible

with these market incentives are not likely to be successful. Second is the constitutional and political powers of the state to determine policies to meet ideological or political objectives, and then to change them at will. It has explored the implications of these factors for the challenges of employer ownership.

Through the lens of the conceptual framework of VoC, the chapter has identified four constraints which prevent policy makers from addressing and overcoming the challenges for employer ownership identified in previous chapters. First is an ideological conflict for the LME state of England, which sees itself as a 'competition state' whose role is to free up markets through deregulation. Since such policies make the labour market more mobile, they reduce the costs of acquiring and shedding labour through the market, and thereby reduce the incentives for employers to invest in apprenticeship. Even though a range of legislative policies are claimed to support apprenticeships in CMEs, particularly through employer collective action, they are not compatible with the other institutional arrangements and incentives within the LME economy. Policy makers are therefore prevented both by ideological barriers and by the preferences of firms from greater regulation of the labour market.

Second, since the state cannot borrow policy options available to firms in CMEs for incentivising apprenticeship, it has become reliant on the quasi-market as its key policy instrument. In theory the quasi-market has reintroduced market disciplines into public services. Chapter 3 showed, however, that the state has absolute control over the detailed regulations hidden within it, and that it uses them to deliver its own political targets and goals, such as large numbers of low level qualifications, rather than skills and qualifications of greater value to employers. Unlike employers whose investment plans will be longer term, intermediary organisations such as providers can respond rapidly to the priorities of the state as their customer; this makes them the state's most important partners. Far from overcoming the challenges for employers, this has shown how the targets and the quasi-market which delivers them, are now themselves a barrier to employer ownership.

The third barrier found is the weakness of expert external challenges to the power of the state and what may be poor quality policy decisions to reform policy 'radically and at will' in response to political pressures. This in turn leads to the fourth problem of the rapid churn in policies and

institutional infrastructure which damages the credibility of policy and the confidence of employers, and inhibits investment.

This lens of comparative capitalism, combined with the traditional literatures of economics and political science, have provided a useful theoretical perspective on the challenges for employer ownership and the barriers for policy makers to addressing and overcoming them. They are, however, theoretical. The chapters which follow will now test this theory empirically, through a case study.

Chapter 5 provides the methodology: it explains the choice of the case study as the best way to address my research questions, and the Employer Ownership Pilot (EOP) 2011-2017 as the unit of analysis. It describes how the research was designed, what data was collected, and the conceptual framework used for the analysis in Chapters 6 - 8.

Chapter 5: The research approach and methodology

In Chapter 4 I developed a new theoretical perspective on employer ownership of apprenticeship: I argued that the challenges which arise for employer ownership are not resolved but exacerbated by state intervention, and that it is the lens of comparative capitalism which can explain the barriers which prevent policy makers from addressing and overcoming such challenges. In summary, it identified four such barriers: the ideological conflict for the state between deregulation policies to free up the market, and regulations which might incentivise employer ownership of apprenticeship; the state's hidden controls which distort the quasi-market to prioritise the delivery of political goals and supply-side targets, not the economic goals of employers; the lack of effective expert challenge to the power of the English state to ensure the stability and quality of policy making; and the consequent constant churn in policy which undermines employers' confidence to invest their money, time and expertise in apprenticeship.

It explores first why, after considering other options, I chose a case study to conduct a critical appraisal this theoretical response to my research questions, and the Employer Ownership Pilot (EOP) 2011-2017 as the unit of analysis. It describes how the research was designed, what data was needed to address the questions, and how these data would be collected from contemporary texts accessed as print and web-based media, and from interviews. It describes the rationale and the criteria used for the interview sampling, and introduces the interviewees and the interview schedule, to show how the interviews were planned and structured and permissions given. As an insider researcher, I reflect on how I secured my distance from the issues, and how I ensured that my approach was ethical and my findings reliable and generalisable.

Finally it explores further the theoretical framework – the organising principle and the conceptual lens first introduced in Chapter 3 (Davies and Hughes, 2009) - used for the analysis of these data.

5.1 The purpose of the research design: the selection of a case study

In Chapter 4 I argued that a lens which is able to integrate the theories of the literatures of economics and political science with those of comparative capitalism can provide a new understanding of the

failures of the state to secure the ownership of apprenticeship by employers. In Chapter 2 I showed how policies, ostensibly designed to 'put employers in the driving seat' on apprenticeship, were failing. In Chapter 3 I considered theoretical frameworks to explain the challenges of the market and non-market failures. I noted that these challenges were exacerbated by a quasi-market designed and priced so as to incentivize contractors to deliver low level, high volume outcomes: programmes which may achieve targets but may have little value in workplace productivity and therefore few if any returns on employer investment. I considered how the quasi-market also creates high levels of transaction costs and risks for employers, arising from complex regulations, in a poorly thought through and unstable policy environment. I argued that a state committed to employer ownership would be expected to address and overcome these challenges.

However, Chapter 4 explored the factors which characterize and shape the *variety of public policy* in England: the preferences of its firms for deregulated, competitive markets; its power to use the quasi-market to respond to political and ideological pressures; and the lack of any effective opposition to radical and rapid policy reforms. I argued that these could also be the factors which create barriers preventing policy makers from addressing and overcoming the challenges of employer ownership: the ideological conflicts, the limitations of the quasi-market as a policy instrument, and the undermining of employer confidence as a consequence of unstable policy.

The research is therefore designed to appraise the validity of this emerging theory with an empirical study which could investigate the nature of employers' interactions with the state, their motivations and their experiences of these incentives and disincentives. The granularity of these relationships is rarely addressed in the wealth of learned material on many aspects of apprenticeship policy and practice, cited in earlier chapters. Where the employer experience is explored in the literature, there are a limited number of dominant orthodoxies. These include: the 'engagement' of employers by intermediaries such as colleges and training providers, as a critical process of 'collaboration and communication' (James Relly and Laczik, 2021, p. 1) which becomes a 'genuine two-way partnership' through which both are 'transformed' (eg Hodgson *et al.*, 2019, p. 37); the importance of the relationship with the employer in shaping the learning of the apprentice (McLoughlin, 2013; Fuller and Unwin, 2010); and the difficulty for smaller firms of accessing advice on training which they feel

they can trust as being in their interest (Bishop, 2015; 2020). Essential though this scholarship is to a better understanding of the apprenticeship system, this study is neither about this kind of ‘employer engagement’ as a means of reaching out to employers, large or small, to encourage their interest in apprenticeship, nor about the learner’s experience. Rather it is about the challenges for employers, even large employers with substantial teams to deal with the issues, who engage directly with state interventions, and the impact of their experience on their willingness to invest their money, time and expertise in apprenticeship.

At the heart of this enquiry, therefore, are the perceptions and beliefs of employers and policy makers. In order to ‘span the steps from broad assumptions to detailed methods of data collection, analysis and interpretation’ (Cresswell and Cresswell, 2011, p. 3) I need to clarify the epistemological and theoretical perspectives which inform my approach to my research questions.

Research design options: epistemological and theoretical perspectives and practical considerations

The meaning the employers make of their experience is constructed by them: it is not ‘a truth which can be discovered’ (Crotty, 2014, p. 9). The goal of the research design is therefore to identify and describe a situation in which these perceptions and beliefs about employer ownership are accessible to the researcher, and, in interpreting these, to ‘rely as much as possible on the participants’ views of the situation being studied’ (Cresswell and Cresswell, 2011, p. 4).

I considered and discounted two options for a research design: a mixed method and a comparative study. First, I considered whether there was sufficient quantitative data to justify a mixed method, in which I might not only interpret employer participants’ experience but also quantitatively correlate this to specific policies and employer decisions. Measures might have included the number and/or type (for example the sector, size, and product/market mix) of employers committed to various skills related activities such as bidding for the Employer Ownership Pilot (EOP) or other funding competitions, playing a role in local or national advisory bodies on skills, or offering apprenticeships. A research design which produced good data at this level of detail could make a major contribution to the field. However, I concluded that it was impractical: tracking a very large volume of interactions

would have been well beyond my resources as a PhD student, and I would have encountered problems with access. Even the SFA was at the time unable to determine accurately who employs the apprentices whose programmes it funds (see chapter 2).

Second, I might have framed my thesis as an international comparison of the impact on employers of English skills policies with those of one or more other competitor economies: a comparative study. State and public discourses on apprenticeships frequently refer to the apprenticeship systems of, for example, Germany as more successful than that of England (eg then Secretary of State Williamson, 2020; Economist, 2020). While Beck (2000) has argued that in a global age ‘cross-national comparison is now redundant’ and comparative education which has ‘taken the national system as its main object of enquiry and ‘national character’ ..[is] in danger of reifying national culture ... and is now surely outdated’, this is challenged by the Varieties of Capitalism and other comparative literature (Hall and Soskice, 2001) as described in Chapter 4. Green has shown (1997) that education and skills formation systems do tend to cluster along regional lines. He quotes Inglehart’s view that ‘peoples of different societies are characterized by enduring differences in basic attitudes, values and skills’ (Inglehart 1990 in Green, 2002, p. 20) and suggests that while such differences are ‘not immutable .. [they can] act as important determinants of social and political behavior’. However, while there are many sources of data on *how* apprenticeship-related policies appear to analysts to be different – for example in relation to more regulated labour markets (eg Economist, 2015) or the length and productiveness of apprenticeships (Steedman, 2010), my questions instead require an empirical understanding of *how employers experience* such policies. Collecting such data internationally would again have been beyond the resources of this study.

I therefore confirmed my choice of a qualitative approach, and considered what type of designs and methodologies for collecting data were both appropriate for my questions and also available to me. I concluded that I should look close to home, to the network of policy makers and employers whose work I was already familiar with, and to whom I had direct access. One of the ways in which I could gain access to employers’ perceptions, for example of the impact of policies on their returns to apprenticeship and their responses, was an ethnographic study. I could have organised a placement in the Corporate Social Responsibility or Human Resources department of a large employer. Over time

this might have enabled me to consider in depth both the views of the specific employer's senior management and, where different, those of divisional teams as they engaged with the government's policies and made decisions about levels of investment. However, while the data would have been reliable, a single case would have limited my scope for generalisation, and possibly for dissemination. Even more challenging was that in order to secure rich enough data I would need to be hosted by an employer with a proven interest in this field: my hosts, knowing my background and expertise in these policies, would inevitably then have asked me to advise them. I concluded that this would have given me an insurmountable conflict of interest which could have invalidated my findings.

As I was considering the methodology required to address my research questions, in 2011 the incoming Coalition Government published its first policy on skills, the Employer Ownership of Skills Pilot. I understood its significance and had the right contacts, expertise and time to be able to seize the opportunity to provide some new, unique and reliable insights into this policy change and the responses of the key actors *as it took place*.

The design option adopted: the case study

The option to focus on a specific policy change, and to conduct a close-grained investigation into how key actors experienced and responded to it, is one of the strengths of a case study, described by Yin as the empirical exploration of 'a contemporary phenomenon in depth and within its real-life context...using multiple sources of evidence' (Yin, 2009, p. 18). It would enable me to observe, through published texts and in interviews, how all the different actors – the politicians, government departments and agencies, the employers, intermediaries and expert observers – interacted with it, and to begin to understand *why* and *how* (p. 13) they acted and responded as they did. Exploring the phenomenon over a limited period of time, with some understanding of their organisational environments but unable to influence events, would make it possible for me to tease out how individuals' motivations, and their perceptions of the policy's impact on their organisation and on their own aspirations, might change over time in order to understand the incentives at work in this case.

Despite its great strengths, a case study methodology is not without its risks. Robson notes that it requires a 'well trained and experienced investigator...[an] open and enquiring mind...a good listener [with] general sensitivity and responsiveness to contradictory evidence' and 'a firm grasp of the issues being studied' (Robson, 2011, p. 162). It is only possible to focus on a small number of cases, which raises 'questions about the representativeness of the findings' (p. 168). While interviews are 'a flexible and adaptable way of finding things out', especially if using semi-structured 'respondent' (Powney, 1987) interviews which offer more freedom to modify questions and their order as appropriate, the lack of standardisation makes it difficult to eliminate biases (Robson, 2011, pp. 229, 231). However, as the design described in Section 5.2 below shows, I have been careful to address these by triangulating my data as much as possible with multiple sources, including a wide range of published data (Stake, 1995, p. 113).

One significant risk is that I am an insider researcher. Although my background, experience and existing relationships with some of the stakeholders of the policy gave me unique access to decision-makers in the case, as an insider researcher they also presented challenges. Below I describe this background; in Section 5.2 I reflect on its implications for my research.

My background as an insider researcher

The Foreword in Chapter 1 gave an overview of how my involvement with apprenticeships and other VET policies had stimulated my interest in writing this thesis. This background not only explains my choice of employer ownership as its focus; it also makes me part of the problem which I identify in this research.

Despite not being a career civil servant, I held a number of leadership roles within a succession of organisations and institutions, set up and replaced by successive governments, to deliver their policies for post-compulsory education and training. I worked for the TECs, the Learning and Skills Council and the Skills Funding Agency between 1992 and 2011 and had a string of post-graduate qualifications and experience including a PGCE and secondary school teaching experience, an MBA, 10 years in training consultancy and employee development in the private sector, and non-executive roles at an FE

college and a Russell Group University: all these gave me a broad perspective on post-compulsory education in both the public and private sectors.

Recruited initially by a TEC to introduce NVQs locally in 1992, I managed the local quasi-market in training the unemployed for jobs, and subsequently the newly launched Modern Apprenticeship and Youth Training programmes. I discovered how easily, where there was 'little discretion' over programme design or outcomes, the achievement of targets became a more important ambition for such quangos (and for my own role) than delivering value (see Bennett, Wicks and McCoshan, 1994, pp. 52, 172). I had operational responsibility for a large TEC's portfolio of quasi-market solutions for businesses and for learners, from Investors in People (<https://www.investorsinpeople.com>) to Youth Training, before being appointed as Executive Director of my local LSC³². When in the late 2000s I became Director of the National Employer Service, I took responsibility for the LSC's, and then the SFA's, direct funding contracts with large national employers. This gave me insights into the level of commitment and capability, in relation to apprenticeships, of many of the UK's largest firms, and enabled me to distinguish between those who were primarily chasing down public funds and those who were genuinely ambitious for their apprenticeship programmes.

This background has shaped my enquiry. Firstly, I did not understand why, as it appeared to me, policy makers thought of *employer ownership* of apprenticeship as a process of engagement to support what had already been decided by the state, rather than as an integral source of expertise for the joint development of policy. Secondly as I started my research I found the implications of the interaction between employers and the state to be one of the least explored in the academic literature on apprenticeship; I found it rarely (exceptions include Bishop, 2017) goes beyond theoretical models to consider the lived experience of employers - rather than learners or providers - at the operational level of the contractual apprenticeship process. Finally, the challenges of employer ownership and the barriers which prevent policy makers from addressing and overcoming them have intrigued me for many years, and it was this puzzle which I wanted to unlock.

³² The incoming Labour government in 1997 abolished the 72 TECs (and the FE funding Council the FEFC) and established a single national £11bn quango the Learning and Skills Council (LSC) with 45 Local LSCs to plan and fund all post-compulsory education below degree level.

I believe that policy makers could make their interventions into apprenticeship policy more effective with a better understanding of the factors which impact on employer ownership, and that my curiosity, background and access to the reflections of practitioners and policy makers over many years give me a unique theoretical and practical historical perspective to offer on these issues. My reflections on the need to distance myself as an insider researcher are described in Section 5.3. First I describe my approach to designing a study which is valid, reliable and generalisable.

5.2 Designing the Case study

Defining the unit of enquiry and the analytical framework

The policy entitled the ‘Employer Ownership Pilot’ (EOP) was an ideal case to address my questions. Launched in 2011 by the Coalition government under a Lib Dem Secretary of State it was a flagship policy for ‘putting employers in the driving seat’ on skills and apprenticeship, and it espoused its purpose specifically as addressing the challenges of *employer ownership*. It also met other key criteria: its prospectus and other key texts were accessible, it had a clear start and end date, and I could expect to be given access to many of its key actors and close observers. A study of how its design and implementation impacted on participating employers would enable me to appraise the theory described above, that it is the lens on policy making in England as an LME, with a powerful centralised executive, which explains the barriers for the state in addressing and overcoming such challenges.

Although the policy had a launch and end date, I still needed to define the boundaries more closely. Over time it became clear that the term ‘Employer Ownership’ was going to be used by the government as an umbrella term for a family of policies which required employer support, including for example the FE reforms of 2014 or the Trailblazer pilots, first trialled in 2013; I considered extending my study to encompass several of these. However, the 2014 reforms went beyond my research questions which concern the experience of employers, and at the moment of decision the *Trailblazers* were at a very early stage (Newton *et al.*, 2015). Although the EOP became known by various slightly different titles, including ‘Employer Ownership of Skills’ (EOS), I have therefore defined

the unit of enquiry as the policy launched, promoted and overseen by UKCES as a funding competition in two Rounds, from 2011 to the completion of the last project, intended to be in 2017.

In Section 5.4 below I explore in more detail the analytical framework which I first introduced in Chapter 3 (Davies and Hughes, 2009, p. 576). This framework provides both an organising principle and a conceptual lens on the data to be collected. It breaks down the stages of the policy into separate processes of '*espousal, enactment and experience*', and offers a typology of *policy fractures* to describe the inconsistencies which may be identified between the rhetoric (the 'espousal') and the reality (the 'enactment') of the policy; and it provides a lens on the impact on employers and other participants who 'experience' any such fractures.

Sources of data and sampling strategy

In order to secure 'convergence and corroboration' (Bowen, 2009, p. 28) of data in my analysis, my research questions required evidence triangulated not only from interviews but also from published documents. Using the conceptual framework of Davies and Hughes described above (2009, p. 576), I looked for data from different sources which would show how the policy was 'espoused' and 'enacted' at the different stages of the policy process, and how it was subsequently 'experienced' by participants and observers. This 'combination of methodologies in the study of the same phenomenon' (Denzin, 1970, p. 291) would help to ensure that data could be triangulated to provide the 'confluence of evidence that breeds credibility', and reduce the impact of potential bias (Eisner, 1991, p. 110).

I looked first to what was **publicly known and discoverable** from published sources about the policy: documentary evidence which was available in the public domain and would have multiple uses. It would enable me to pay attention to the context of the case (Denzin, 2009, p. 443), suggest questions to be asked in interviews, corroborate data obtained in interview and provide a means of tracking change and development (Bowen, 2009, p. 30). Critically it would enable me to 'uncover meaning, develop understanding, and discover insights relevant to the research problem' (Merriam, 1988, p. 118). Data available on *espousal* included not only the relevant BIS policy documents, the UKCES vision statements (UKCES, 2011a; UKCES, 2013c) and prospectuses (UKCES, 2013b; UKCES, 2011b) but

also press releases, blogs and webinars from UKCES (eg UKCES, 2012) and its sponsoring department BIS and No.10 to accompany the initial announcement of the policy (BIS, 2011). Where relevant, I also drew on other contemporary government policy texts such as the Plan for Growth (HMT and BIS, 2011) and previous agency publications relating to the challenge of employer ownership (UKCES, 2010b). Published data on the *enactment* of the policy included the application forms and guidance for applicants in each of the two Rounds of the funding competition, and two independent Evaluations commissioned by BIS: the first a review of performance (interim findings in Diamond *et al.*, 2015b; Higton *et al.*, 2018), and the second a process review of the enactment processes of selection, appraisal, contractual negotiation and monitoring, and the conclusions drawn by the researcher about these processes (Mori and IES, 2017).

In order to discover what was **not known or discoverable** from published sources at the time, and which I was to investigate and report on, I needed to collect and interpret data directly from interviews with two groups of participants who were 'experiencing' the policy: the employers and the policy makers. This would enable me to 'tease out ...experiential knowledge from..opinion and preference' to make the 'activities and spaces, relationships and contexts...*embraceable*' (Denzin, 2009, p. 455). To understand the perceptions and beliefs of the *employers*, I could in a larger study have surveyed all the employers who participated, and analysed all the EOP projects which were funded, to increase the number and range of sources of evidence. The resources available did not allow this. Alternatively I could have analysed the responses of just one employer in one project: however revealing, this would have limited the study to a specific sector, to a single employer's approach, and to just one of the two Rounds of the competition (the details and timelines for the policy are set out in Chapter 6), and this would have limited the reliability and generalisability of my findings.

I concluded that, to be confident of finding appropriate patterns in the data (Yin, 2009, p. 139), I would need two 'mini-cases' (Denzin, 2009, p. 451): embedded units of enquiry which had 'share[d] essential characteristics with other groups, settings or periods' (Robson, 2011, p. 72) but which would otherwise provide clear contrasts. I therefore chose two projects, from different sectors, one from each of the two Rounds of the funding competition, which demonstrated contrasting ambitions,

governance arrangements and designs. For context I also collected data from a small number of individual employers in different sectors who I knew to have been expanding their apprenticeship programmes, and who might give feedback on their decision on whether or how to approach the EOP competition.

In order to explore how the state actors experienced EOP and to understand what barriers might be preventing policy makers from addressing and overcoming the challenges emerging for employers, I would need to collect data from those who made, observed the making of, and implemented policy in this field. This would include individuals in the government departments and the agencies. For context I also chose a sample of other observers of the scene, including ex-ministers, ex-officials, academics and specialist policy analysts, advisers and journalists with long term and insider perspectives on the craft of making apprenticeship and related policies under different governments over time.

For the purpose of analysis, I have categorised each of these actors into one of four groups of interviewees. Although some of the state actors were involved only in the delivery and not the design of the policy they were, as state actors, collectively *responsible* for its success. I have therefore borrowed from the EOP itself the terminology of *ownership*, and I refer to them throughout this study as the **policy owners**. The second group comprises the wide range of **observers** listed above. Although as observers they had no direct *financial* interest in its outcomes, they had considerable expertise and potential influence on the policy, with strong and contrasting views which I felt were likely to reflect a wide range of personal and professional perspectives. The third group of interviewees from whom data were collected were **intermediary organisations**: these did have a financial interest, as either commercial or not-for-profit enterprises such as colleges and independent training providers (including the special vehicle organisations established to support Industrial Partnerships – see Chapter 8). The data collected from these first three groups are considered in Chapter 7. Data from the fourth and final group of interviewees - the **employers** - are considered in Chapter 8.

The criteria used to select the sample

Employers. As described in Section 5.1 above, the purpose and design of the research aimed to investigate the challenges of ownership of apprenticeship for employers as they engaged directly with the state. Prior to the introduction of the Apprenticeship levy in 2017, providers' need to deliver contractual targets drove them to make decisions on behalf of employers; resulting problems of agency were noted by Cassels (2001) and Leitch (2006) as part of their critique of New Labour policies, as described in Chapter 2. One of the aims of the new EOP policy, therefore, launched by the incoming Conservative-led Coalition in 2010, was to give employers more purchasing power by funding them directly (a policy of 'disintermediation' described in Chapters 6 and 7).

In selecting employers for interview I therefore needed to avoid three risks to the validity of the findings. First, if the data I collected from my interviewees was of poor quality, as a PhD student I did not have the resources to start again: I would therefore need to use my knowledge of the field to select employers in a way which minimised my risks. Second, I wanted the perspectives of employers who had a real commitment to apprenticeships, not to those who were primarily chasing down public funds. I could not therefore select employers at random, since I would only be able to demonstrate the construct validity of the findings if I could distinguish, at selection stage, between the challenges arising from a lack of ambition and those arising from problems with the policy. In Section 5.1 above, I describe my role and experience as Director of the National Employer Service (NES)³³: my previous direct relationship with large employers in this role meant that I was already aware that some employers would meet these criteria and some might not. Third, I needed interviewees to be sufficiently familiar with, or to have sufficient internal resources to deal with, reasonable requirements for public funding. If my findings were to be valid, I needed to be sure that employers would not confuse normal standards of public probity, data collection and the requirements of audit with intolerable bureaucracy. Given Bishop's findings about the limited capacity and tolerance of SMEs to deal with government administration (Bishop, 2015), I concluded that most smaller

³³ The NES only offered direct funding contracts to firms employing more than 5000 people, and only then after their team attended NES training (including in the administrative requirements) and a credible application was signed off by their senior leadership.

employers would not meet this criterion. I therefore concluded that I should limit my employer sample to large employers. My reasoning was that if, despite their experience and much greater capacity to deal with administrative issues of direct engagement with the state, difficulties were experienced by large employers, they were even more likely to be experienced by smaller employers. By contrast, the experience of SMEs might not be generalizable to larger firms.

The employers were therefore selected for interview on the basis of the following criteria:

- 1 All were large (more than 5000 employees), with teams dedicated to employee development who already had an apprenticeship programme running.
- 2 All had previously accessed public funding for their apprenticeship programmes and had experience of the administrative and regulatory requirements. There should be significant differences between their organisations.
- 3 They were to have different skill and labour market requirements; with contrasting traditions of skills formation and apprenticeship; in contrasting sectors (such as services and manufacturing), with contrasting levels of experience of engagement with officials and ministers³⁴.

Other than their existing commitment to apprenticeship, and their willingness to share their experiences and make themselves and/or their colleagues available for one or more interviews (initially in person, latterly on zoom or by phone), the criteria used to select the two embedded EOP projects considered in more depth were also intended to introduce as many contrasts as possible:

- They participated in different funding Rounds – one from Round 1 in 2012/13, one from Round 2 in 2013/14 – for which different prospectuses were published
- One was in a services sector, one in STEM
- One was led by a single employer, with several interviewees drawn from different levels in the organisation, one was an Industrial Partnership, with multiple employers involved from the same sector, but interviewees at the same level in their organisations

³⁴ Most large employers in STEM sectors had extensive experience of working with BIS, for example to support industrial strategies; this was rare in service sectors, except for those targeted for work experience and entry level jobs by the Department of Work and Pensions

- They had addressed their existing apprenticeship programmes in different ways: some had their own direct contracts with the state, some accessed services from intermediaries who held funding contracts. Of the latter group, some commissioned intermediaries to manage all the administrative and training requirements of the programme while others designed their programme to be managed and delivered inhouse.

Policy owners: Interviewees were drawn from the senior officials in each of the government departments, BIS and DfE, and government agencies, UKCES and the Skills Funding Agency (SFA), whose roles were to design or deliver the EOP policy (these institutions are described in Chapter 5 as the state infrastructure governing apprenticeships as EOP was launched in 2011, 18 months into the Coalition administration).

Intermediaries were selected for interview on the basis that they had successfully bid for EOP contracts, in their role as promoting or delivering education and training to support employers, and had previous experience of bidding for publicly funded contracts similar to EOP.

The **observers** were individuals selected for their long-term experience and expertise in VET policy, either as officials and policy makers in previous roles (and no longer working for the state), or because they were widely read and respected for their historical perspective through academic literature or journalism or other commentaries. They were selected to represent a wide range of affiliations and views.

My reflections as an insider researcher

I described, in Section 5.2, the background to my choice of employer ownership as the focus of my thesis, and my role as an insider researcher.

The advantages and drawbacks of being an insider are keenly contested: Mercer (2007) describes being an insider researcher as a 'double-edged sword'. While she argues that on the one hand, Insiders often enjoy freer access, stronger rapport and a deeper, more readily-available frame of shared reference with which to interpret the data they collect; on the other hand, however, they have to contend with their own pre-conceptions, and those their informants have formed about them as a result of their shared history (2007, p. 14).

Mercer concludes, as do I, that there is more to be gained than lost. She references the reflections on 'nearness and distance' of Simmel (Simmel, 1950, p. 404) who sees the 'stranger', especially one who then moves on, as I did, as someone who 'often receives the most surprising openness – confidences which ... would be carefully withheld from a more closely related person'. She cites Hannabus' description of how the insider researcher can then use their understanding, experience and empathy to best effect because:

the [insider] researcher knows his/her environment well, knows by instinct what can be done and how far old friends and favours can be pressed, just when and where to meet up for interviews, what the power structures and the moral mazes and subtexts of the company are and so what taboos to avoid, what shibboleths to mumble and bureaucrats to placate (Hannabus (2000) in Mercer, 2007, p. 6).

Robson too recognises the 'clear practical advantages' of having an:

intimate knowledge of the context of the study, both as it is at present and in a historical or developmental perspective...you will know...the politics of the institution...how it really works ...how to approach people' (Robson, 2011, p. 298).

Mercer also notes that the researcher who understands the context of the discussion is able to avoid misunderstandings by eliminating 'accidental dislocations and emphases, whose individual and subjective differences would produce different pictures of the same object [and thereby achieve greater] 'objectivity'. I argue that this is necessary but not sufficient for the challenge from Robson: how to 'maintain objectivity, given your previous and present close contact with the institution and your colleagues?' (Robson, 2011, p. 300).

At one level, because I have not been employed in the field for more than a decade, and no longer have a professional relationship with any respondents, I have faced a much more limited set of dilemmas than Mercer suggests arise for many insider researchers when the role of researcher is added to that of colleague (eg Humphrey, 2013). I claim that this separation has enabled me to acquire Simmel's appropriate degree of distance (Simmel, 1950). However, there are two issues I have had to confront. The first is that one criterion I have used to select employers for interview is that I already believed them to be committed to apprenticeships (see my background in Section 5.1).

I therefore started with a positive view of their actions and motivations which I need to acknowledge. However, since the purpose of the research was not to validate their commitment but to investigate their experience of working with the state machinery, I conclude that it is not a material issue affecting the validity of my conclusions. The second issue is ethical: my thesis is a critique of a system which I worked in, and of policies I worked to support. They were designed to achieve targets through the quasi-market which is at the heart of my critique. I committed myself to delivering these for many years because it was in my interests, just as much as it was in the interests of my colleagues, to do so. I understand the details of the quasi-market because I used it myself in this way.

My answer to the question of how I maintain my objectivity, therefore, lies in the disciplines with which I have designed and conducted the research, and analysed the results, to support the reliability and generalisability of my findings. First I am aware that 'qualitative case study is highly personal research' but that 'subjectivity is not...a failing needing to be eliminated but as an essential element of understanding' (Stake, 1995, pp. 135, 45). My role in the SFA meant I already had a profile, known in the field, for championing the role of employers and in challenging them to *own* and integrate their apprenticeship programmes into their broader HR and training strategies. I explicitly acknowledged with all interviewees that I had a perspective on the issues I was researching. This perspective could be summarised as a concern that, since 1994, the state had failed to secure the contribution of employers, as key actors in apprenticeship, to making their policies more effective; that I did not find the traditional reasons for this failure very convincing; that my research was intended to provide a better understanding of what was preventing policy makers overcome this failure; and that I wanted to understand their experience, good or bad, and their perspective on it, to see how they could assist with this understanding.

Second, I have ensured a 'concern for validation of observations...[through] triangulation' of data from different sources (p. 112). Following my exploration of theoretical issues considered in Chapters 1-4, and the choice of a case study to test these empirically, I drew up a detailed design for data collection and sampling for the case study. For example, I considered the risk that without great care my dependence on my previous institutional networks might have led to an inadvertent process of selectiveness in my sampling: that only those who felt positive about my previous professional

contributions would agree to be interviewed, leading to a hidden distortion of perspectives. However, I did not experience refusals from those who disagreed with my known perspective, but only from those who did not know me personally, or know of my work. This underlines for me how difficult it would be for someone who is not perceived as an 'insider' to gain access and the insights of such a wide range of participants, and what unique perspectives I should be able to generate.

5.3 The Interviews

A total of 36 interviews were conducted with 31 individuals, either self-employed or from 13 organisations between 2012 and 2021. 28 of these people were, at the time of the interview, representing or employed by one of the organisations participating in the policy, while 7 interviewees were observers with a broad range of perspectives, most from many years of experience of policy and the policy making process in the field of apprenticeships. Where individuals were interviewed more than once from the same organisation, the aim was to capture changing perspectives on the policy and its impact over time, and to check for accuracy, though this was only possible with those people who stayed in post or in related roles over the years of the study.

The list of interviews (see Annex 3) was as follows. Of the **employers** interviewed, 15 interviews were with 12 individuals working for 8 large employers, all but 1 of whom were involved directly as bidders and participants in the EO policy. There were 8 interviews with 5 people all of whom worked for **Hosta**, the employer who led the Round 1 project which features as the first embedded case study Hosta in Chapter 7. 2 individuals were interviewed from 2 employers involved in **Indus**, the Industrial Partnership in Round 2 which features as the embedded case Indus in Chapter 7. 5 individuals from 5 employers were interviewed who had been involved in discussions with UKCES in 2011, all but 1 of whom were involved in bids, of which one also became an *Industrial Partnership*.

There were 5 **policy owner** interviews with 5 individuals from the 4 state entities responsible for the design and delivery of the policy. Of the **intermediaries** interviewed, there were 2 interviews with 2 individuals from 2 organisations which stood to gain or lose financially from the success or failure of the policy. There were 14 interviews with 12 individuals who commented on the policy as expert **observers**, either in an independent capacity or representing organisations involved as participants.

Interview schedule and ethical considerations: how informants were approached and gave consent

I approached my list of interviewees by email, phone or social media. Initially I made informal approaches, either through other people or as a follow-up to a previous contact, and I found that almost all of them immediately and generously agreed in principle a date and time for a meeting or phone call for the interview.

I followed up this informal request with a formal background note in advance of the interview to secure informed consent. The template for this background note and the questions to be asked is at Annex 2. All requests were sent by email and were customised and personalised. This introduced slight differences in tone and content, to ensure that the register used would be viewed by its addressee as appropriate, and to include references to any connections or relationship that might have already existed between myself and my interviewee and their organisation. However, all such requests included identical assurances about attributions, confidentiality, permissions and a statement about any conflicts of interest, and the meeting was conducted on that basis. All interviews were digitally recorded and transcribed. For data security both the tape and the transcriptions were transferred to my UCL network drive.

I believe I have thereby dealt with any ethical issues that might otherwise have arisen. The formal background note ensured that interviewees were fully informed or reminded about my previous role and my perspective at that time on the employer role in skills policy, and also that they knew I was or had been working since then on a free-lance basis in the field, in case there were commercial-in-confidence issues for them. It asked their permission to record the interview and offered a range of assurances: that their views would not be attributed or attributable without their permission, that the recordings and transcripts of the interview would be protected, and that if they chose to give me any documents which were not freely available elsewhere, these would also remain confidential. To ensure their understanding and consent I reiterated these requests and assurances at the start of each interview.

As a result of these steps to secure consent, three interviews did not go ahead. Of 39 people approached, one (a policy owner) was unable to find time for the interview. A second (an observer) did not respond to my informal request, despite having exchanged communications with me on other issues: this was the only refusal I interpreted as resulting from what was perceived to have been my perspective on the issues, and while I regretted the loss of this specific voice I felt confident that the point of view that this interviewee was likely to have articulated – because I regularly read her views in electronic articles online - would be well represented by other interviewees who did accept. A third respondent (an employer) withdrew permission for an interview, as she did not want to risk her organisation being identified in any way with the research. None of those interviewed raised any concerns about conflicts of interest.

One employer and one ex-policy official stated that they had no concerns about anonymity and that I did not need to return to them for any permissions as they were happy for the government to know their views. Despite this assurance, all interviewees and their organisations have been pseudonymised as described below, and where I believed there was a risk that the views themselves as quoted might reveal who they were, I have returned to individual informants both to ‘review the material for accuracy and palatability...[or] to provide alternative language or interpretation’ (Stake, 1995, p. 115) and to check whether they feel their identity has been protected.

Since the majority of interviewees did request anonymity, I have allocated all interviewees cited in the analysis a code (listed at Annex 3): this provides a pseudonym for the individual, their job role or level of seniority, a pseudonym for their organisation and the date(s) of interview. Since no findings relevant to the study were considered or can be inferred from the actual gender of the interviewee, to obfuscate identity further all interviewees are ascribed a female gender and referred to as *she* throughout but might have been male, female or non-binary. For example, an employer interviewee might be cited as Serena TM HotAir 2015: in this case Serena would have been a Training Manager at Hot Air Enterprises interviewed in 2015, while a policy owner might be pseudonymised as Lisa PolicyOwner 2012, where Lisa was an official from a government department or agency interviewed in 2012.

5.4 The analytical framework and methodology: reporting the findings of the case study

The evidence relevant to the research questions is organised, analysed and reported using the analytical and conceptual framework first introduced in Chapter 3, and in Section 5.2 of this chapter (Davies and Hughes, 2009). This section describes how I have used it in Chapters 6 - 8 to appraise the challenges experienced by policy makers in securing and sustaining employer engagement in apprenticeship, and the barriers which prevent them from addressing and overcoming these challenges.

My analysis borrows two key concepts from Davies and Hughes' framework (2009). The first is an organizing principle, drawn from Evans (2003) and the 'stages' theory of policy making of Sabatier (2007, p. 4), that policy can be analysed in three stages, by exploring how it is *espoused, enacted and experienced*. The second is the conceptual lens through which I propose to conduct the analysis: to explore how, where there are inconsistencies between the *espousal* and *enactment* of a policy, these are *experienced* as different types of 'policy fractures' (Davies and Hughes, 2009, p. 596). These types of fracture are:

'ideological fracture' in which competing ideologies create unresolved tensions in espoused policy; 'agency fracture' in which public or private sector agents exploit any scope to enact policy in ways that transform or subvert espoused policy; 'enactment fracture' in which a discourse about the process through which government will achieve its objectives overreaches its capacity or conflicts with another concurrent enactment discourse; and 'bifocal fracture' in which different arms of government with different focal points for espoused policy bear upon the same experienced context in contradictory ways (Davies and Hughes, 2009, p. 596).

However, I find that Davies and Hughes' framework, devised in the context of lifelong learning, is limited by its assumption that policy making is a linear process, first 'espoused' by a unified central state, then 'enacted' by the professions, with the impact of its fractures experienced down the line by the community. I have taken a more multi-dimensional approach both to the policy stages and to the key actors in each stage. Rather than see the state as a single unit, whose policy is enacted by other actors in a relatively ordered environment (eg Hill and Hupe, 2012, p. 9), this study instead perceives

it as a multi-headed entity whose different actors in different parts have different interests at different times, and whose relative powers can wax and wane even as the policy progresses. Even if the policy is espoused by one part of the state, that may be the limit of its authority over the policy, since a different part of the state machinery may then have its own power to progress the enactment through levers such as regulation or funding, or to change the enactment in a way which effectively redefines the espousal. Davies and Hughes also see these policy stages as a fixed sequence, in which specific players play their roles over time, while I argue that this immutability imposes unnecessary limits on the analysis.

In this thesis I have therefore considered each of the three stages as dynamic and changing over time within the EOP policy. The implication for the analysis is that the discourses at the heart of the espousal at the launch of the policy may be changing even as the policy is being enacted, just as the characteristics of the enactment itself may be in flux. In turn it is not only the participants and stakeholders whose experience may be changing over time, but also that of the policy makers. My perspective therefore draws less on policy as a chronologically staged and rational process (eg Sabatier, 2007), and more on policy as the anarchic environment described in the Multiple Streams theory of policy change, as described in Chapter 2. This sees policy problems, solutions, participants and decision-making all existing independently of one another (Kingdon, 1995) in a 'primeval soup', with radical policy change requiring specific conditions in which a policy window opens, a policy entrepreneur is ready with the policy problem defined and a solution prepared, and all converge. It also acknowledges the contingency of policy decisions: these may be perceived by the actors as having been taken for political or rational reasons, but they may in fact have resulted from the existence of established organisational procedures which have not been superseded (Allison and Zelikow, 1999) and thereby impose a logic of appropriateness (March and Olsen (2008) in Vol 1 Hill and Hupe, 2012, p. 58) on officials. Even in this complex and dynamic policy environment, however, Davies and Hughes' typology supports the multiple perspectives needed to explain such fractures.

The conclusions of the case study are therefore able to report three key findings: first, the nature and origins of any inconsistencies between espousal and enactment, such as those arising from a lack of capacity, a lack of coherence across government, or a change in ideology; second, how such fractures

were experienced by employers and how this affected their commitment to give money, time and expertise to apprenticeship; and finally what the policy fractures reveal about the barriers for policy makers in addressing and overcoming such challenges.

The analysis and findings of this empirical study are set out over three Chapters 6 - 8. Chapter 6 first gives an overview of the context within which the policy was launched, and summarises how the contemporary texts show that the policy was first espoused and then enacted in each of the two funding Rounds.

Chapter 6: The Case Study - The Employer Ownership Pilot policy 2011 - 2017

The first four chapters of this thesis have framed my investigation into the historical and theoretical challenges of securing and sustaining the *employer ownership* – the money, time and expertise (Wolf, 2015b, p. 37) — of apprenticeship, and the barriers which prevent policy makers from addressing and overcoming them.

These chapters concluded that the challenges for employer ownership may be exacerbated, not resolved, by the interventions of the state. This is because the policy instrument used, the quasi-market, creates high levels of transaction costs and risks for employers: the regulations which govern it are complex and constantly changing, and appear to have been designed primarily to achieve targets rather than improvements in productivity. I argued in Chapter 4 that it is the distinctive factors which shape the English LME *variety of public policy* which create the barriers preventing policy makers from addressing and overcoming these challenges: the ideological conflicts, the limitations of the quasi-market as a policy instrument, and the lack of effective challenge to a state with the power to launch and rapidly change poorly developed policies.

Chapter 5 considered how this emerging theory might be tested in an empirical study of the experience, perceptions and beliefs of policy makers and employers about such challenges and barriers. It described why a case study was identified as the most appropriate methodological option and why a specific policy, the Employer Ownership Pilot 2011 - 2017, was chosen as the unit of enquiry. It considered how the analytical framework, first introduced in Chapter 3, would be used for organising the collection of data on how the policy is espoused, enacted and experienced, and for providing the conceptual lens on the data itself (Davies and Hughes, 2009).

Chapter 6 now introduces the case study which is the focus of Chapters 6 - 8. Section 6.1 gives an overview of the political and institutional context and tensions in 2010 when the policy under investigation, the Employer Ownership of Skills Pilot (EOP), was launched. Section 6.2 summarises the analysis underpinning a new policy approach to the role of employers in apprenticeship policy, but

also the potential conflicts between the policy ambitions of the incoming Coalition government as espoused, and the routine protocols of the LME quasi-market machinery in place to enact them. Section 6.3 gives a brief overview of the EOP: what is already known about the events which unfolded over the life of the policy, the key metrics and the sources of the data which were collected for analysis. The analysis itself starts at Section 6.4, which explores the discourses and texts of the espousal by the state and its agencies, and identifies the ideological, political and institutional tensions which remained unresolved at that stage. Section 6.5 considers the processes of enactment and how such tensions re-emerged as inconsistencies between the espousal and enactment of the policy.

6.1 The political and institutional context of the case: Coalition 2010-2015

This section identifies the political and institutional tensions in play for the incoming Coalition government in 2010. It highlights the Coalition's ambitions for skills and apprenticeship policy and the challenges which arose from two sources. First were the ideological differences and consequent potential policy tensions between the Conservative and LibDem leaderships within the Coalition, manifest in a LibDem Secretary of State for Business, Vince Cable, supported by a Conservative skills minister John Hayes (succeeded by Matt Hancock in 2013), under a Conservative Prime Minister David Cameron. Second were a range of upheavals in the *machinery of government*, some inherited and some initiated by the Coalition.

The priorities and infrastructure for apprenticeship introduced in 2010 by the Coalition

Coming to power only two years after the Financial crisis of 2008, the Coalition defined its key priorities as being to reduce debt and to return the economy to sustainable growth, while extending social inclusion and social mobility, and building 'the Big Society' (Coalition, 2010; HMT and BIS, 2011). Despite the contradictions inherent within these ambitions, under Cameron as leader a new Conservative engagement with 'civil society, social justice and environmental political agendas' (Spours, 2015, p. 6) was argued to have laid the groundwork for a common political platform with the

LibDems, despite its regime of austerity being a highly contested policy response to the high levels of government debt (eg Reinhart and Rogoff, 2010; Krugman, 2015).

Two features of the Coalition's policies in 2010 had particular implications for skills and apprenticeship. First in their skills strategy 'Skills for sustainable growth' (BIS, 2010) was an early commitment to expanding the number of apprenticeships; ironically this was on the same page as their announcement to end 'centrally determined targets' (BIS, 2010, p. 7). The Coalition had inherited a situation in which low-skilled adults in work had too few opportunities to upskill and progress, and too few school leavers were gaining the basic skills they needed to progress in work...[but they were] divided over what was needed...[and were] without a major reform programme to address [it] (Lupton, Unwin and Thomson, 2015, pp. 10,14).

Where Lupton *et al* claim they did agree was in their aim to seek ways to support the creation of apprenticeships, internships, work pairings and college and workplace training places as part of our wider programme to get Britain working (from the Coalition agreement 2010 p.31, cited by Lupton, Unwin and Thomson, p. 12).

Their strategy promised to put apprenticeships 'at the heart of the system that we will build... because they bring together individuals,...employers, investing in their own success but supporting a programme with wider social, environmental and economic value and Government, providing public funding and building the prestige and reputation of the programme' (BIS, 2010, p. 7).

Secondly the incoming Coalition immediately announced yet another programme of organizational reform, both in the *machinery of government*³⁵ and in its institutions³⁶ including those charged with delivering apprenticeships at departmental and agency level: all key players in this case study. Such churn in policies and institutions was argued in Chapter 4 to be characteristic of English policy making, because the English constitution gives unlimited power to the Westminster executive to exercise self-

³⁵ This phrase (colloquially known as 'MOG') normally refers to a restructure of government departments and their agencies <https://www.gov.uk/government/speeches/machinery-of-government-changes-3-june-2010>

³⁶ Including abolishing the government department for Innovation, Universities and Skills (DIUS) responsible for apprenticeships, which had been in place for just two years

interest in prioritising its political goals, particularly in the electorally visible but poorly understood field of apprenticeship.

These reforms split responsibility for the apprenticeship budget by age between the departments for Education (DfE) and Business Innovation and Skills (BIS). Apprenticeships for 16-18 year olds were now to be funded by a new Young Peoples Learning Agency (YPLA), sponsored by DfE and its Conservative Secretary of State (SoS) Michael Gove. Under a LibDem Business SoS Vince Cable, BIS became the sponsor of the Skills Funding Agency (SFA), responsible for funding adult (19+) education and skills below higher education including adult apprenticeships, and with overall responsibility for apprenticeship strategy. Under the Coalition, the SFA - which had only become operational in April 2010, following the abolition announced in 2008 of its predecessor the LSC (see Chapter 2) - was reduced in size but left in place, along with its apprenticeship arm the National Apprenticeship Service (NAS). The SFA/NAS was tasked with achieving the Coalition's even bigger apprenticeship target of 'more than 200,000 annual starts by 2014-15' (BIS, 2010, p. 7), through contracts with the SFA's network of training providers, the salesforce for apprenticeships.

However, as the analysis of the English *variety of public policy* in Chapter 4 would have predicted, the incoming Conservative-led government also ended other forms of what Spours calls the 'centralist statecraft' of Labour (2015, p. 6). Characteristically for the political economy of an LME, as discussed in Chapter 4, its 'Bonfire of the Quangos'³⁷ abolished the non-market institutions which could act as an impediment to the market, and which had no independence of, or protection from, state interference (Wood, 2001, p. 259) including the Regional Development Agencies (RDAs). This also led to the abolition of its CME-like support for a range of intermediary and collaborative institutions and programmes. This enabled them to maximise the use of budgets for *participation funds* (such as those distributed through the quasi-market to buy more apprenticeship start numbers) rather than for *infrastructure funds* (for capacity building including the development of qualifications) or for

³⁷ 'Quangos' were Quasi Non-Governmental Organisations <https://www.dailymail.co.uk/news/article-1280566/Osborne-unveils-500m-bonfire-quangos.html>. They were also known as Non-departmental public bodies (NDPBs), the blanket term for different kinds of Agencies created since the 1980s: the fine distinctions in these terms are not material.

programmes designed to raise *demand* (advisory services). This policy for the abolition of intermediary organisations was known as *disintermediation*.

The wisdom and effectiveness of these changes was contested, both as highly disruptive and as unlikely to achieve the £6.2bn savings claimed for it (Gash *et al.*, 2010; NAO, 2010), and they also had implications for employer facing support for skills and apprenticeship. RDAs may not have been sufficiently independent of government that they earned the trust of employers (James and Guile, 2014, p. 187), but their services included the regional business advisory service Business Link³⁸, with its skills intelligence units, regional skills strategies (BIS, 2009, p. 12) and specialist network of advisers on skills for SMEs. Other streamlining would also end grant funding for the Sector Skills Councils (SSCs) from 2014, and the integration of the SFA's large employer unit NES³⁹ into NAS. These were all the institutions, or sections within them, which had previously been funded to advise and provide support directly to businesses looking to develop apprenticeship and other skills programmes.

The Coalition's abolition of the RDAs also claimed to be intended to devolve power away from the Westminster executive by replacing the Regional Development Agencies (RDAs) with new regional economic development institutions, Local Enterprise partnerships (LEPs). These, it was argued, would secure economic renewal not by top-down centralised state dictat, but by devolving power out from the centre to

business and civic leaders work[ing] together...to provide strategic leadership...for business and growth in their areas, by tackling...with universities and further education colleges...issues such as planning and housing, local transport and infrastructure priorities, employment and enterprise and the transition to the low carbon economy' (Cable and Pickles, 2010, p. 1).

This policy could be interpreted as an acknowledgement by the state of a new challenge emerging from the regions, whose leadership saw skills and apprenticeship as one of the critically

³⁸ Lord Heseltine had set up Business Links in 1992, to operate locally in partnership with TECs as a one-stop-shop for SME advisory services Bennett, R., Wicks, P. and McCoshan, A. (1994) *Local empowerment and business services: Britain's experiment with Training and Enterprise Councils*. London: UCL press., but became regional services under Labour.

³⁹ The National Employer Service provided committed large employers with more than 5000 employees with direct SFA contracts so that they could become active commissioners of apprenticeship services

interdependent elements of emerging local skills ecosystems seen as common to CMEs (see chapter 4), rather than as a centrally purchased commodity. However, such a policy is not obviously compatible with the centralizing characteristics of the Westminster executive, and up to the time of writing it does not appear to have affected the grip of the centralized quasi-market system for apprenticeships, even where regional authorities have control over discretionary budgets for adult education.

These *machinery of government* and other changes left just two NDPBs in place in England to support the apprenticeship strategy of the Coalition 2010-2015: the SFA and the UK Commission for Employer and Skills (UKCES). Although it did not support or advise businesses directly, the UKCES' remit to 'strengthen the employer voice at the heart of the system,...[and to] advise Government on skills and employment strategy and targets' (DIUS, 2007, p. 11) was to continue. Despite being an intermediary body, it not only survived the Bonfire of the Quangos but had its role expanded to support the Coalition to 'reach into different sectors of the economy' (BIS, 2010, p. 1): a reflection perhaps of a difference of perspective on *disintermediation* between the LibDem Secretary of State for BIS and other ministers in the Conservative-led Coalition. Although from 2014 UKCES would no longer receive grant funding to allow the Sector Skills Councils (SSCs) to update the national occupational standards for each sector (p. 16)⁴⁰, UKCES was to support SSCs in their 'core role' for the future: to develop 'innovative solutions to improve the commitment of employers' (p. 25). Unexpectedly in an LME, the UKCES Commissioners – a mix of private, public and union interests - were also to form 'a vehicle for social partnership' (p. 23)⁴¹, to bring together, in its Commissioners and in its work, the voices of 'employers, trades unions and others to identify measures that would support the growth of their sector'. This social partnership was employer-led, with influential business leaders such as Charlie Mayfield, CEO of the John Lewis Partnership, taking over in late 2010 from the first UKCES Chairman appointed under Labour, Mike Rake, Chairman of BT.

⁴⁰ The establishment of UKCES, which took over from the SSDA, was a recommendation of the 2006 Leitch report

⁴¹ The previous 'social partnership' for skills was the Manpower Services Commission, abolished by the Conservatives in 1988

The Coalition's endorsement of UKCES' new remit and their business-led governance had the potential to make UKCES an influential voice with the new government, which was displaying a new 'ministerial appetite for empowering the customer' (UKCES, 2010b, p. 47) under the leadership of its LibDem Secretary of State. UKCES had been arguing for a 'hiding of the wiring' of a skills system it saw as too complex for employers to make sense of (Crush, 2008). At the same time the funding agency - which, as the LSC under Labour, had had most of the budget and the power, and was in control of the apprenticeship quasi-market and the complexity - was being newly established as the SFA, and was still restructuring itself and finding its feet. As the political, ideological and organizational tectonic policy plates shifted under a new Conservative Prime Minister, a new LibDem leadership on skills and apprenticeships, and new remits for the key skills agencies, there was tension and uncertainty about how much change UKCES might manage to achieve⁴². Such tensions included but were not limited to UKCES' new role as a 'social partnership': the sort of tripartite governance arrangement dismissed by Wood (see Chapter 4) as introduced by LME governments in response to 'ideological, political and electoral pressures', but not 'incentive-compatible' and therefore 'unlikely to succeed' (Wood, 2001, p. 259). These tensions could be seen to be still unresolved, as flagged in Section 6.2 below and analysed in Section 6.4, when the Coalition's flagship policy, the Employer Ownership Pilot (2011 - 2017) was launched.

6.2 The need for greater employer commitment: the 2010 proposals

UKCES had already, in the late days of the Labour government prior to the Coalition's review and the expansion of their role, provided government with a series of analyses and reports on 'increasing employer ambition, engagement and investment in skills' (UKCES, 2009). It had urged change to a skills and apprenticeship system that it argued was alienating employers:

One of the most persistent complaints by employers is how complex and 'cluttered' the skills organisational landscape is, which has been described as 'an alphabet soup of acronyms'. This confuses some employers because they don't understand the different roles and responsibilities of each, can't deal with a single organisation to meet their skills requirements,

⁴² Source: author's own records

and get caught up in the bewilderingly different sets of rules and requirements that each demands. In far too many cases, employers simply refuse to be involved in training programmes and Apprenticeships because the bureaucracy is unacceptable (UKCES, 2009, p. 34).

UKCES' analysis, updated in their 2010 proposals to the Coalition (UKCES, 2010b), argued that the 'demand-led' skills system, put in place in response to the Leitch review (DIUS, 2007), had aimed to deliver employer engagement through two distinct routes, *employer choice* and *employer voice*, but that there were problems with both. *Employer choice* was designed to work by giving employers the power to select the training, skills development or employment services they wanted to purchase; however, the agent/principal problem meant, as argued in Chapter 4, that there was no real purchasing power for the employer customer, since the traditional LSC/SFA system, of allocating funds and targets to suppliers via contracts, limited the information and choices available. UKCES claimed that there had in practice therefore been a greater reliance on involving employers through the *employer voice* route, where employers would voice their needs 'either individually or collectively with a view to influencing how public money was spent' (UKCES, 2009, p. 4). UKCES argued that this did not work either: for example, as described in Chapter 2, even when a sector developed and agreed, as requested, a 'comprehensive, evidence-based analysis of skill needs' such as a Sector Skills Agreement (SSA) (HMT, 2003), this rarely affected what training provision was available 'because SSCs have no formal leverage with the supply side' (GHK, 2008, p. 5) or – at local or regional levels – with the SFA's allocation of funds. UKCES again cited employer frustration with 'the labyrinth of skills initiatives and institutions' (UKCES, 2009, p. 3), arguing that when asked to get involved, it was not clear to the employers whether they were in an advisory role, or were reaching a consensus with governments on problems and solutions, or were leading the development of solutions for specific issues. There was consequently 'a mismatch of expectations between employers, public sector partners and government about what employers are being asked to do' (p. 20), and employers did not understand how to have most influence on issues that mattered (p. 3). UKCES' key recommendation on 'empowering' employers was therefore no longer 'to rely on consulting employers (*'employer voice'*), but to create a system that responded to them as customers (*'employer choice'*)...and [which was] '*truly*' demand-led' (p. 4).

In its first report to the new Coalition government (UKCES, 2010b), UKCES built on these earlier analyses to argue that increased employer influence over how apprenticeship funding was used was essential if increased employer 'engagement' (the term still used at that time, prior to EOP) in apprenticeship was to be achieved. While acknowledging the literature (eg Gleeson and Keep, 2004) which argues that employers focus on the short term and have a vested interest in persuading the public purse to fund what they want, the report claims that without clear benefits to employers, 'sustainable engagement' was unachievable (UKCES, 2010b, p. 8). Its report is particularly insistent that it must be a 'two-way street' between the state and employers. If they were to engage and invest, employers needed the 'deal' they were being offered to be made clearer and it must be delivered on. They needed to

know what authority [they] have when they commit time to shaping the employment and skills system...Exactly what can they make decisions about? What can they spend or influence how others spend? What can they plan or prioritise?... In this context, what actual powers do they have? (UKCES, 2010b, p. 20).

UKCES insisted that supporting apprenticeship policies carried a cost for employers which had to be predictable, understood and offset by other benefits (p. 8).

The key proposal of UKCES' early report to the incoming Coalition therefore was to 'transform' a system of state intervention into skills 'from one where employers are frustrated by complexity and lack of progress to one where they have a clear role to play and can see impact' (UKCES, 2010b, p. 6). The transformation would address the problem of agency by *routing funding directly to employers*, rather than through providers. It responded to a new ministerial commitment to

do things differently.... turn the system on its head... abandon a culture of bureaucratic central planning and regulatory control...micromanaged from the centre' (BIS, 2010, pp. 5,6).

Instead of following the skills policy tradition of 'consulting employers as part of a planning process' without giving them a role in the state's decision making on funding priorities, ministers would in future 'empower the customer' (UKCES, 2010b, p. 47). Its model was based on:

a joint investment model that...supports employers to...self-select and form an *ad hoc* partnership to work together on a common interest or need, where...employers propose the solution,...are asked to provide a high proportion of the investment...with a more direct relationship between employer need and how discretionary funds are allocated' (p. 53).

Public money could then be used, 'on an as-needed basis', to lever an increase in employer investment into specific projects which would secure mutual benefits to the state and the employer (UKCES, 2010b, p. 54). It echoed the ministerial ambition to give 'those using the system, not the state...control over their funding' (BIS, 2010, p. 5).

The tensions and conflicts inherent in the Coalition's proposals for increased employer ownership

There are many tensions and internal contradictions in these proposals, as in the rearrangements of both the institutional and the policy landscape by the centralised Conservative-led LME state discussed in Section 6.1. They exemplify a yielding, even by a centralised and powerful LME government, to the types of 'ideological, political and electoral pressures' which lead to policies being introduced which are not 'incentive-compatible' with the political economy (Wood, 2001, p. 259). For example, although the proposal was intended to *disintermediate* and take control of apprenticeships back from providers to give to employers, this would put decisions on apprenticeship take-up one step removed from state control; this would present immediate and obvious *political* tensions, since it could jeopardise the government's ability to deliver its targets.

Other tensions were *organisational*. The proposal to fund employers direct presented significant challenges to the SFA, which retained control of the quasi-market policy levers, the funding contracts for 'participation'. It might require different financial and data systems which would take time to develop; direct funding to employers might be seen as 'state aid' (BIS, 2015a); in making provider funding contestable rather than certain, it might jeopardise the stability of the provider network on which the SFA's targets depended. Neither the SFA nor its providers would be likely to welcome direct funding for employers as a mainstream policy, particularly if the policy instrument was the National Insurance system favoured by UKCES rather than a quasi-market, since one implication was

that ‘many of the existing [bureaucratic] structures would not be needed’⁴³, and that threatened people’s jobs.

Finally there were *ideological* tensions: although the new Coalition administration was *disintermediating* by dispensing with the ‘state-craft’ of intermediary agencies such as the RDAs, its LibDem-led Business department had also strengthened the remit of UKCES as an employer-led, and therefore at least partly independently-minded, social partnership, tasked with providing ‘a vigorous, expert, and external challenge to the employment and skills system’ (DIUS, 2007, p. 11). State action to empower employers to challenge the state-designed system would be a marked ideological shift for England. Such rhetoric may have been reassuring to employers seeking a worthwhile role but, without any guarantee of independence for the UKCES from state interference, such a policy is predicted by Wood to be doomed to fail (see Chapter 4).

All these unresolved political, organizational or institutional and ideological conflicts can be seen, in the next two chapters, to emerge as inconsistencies between how the EOP policy was espoused and how it was enacted; these were experienced by participants as policy fractures. They can be seen not only to create challenges for more effective employer ownership of apprenticeships, but also to illustrate the barriers for policy makers to address and overcome them successfully. The next section gives an overview of the case and how it addresses the research questions.

6.3 Employer Ownership Pilot (EOP) 2011 - 2017: an overview of the case and methodology

This section introduces the details of the case study: it gives an overview of the case, including a summarized chronology of the events between 2011 and 2017, the main actors involved and a summary of the metrics. It then reiterates briefly the methodology described in Chapter 5, the analytical framework (Davies and Hughes, 2009) which provides the organising principle for the collection of data, the textual and interview sources of data collected for analysis, and the conceptual lens through which the data is analysed.

⁴³ Source: interview transcript

The chronology and key metrics in the case

In the autumn of 2011, following the publication of UKCES' analyses and proposals, cited in the previous section, which argued for a 'truly demand-led' system to give control over funding to 'those using the system, not the state' (BIS, 2010, p. 5), informal discussions started up with businesses known to be interested in apprenticeships. In November 2011 (UKCES, 2011a) the incoming Coalition government and its LibDem Secretary of State launched the new 'Employer Ownership Pilot' (EOP) policy. This policy would be 'championed' (BIS, 2011, p. 1) by UKCES, sponsored by BIS, and took the form of a funding competition which, it was claimed, would test out whether giving employers more influence over the funding and design of apprenticeship programmes would secure their engagement and lead to better outcomes (UKCES, 2010b, p. 53).

In outline the chronology and key metrics of the competition were as follows. There were two funding rounds one year apart, the first announced in late 2011 and the second in late 2012. Each round was launched with a late autumn 'vision' publication from UKCES, followed by a detailed prospectus in the new year which specified what was wanted, with application forms to be completed and submitted online, and in February guidance was published on how to complete them. The deadline for submissions was to be late March (Round 1, 2012) and April (Round 2, 2013), contracts would be agreed in July and projects were to start in September⁴⁴. Round 1 encouraged bids from single employers, while Round 2 specified industry-based collaborations. The funds for the EOP policy were taken from existing skills budgets, which were managed by the SFA: the initial budget was £250m (£50m for Round 1), later increased to £340m⁴⁵.

Projects were still underway when, in May 2015, a general election brought in a Conservative majority government, the policy was brought to an early end, and unfinished EOP contracts were terminated by April 2016.

⁴⁴ Round 2 allowed more time to develop full proposals if submitted in outline by the original April deadline

⁴⁵ <https://www.gov.uk/government/news/millions-in-government-funding-made-available-to-target-industrial-strategy-skills-training>

The methodology and sources of data

The methodology used for the case study is described in Chapter 5. It introduced the theoretical framework – the organising principle and the conceptual lens (Davies and Hughes, 2009) - used for the analysis of these data. It described how I have adopted and extended the organising principles of the ‘espousal, enactment and experience’ of policy to explore how the EOP policy unfolded, and how the employers whose *ownership* was being sought through this policy, along with other key actors and stakeholders, experienced it in practice. It adopted the conceptual lens of inconsistencies between the espousal and enactment, and how these were experienced as different types of policy fractures. Analysis of these policy fractures is then used to seek explanations for the barriers which policy makers faced in this case in addressing and overcoming the challenges of employer ownership of apprenticeship.

Sections 6.4 and 6.5, which follow in this chapter, describe **what is publicly known** about the policy, using the data collected from published sources which provide evidence first of what the policy espoused, and then of how it was enacted. These sources were as follows.

The *espousal* is considered through the following published texts: the Coalition government’s press release at the policy’s launch (BIS, 2011); UKCES’ ‘Vision’ for the policy and its Prospectus for each of the two Rounds of bids (UKCES, 2011a; UKCES, 2011b; UKCES, 2013c; UKCES, 2013b); postings and publications on the internet (eg UKCES, 2012; UKCES, 2013a) and, where relevant, other publications which described or promoted contemporary related policies such as the government’s reforms to the vocational education system (BIS, 2013).

The process of the *enactment*, and any inconsistencies between it and the *espousal*, are considered by reference to the Application forms, the Guidance (BIS, DfE and UKCES, 2012) and other documentation used to support the flows of funding and data and communications needed to operationalise the policy. A few of these texts are no longer publicly accessible, while some were never published and were acquired from participants. The analysis also draws on the evaluations commissioned and published by BIS/DfE: an initial (Diamond *et al.*, 2015a) then a final evaluation of Round 1 (Higton *et al.*, 2018), and a detailed process evaluation of Round 2 (Mori and IES, 2017).

To understand **what is not known** publicly, Chapters 7 and 8 use data collected from interviews in which different actors describe how they experienced the policy. Where inconsistencies between the espousal and the enactment are identified, these are analysed using the framework described in Chapter 5: what political, organisational or ideological issues may have caused them; what barriers they reveal which prevent policy makers from addressing and overcoming the challenges for employer ownership; and how the employers themselves experienced these challenges, and how they impacted on their ownership. Finally I reflect on the extent to which this evidence can be explained by the theories explored in the earlier chapters.

6.4 The Employer Ownership Pilot: the Espousal

This section begins the empirical analysis of the Employer Ownership Pilot policy (EOP) by exploring how the state *espoused* the EOP policy, at its launch in 2011 and subsequently during each of the two funding rounds. It first identifies the key discourses which were used by the various policy owners to communicate the purpose of the policy, the way that they said they hoped that employers would respond, and the new ways of working that the state would in turn adopt to support this new policy through processes of enactment which were different to what had gone before. It then considers how these discourses reveal the areas of risk for the state and for participants if the political, organisational and ideological tensions and contradictions raised in Section 6.2 above remained unresolved as decisions were made about implementation. Three discourses in particular create areas of risk for the policy.

The purpose of the policy: incremental improvements or transformational change. First, differences in view between different arms of government on the purpose of the policy, and how its success would be measured, become clear early on. As argued in Chapter 3, there will always be inconsistencies between the rhetoric espousing a policy and the policy levers used to enact it (Ball, 1993). However, the Cabinet Office press release (BIS, 2011) suggests that the policy's purpose was being perceived differently in different parts of the state even as early as the initial launch of EOP. It cites Conservative Prime Minister Cameron as glad to support the initiative first to 'meet the needs of young people' and second because giving employers "the power to take control of the training' will make it 'easier' for them to take on apprentices (November BIS, 2011). This raises two issues of

concern. First it suggests the policy is about incremental improvements, for example in response to employers' reported concerns about complexity (See Section 6.2 UKCES, 2010a) rather than by a major reengineering of funding processes, and second it seeks to encourage employers to take on apprentices to help deliver the government's aim of supporting 'more apprenticeships than any previous government'. While these are compatible and important goals, they are predictable business-as-usual propositions for expanding the number of apprenticeships to meet the target, and they fail to clarify what is distinctive about the policy's purpose. By contrast, the second half of the press release sets out an ambition for a far more radical change: in the words of the LibDem Secretary of State Vince Cable,

this new initiative is designed to *transform* the skills and apprenticeship system...and to fundamentally alter the relationship between employers and the state [*my italics*] (SoS Vince Cable inBIS, 2011, p. 1).

This call for *transformation* is echoed in UKCES' 'Our Vision' which argues that investment in skills and apprenticeship should no longer be 'a government-led enterprise [but one which is] led by employers', and that government must 'step back' to 'create the conditions for' employers to 'take the lead' (UKCES, 2011a, p. 4). Such differences highlight the risk of 'bifocal' fractures, where different arms of government have 'different focal points' bearing on an espoused policy (Davies and Hughes, 2009, p. 596).

These differences of perspective in the discourses of policy owners appear particularly significant for a policy described as a 'pilot'. If the benefits are that it will be *easier* for employers to take on apprenticeships through EOP than through mainstream apprenticeship contracts, and that the funding would be more *flexible*, this raises questions about what, if anything, had been agreed as the purpose, measures or processes being piloted, and what now was expected of employers (the concern raised in UKCES, 2010b, p. 20).

Expectations of how employers will respond. In Chapter 3, I referenced Gottweis' argument that, while there is an expectation that policy making is a highly rational approach to problem solving, among the phenomena which play crucial roles in many policy-making processes are 'trust, credibility, virtue, emotions, feelings' (Fischer and Miller, 2017, p. 237). The language used in the espousal, to

persuade employers to get involved, is of this kind. The second area of risk for the policy, therefore, is that the discourse attempts to make employers feel that they are central, not peripheral, to the skills system, and have decision-making power. It does this by asking them to take risks: to be *'innovative* [in the way that they] find more effective and sustainable ways to improve skills in the workforce and to use these improved skills to drive up productivity and growth' in Round 1, so that subsequent rounds could be 'building on lessons learnt' ((UKCES, 2011b, p. 6)). They are asked to be *'radical'*, (UKCES, 2011b, p. 5), for example in Round 2 by leading collaborative initiatives which work 'with the grain of industry sectors, reaching small and medium-sized companies through... supply chains and industry 'hotspots' to design and deliver apprenticeships which will build the 'pipelines of talent required by particular industries' (UKCES, 2013c, p. 22). And they are asked to be *'ambitious'*, putting together 'significant and scalable' projects in Round 1 (UKCES, 2011b), and 'even more ambitious' in Round 2 in using 'public investment, alongside their own' (UKCES, 2013a, p. 2). Employers are asked to demonstrate that they – not their 'agent' the training provider - are the decision-maker in how they address their skills needs.

It is only when they are then asked to sign the bid, to commit to using the funding to make a difference to their business, that the espousal starts to hint that there are also responsibilities for employers to take. From this point their signature gives assurance that their project will be:

genuinely led by a named employer...[with] evidence of the understanding and support of their CEO and/or leadership team, the indicators they will use to measure the impact of the programme on their business and how they will report against these indicators to their CEO and/or leadership team, and commitment to transparency over the costs and level of private and public investment' (UKCES, 2011b, p. 10).

However, the emphasis of the espousal as a whole is less about this responsibility, and more about the freedoms which come with it, compared to the constraints they would experience in mainstream apprenticeship contracts. Even here, the rhetoric continues to 'offer reassurance' (see Chapter 2 Fischer, 2003, p. 10). First, the prospectus is not a specification but merely offers suggestions on what types of projects would meet the bidding criteria; it was up to the employers who were *'in charge'* of the bid (UKCES, 2011b, p. 10) to define what they wanted to do and why they needed the public funds, which would be paid directly to them. Secondly, they are reassured – or perhaps

warned - that intermediary or 'partner' organisations are in a 'coordination and administrative support' role. This suggests an awareness by UKCES that the problem of Agency, raised by Cassels (2001, p. 13) and discussed in Chapter 2, where providers who are paid direct may pursue their own self-interest, may linger. It may also refer to the Coalition's commitment to disintermediation, described in Section 6.1. Third, although apprenticeships were expected to be 'a central part' of projects taken forward (UKCES, 2011b, p. 7) they did not need to be compliant with the funding eligibility standards then in place (p. 8) for mainstream contracts⁴⁶. Fourth, employers were able to include in their projects other outreach activity such as 'work experience, internships and job trials' (p. 8). This element of the espousal acknowledges that apprenticeships are normally just one component of firms' strategies for acquiring and investing in skills. Finally – and, as shown in Chapter 7, controversially since the Coalition was prioritizing funds to buy apprenticeship places, not programmes to build capacity (see Section 6.1) - EOP offers the flexibility for employers to bid for *non-participation* funds, to develop 'new employer networks and training delivery mechanisms' which would take 'end to end responsibility for skills development in a sector or place' (UKCES, 2013b, p. 7) and which included the opportunity to 'develop new programmes of learning' for use with their supply chain (p. 9). Following the ending of funding for SSCs, these employer collaborations, to be known as 'Industrial Partnerships' (IPs), would take an overview of their sector or region and its supply chains, and commission and deliver training in new frameworks through the sector's supply chain.

How the state will change itself to enact EOP. The third issue of risk inherent to the discourses with which the policy was *espoused* was that, in order to make these innovations possible, UKCES claims to be piloting a different bureaucratic process, a 'stepping back' of government in some way, leading to a greater sharing of risk between employers and the state than either could take with mainstream apprenticeship programmes. Since many large employers such as BT, BAe, National Grid, McDonalds and Siemens already had direct contracts with the SFA (Ryan, Gospel and Lewis, 2007), there was

⁴⁶ These were the Specification of Apprenticeship Standards (SASE) brought in by the Apprenticeships, Skills, Children and Learning Act 2009 DfE (2018) *Specification of Apprenticeship Standards*.. To be eligible for mainstream funding all qualifications had to be approved by a committee of officials chaired by the SFA as recognised on the Qualification and Credit Framework.

nothing new per se, other than scale, about routing funds directly to such employers⁴⁷. What was claimed to be new and distinctive about EOP was that the quasi-market contracts, which had been claimed by UKCES to be onerous and restrictive, would now have 'less bureaucracy' (UKCES, 2011a, p. 8) and its 'accountability structures [would be]...as light touch as possible'. Instead of imposing pre-existing quasi-market systems and outputs designed for regulating training providers, EOP would in future have 'monitoring arrangements [which would] make use of existing company systems and audit arrangements [with] outcomes...measured in a way that ensures accountability of all partners and is low cost but auditable' (p. 12). Bidders were even invited to make proposals for reducing the cost and complexity of audit in line with the government commitment to 'minimise bureaucratic central planning and regulatory control' (UKCES, 2011b, p. 4).

Key risks arising The unanswered question these discourses raise, however, is how such a 'pilot' could be evaluated. If employer ownership was, as espoused, so different from the quasi-market which delivered the apprenticeship volumes which were the SFA's target, it needed different measures of success. There might be great benefits for the participants, and might generate useful information for future employer-facing policies, but the process of enacting such a 'transformation' was likely to collide with the traditional contractual quasi-market protocols of the English LME state, as described in Chapter 4, where risks are managed through complete contracts, and the quasi-market incentives were designed to support competition rather than non-market collaborations. The new policy might not be perceived as 'incentive-compatible' for actors within an LME (Wood, 2001, p. 251). Whatever the ideological issues, the success of the pilot was going to depend on the efficiency of its enactment: the establishment of new organizational regulatory protocols and outcomes, and a framework for evaluation to provide evidence of its value.

A second source of tension was that the agency responsible for the new quasi-market through which these projects were to be monitored was not the UKCES, with its developmental remit with

⁴⁷ A system which directly funded employers of all sizes was recommended by the Richard review (2012) but developing a new system for doing so was outside the scope of the EOP. A consultation was launched in 2013 on which of three options were preferred by stakeholders *A Consultation on Funding Reform for Apprenticeships in England*, BIS and DfE (2013).

employers, but the SFA, with its responsibility not only for contracts, regulations and audit but for using them to achieve ambitious apprenticeship targets. If new protocols were not agreed, there was a risk that such commitments, made by UKCES on behalf of the SFA, could cause tensions and inconsistencies in approach between the agencies, leading to what Davies and Hughes describe as ‘agency’ fractures where ‘agents exploit any scope to enact policy in ways that transform or subvert’ the policy. Even if developmental, rather than participatory, contractual outcomes were agreed, there was a risk that the recently restructured and slimmed down SFA might not have the capacity to design and monitor contracts differently. If so this might lead to ‘enactment’ fracture...in which a discourse about the process through which government will achieve its objectives overreaches its capacity or conflicts with another concurrent enactment discourse’ (Davies and Hughes, 2009, p. 596), while if they were not agreed this could reveal ‘ideological fractures where competing ideologies create unresolved tensions’.

In its description of the discourses promoted through the espousal, this section has identified the areas of risk for a policy, defined in the discourse of UKCES as the ‘stepping back’ of the SFA, to create a new ‘light touch’ bureaucracy and to give employers new collaborative forms of control over apprenticeship. The *ideological* conflict alone would have made consistent enactment problematic for a centralised LME state focused on regulation of a free market and committed to ambitious numerical targets. Also described here are the risks of *enactment* and *agency* failures, in that it is not clear in the espousal what was to be piloted, whether it is consistent with the policies of the Coalition, how its success was to be evaluated, or how the commitment of the agency tasked with enacting it would be secured. The next section considers how the policy was enacted and the extent to which the fractures prefigured in this section did emerge.

6.5 The Enactment of the EOP: the key stages and the issues arising

This section turns to what is known from published texts about the *enactment* of EOP, and how far tensions between the ideological beliefs of the parties within the Coalition, conflicting priorities between the agencies charged with delivering the policy, or a shortfall of skills and capacity did cause inconsistencies with the espousal. It follows the chronological structure used by the BIS-commissioned Process Evaluation of EOP Round 2 (Mori and IES, 2017) as it describes how projects

were required to be submitted, how they were appraised and selected, contracted and subsequently monitored, as set out in Annex Y at Figure 5.4. Additional information from EOP Round 1 is included where relevant from the evaluation of EOP 1 (Diamond *et al.*, 2015a; Higton *et al.*, 2018).

The process of application and submission of bids. In Round 1, there were two features of the application process which appear inconsistent with a discourse that EOP projects should be radical, ambitious and innovative. These are the level and type of detail required to submit a bid, and the lead time available for bidders to develop this level of detail.

The lead time for these radical, ambitious and innovative bids was 6 - 8 weeks, from prospectus to bid deadline. In this time, the lead employer was to develop a new and innovative collaborative project, agree with partners their co-investment in cash and in-kind, ensure all partners get the financial and other details approved by their Boards, identify delivery partners, and submit a formal application. As described in the previous section, although the vision for the policy was launched at the end of 2011, the details of what was required emerged only gradually. Following the press release and the Vision (UKCES, 2011a), the Round 1 Prospectus in January 2012 (UKCES, 2011b) announced a bid deadline of the end of March, but it was only when Application forms came out in February 2012, followed by 38 pages of Guidance for Applicants in March (BIS, DfE and UKCES, 2012) that the scale of the challenge for Round 1 applicants became clear (Round 2 a year later had similar deadlines).

The detail required was extraordinary. As the Guidance explained (BIS, DfE and UKCES, 2012, p. 22), the application form required a detailed breakdown of costs so that specific value for money calculations could be used in the project appraisal. The spreadsheet proforma required details of the volume of training outcomes, broken down by learners' age (16-18, 18-24 and 24+) and level of training (Intermediate, advanced, higher level) and whether they were to be non-accredited, accredited or apprenticeships; the cost of delivery of each of these outputs had to be broken down into categories including, but not limited to, the depreciation of tools and equipment, trainees' wage costs during training, and trainee and trainers' expenses, further broken down by the cost of each of

these to the EOP⁴⁸ and to each of the collaborating employers, in each of the financial years of the project from August 2012.

Not only does this reveal a glaring inconsistency between the espousal of an ‘innovative... radical... ambitious... flexible... and light touch’ policy and an enactment with such a demanding application process and timescale⁴⁹, but it shows a lack of understanding of how inaccurate, and therefore unhelpful for appraisal purposes, the detail put together in such a rushed and complex process would be. Few employers could have had inhouse experts who could drop other work to secure the partner and provider agreements and the data they would need to build and populate such a model so quickly. Most would have to have invested in an experienced intermediary to write the bid and facilitate the discussions, but even then there would be no time to design from first principles. This would likely reduce the innovation in the projects, with participants having instead to adapt existing programmes to meet the deadlines. The bid would therefore give policy makers almost no useful information either on whether it was genuinely going to be a project with an impact on the business, or on how employers might respond or invest if given real influence over funding and design. The complexity would also be likely to lead to the exclusion of smaller employers, and of those employers who were new to skills and apprenticeships; the only exceptions would be projects developed and led by intermediaries. This inconsistency indicates a lack of clarity between policy owners on what EOP was intended to achieve, and suggests the potential for policy fractures (Davies and Hughes, 2009, p. 596). The impact of these fractures on the participants’ experience is considered in Chapters 7 and 8.

Following the submission of the bid, the **Project appraisal and assessment** process was designed to apply checks and assessments of the bids against the criteria in the Prospectus including economic benefit and value for money, innovation, feasibility and quality (UKCES, 2011b, p. 13). There is no process evaluation published for Round 1, so this analysis draws only on the description of the

⁴⁸ To help applicants estimate what costings might be considered acceptable, the guidance provided the current matrix of funding rates used by the SFA as a guide: taking a L3 Building Services Engineering technician qualification, for example, government would pay £4,040 for a 25 year old, £5,052 for an 19 year old and £14,655 for a 16-18 year old. BIS, DfE and UKCES 2012. Employer Ownership pilot fund: Guidance for applicants. *Round 1*..

⁴⁹ This was the deadline for Round 1 in 2012: in Round 2 applicants could submit an outline bid and then work up the detail

process provided in the Round 2 evaluation (Mori and IES, 2017, p. 18), and the questions it raised for the researchers of what was driving assessment decisions.

It is striking that, despite the wealth of detailed data demanded in the bids, the Evaluation found that the assessment did not consistently follow its own due process. Having scored bids against the published criteria of value for money and quality criteria, the appraisers are reported to have added additional criteria in order to produce ‘a balanced portfolio’. This ensured support for other, broader priorities which had not previously been identified; these included the Coalition’s Industrial Strategy, local economic development agendas, the involvement of key employers (Mori and IES, 2017, p. 25) and the constituency interests of ministers⁵⁰. Even then the resulting scores did not determine appraisers’ sifting decisions: 30 bids which did not meet even the minimum threshold score were sifted into the main assessment stage, while 5 bids which did meet the score were not included. In the end only 1 in 4 of the bids recommended to the final Investment Board met the required scores for quality or innovation (pp. 32, 34). Flaws in the design of the process, and the failure to follow the process as designed⁵¹, meant that proposals were included which, the evaluation claimed, undermined the purpose of the policy and added to inconsistencies between espousal and enactment. It was reported that in ‘most cases’ the strategic case for government intervention was weak, with little evidence provided either of market demand for the proposed skills solution, or of a market failure, while ‘innovations’ mostly replicated existing approaches in new contexts. It also

⁵⁰ Source: interview transcripts

⁵¹ First, there were no quantitative adjustments made for delivery risk or optimism bias. Second the value for money (VFM) data included the training outcomes but not the costs of infrastructure spending, and thereby favoured those projects which required infrastructure spending. Third, despite the requirement to submit detailed data in order that a score could be computed, as described above, a ‘close to zero’ correlation between value for money and the probability of progression from the initial sift to the main assessment meant that it was not the data but the assessors’ judgements which determined the outcome Mori, I. and IES (2017) *Employer Ownership Pilot round 2: process evaluation. Research report*: DfE. Available at: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/653420/Employer_Ownership_Pilot_round_2_process_evaluation.pdf.

resulted in 'weaker or more risky delivery plans... higher infrastructure spending and...poor value for money scores'⁵² (p. 26).

The lack of evidence that these inconsistencies were at the time considered material to the success of the policy raises more questions about what success looked like for policy makers. The failure to design or follow an appropriate process appears to be evidence of an 'enactment fracture' (Davies and Hughes, 2009, p. 596) where 'a discourse about the process through which government will achieve its objectives overreaches its capacity or conflicts with another concurrent enactment discourse'. There may also have been elements of self-interest: when faced with projects which were not as radical and innovative as had been hoped (p. 30), the appraisers may also have considered it even more important to have a list of projects recommended on schedule for ministerial approval than to ensure that such projects met the appropriate standards. It may also suggest ideological fractures, as the state's commitment to a free market solution appears to have faltered when the quasi-market did not deliver what, politically, it needed.

Contracting and monitoring. Following the assessment and ministerial approval of projects, the SFA was to carry out due diligence. Opportunities to weed out weaker projects again appear to have been lost: not only had many projects which did not meet the criteria been approved at the earlier assessment stage, but now no project was withdrawn as a consequence of due diligence. Mori argues that this was because the due diligence tools which the SFA had available had been designed for the entirely different purpose of assessing the financial strength and fitness of providers to deliver training (pp. 41, 43). Not only were the financial ratios used 'inappropriate' both for large national employers and for FE colleges (p. 17), but they included no criteria for judging the very different capacity issues which would be required for the governance and project management of collaborative projects or activities involving an employer's supply chain. The bureaucracy had applied its standard operating procedures in non-standard circumstances (discussed in Chapter 3 as a cause of policy

⁵² The Evaluation reported that there were several departures from the expected practice, as codified in the HMT Green Book guidance Treasury, H. (2011) *The Green Book: Appraisal and Evaluation in Central Government*. London. on business cases.

failure). This anomaly may have resulted either from a lack of foresight or capacity in the SFA, or a lack of will, revealing a difference of view between agencies on what EOP was there to achieve.

The same issues may have arisen at the next stage after due diligence, as the SFA negotiated the contract and issued the Grant offer letter (GOL), which included a schedule for delivery of the Key performance indicators, and the cash and in-kind contributions from employers. The Evaluation noted that it took an *average* of 325 days, and up to 18 months, to complete and sign off each of the 30 Grant Offer letters for Round 2. There is no equivalent data available for Round 1, though Diamond notes that researchers were made aware of 6 month delays (2015a, p. 35). One reason for the delays was that when the bids were accepted, it was on the basis of less funding and different conditions to those in the bids. Changes introduced unexpectedly, by a new MOU described below, after projects had been accepted in principle (see Chapter 7) forced participants to rethink their projects and their risks, renegotiate with partners, update all their calculations and cash flow schedules, and get the investment and the risks – following the transfer of ‘a greater share of the financial risk to the grant applicant’ (p. 46) - re-authorised by their Boards.

The inconsistencies between espousal and enactment cited so far appear to result from issues of skills and capacity among officials. However, at the heart of many of the changes to the conditions of the offer was the emergence of what appears to have been an unpublished Memorandum of Understanding (MOU) agreed between BIS, UKCES, the SFA and the DFE, possibly in 2012/13⁵³, seen by the Mori researchers. This may have been conceived of as belatedly tying up loose ends, or there may have been a deliberate change in policy direction. The MOU was noted by Mori as containing Key Performance Indicators (KPIs) which introduced a ‘misalignment’ between the MOU and applicants’ understanding of the EOP’s objectives (p. 22), since the hypothesis which Mori describes the MOU as espousing ‘diverged [from] the expression of EOP2 objectives in the prospectus’ (Mori and IES, 2017, p. 20). Unlike the Prospectus which, as discussed above, espoused innovation in employer-led training made possible by the flexibilities offered by EOP, the MOU redefined the espousal as testing ‘how far giving employers purchasing power, direct control of public money and

⁵³ Several interviewees confirmed the existence and the significance of this MOU, but it was not made available to the author and there is no authoritative source for any publication date.

transparency in the price of training has an influence over employer investment in training' (p. 20). While employer investment, as originally espoused, had included contributions in kind through secondments, materials, venues and other resources, in the MOU it was reinterpreted or redefined as a minimum ratio of 20% cash to in-kind investment.

This last item in the MOU introduced into the negotiations a new contractual outcome for the EOP projects: a cash contribution from the employers. Mori notes that, as no such measures had been included in the Round 2 prospectus as a requirement of proposals (p. 20) and there was no explicit requirement at application stage for any minimum level of cash (pp. 39, 40), 'these changes were not expected by applicants' (p. 22)⁵⁴, and they caused further delays to contracting. A second, even more significant, unilateral change then redefined what outcomes would trigger payments. As described in the previous section, the espousal in the Round 2 prospectus had invited bids which included development work to achieve the 'project outcomes relating to innovation and collaboration', and had also suggested that bidders should propose milestones against which payments could be made for progress on these. Although these bids had gone through appraisal and been accepted, payments were now to be tied only to the achievement of qualifications (p. 40). These changes not only made the enactment inconsistent to the espousal, but effectively changed the espousal itself. Despite being 'introduced by BIS part way through the programme' and 'not well suited' for such projects, these were then the entirely new and different performance indicators used to monitor the performance of each EOP project.

The impact on the participating employers of such inconsistencies between the espousal primarily by UKCES, and the enactment primarily by the SFA, is considered in Chapter 8. The inconsistencies themselves may have been exacerbated by a 'substantial loss of knowledge' and skill (Mori and IES, 2017, pp. 18, 40) within the SFA, which had recently been downsized and restructured (see Chapter 2). Most SFA account managers had some experience of monitoring the contracts of training

⁵⁴ The separate identification in the GOL schedule of cash and in-kind contributions during EOP Round 2 negotiations were introduced after the issue caused delays to contracting EOP Round 1. Diamond, A., Hughes, T., Highton, J., Neat, S. and Howe, P. (2015b) *Evaluation of the Employer Ownership of Skills Pilot, Round 1: initial findings*. London: Department for Business, Innovation and Skills..

providers but the contractual outcomes for these were predictable, even for those who were relatively new in post. Very few had any direct knowledge of, or training in, what was different about the EOP projects which were now added to their portfolios of provider contracts. They also had no reliable data on contractual performance: the portal, which tracked individual learners not employers, was designed for the use of expert training providers and the aggregate data was 'often incorrect', giving both employers and SFA account managers 'a misleading picture of project performance' (p. 45) . However, as noted in Chapter 4, the capacity of the SFA was limited in a more significant way by its role in managing and regulating the quasi-market for starts and qualification outcomes: it was not interested in its contractors as employers, and its remit did not cover investments in training infrastructure to support non-market arrangements such as the non-participation/infrastructure components of the projects.

It took time for this 'divergence' in hypotheses to take place, however, not simply between the initial espousal and the enactment, but from these changes to the espousal itself, as revealed above by the independent researchers who were commissioned to evaluate EOP Round 2 processes (Mori and IES, 2017). It demonstrates that by 2013 the state's priorities had changed from those espoused by UKCES in the early days of the policy, which aspired to policy makers learning lessons from employer-led innovation. Instead the state was now using the quasi-market to reassert its own control of employers' programmes; in redefining the contractual outcomes, the KPIs, as qualification outcomes, it was dismissing the problem which the original espousal of EOP had committed itself to resolve. For the researchers this was a 'failure to respect the principles of Employer Ownership' (Mori and IES, 2017).

These unexpected impositions and changes had damaging implications not only for the participants, as revealed in Chapter 8, but also for the state. Not only did they cause long delays and reputational damage (see Chapter 8), but in Mori's view they delivered poorer value for money, with a reduction in the number of apprenticeship and non-apprenticeship starts contracted, and a rise of 20% in the cost per training episode (p. 41).

The termination of EOP contracts 2016-2017. Little evidence was published to explain how the early termination of EOP contracts was achieved. However, one of the unique contributions of this study is

that the chapters which follow give a voice to the participants who experienced it. From April 2016 any outcomes which could be delivered through mainstream apprenticeship contracts – which was almost all of them since these were almost the only outcomes now being paid for - were transferred to those. Despite the commitment in the original prospectus to continue funding till projects ended, most EOP contracts were terminated by the end of April 2016.

6.6 Conclusion to Chapter 6

This chapter has begun to test the theory, emerging from the analysis of the literatures in Chapters 1 – 3. This was that the challenges of employer ownership of apprenticeship are exacerbated, not resolved, by the interventions of the controlling LME English state, and that it is the ideology of the LME state, and its self-interest in using the quasi-market to deliver its targets, which prevent policy makers from addressing and overcoming them. It describes how the pilot was espoused as a simple, flexible way for employers to test out radical, ambitious innovative approaches to apprenticeship and skills development which could not be done within mainstream programmes, which would be relatively unburdened by the standard bureaucracy of the quasi-market, and from which policy makers could learn lessons to improve future policies. The independent process evaluation (Mori and IES, 2017), however, describes a policy which was not only poorly designed and implemented, but which did not ‘respect the principles of Employer Ownership’. It showed how the state, once it was clear that, given the choice, employers were not committed to delivering its own predetermined targets, took back control through its standard quasi-market procedures, and terminated the experiment.

This analysis exemplifies the issues identified by the literature of comparative capitalism in Chapter 4, which predicts that the ‘exceptional’ power of the central executive in Westminster, operating in an LME economy, will use the contractual control mechanisms of the quasi-market to ensure that the outcomes of policy serve its own self-interest. The analysis of the published materials cited in this chapter have provided evidence of a wide range of inconsistencies between the espousal and the enactment of EOP. These appear to exemplify each of the policy fractures in Davies and Hughes’ typology: *enactment* fractures resulting from the lack of skills and capacity made evident in the process evaluation, both *agency* and *bifocal* fractures resulting from conflicting perspectives within

the state on what the policy needed to achieve (Davies and Hughes, 2009, p. 596), and *ideological* fractures from the unresolved tensions in policy identified in Section 6.2. They appear to demonstrate that there was not only a lack of skills and capacity among policy makers to work alongside employers with a common purpose to agree more innovative models of apprenticeship; there was also a range of ideological barriers for policy makers seeking to change their approach to the quasi-market with its focus on target achievement, in order to support alternative and potentially more effective forms of intervention.

It shows how the UKCES' espoused commitments to the devolution of power to employer coalitions – policies closer to those seen in CME states, as described in Chapter 4 - were subverted as the traditional regulatory bureaucracy of the English LME state quasi-market described in Chapter 1 was re-imposed on EOP projects.

Chapter 7 which follows considers how the owners of the EOP policy, the +stakeholders and observers of it and the intermediaries who participated in it experienced these policy fractures. The following Chapter 8 explores the employer experience and how such fractures impacted on the *employer ownership* which the policy was designed to secure.

Chapter 7: Experiencing the policy of Employer Ownership 2011 - 2017

This is the second of the three empirical Chapters 6 – 8, in which I seek to test how far the theory emerging from the theoretical Chapters 2 - 4 can explain the failures of successive governments to secure and sustain the *employer ownership* of apprenticeship. This theory posited that state interventions to correct market failures through the quasi-market (QM) were creating a range of challenges for employers, and that the barriers which prevented policy makers from addressing and overcoming them included ideological conflicts, the limitations of the quasi-market as a policy instrument, and the undermining of employer confidence to invest.

The previous Chapter 6 described *what is known* from published texts about the historical and policy context within which this policy was launched, and how it was first espoused and then enacted. This data revealed not only a range of inconsistencies between the offer to employers, as it was described in the rhetoric of the espousal, and the policy processes and levers put in place for its enactment, but also changes to the espousal over time. It identified a number of risks to the policy from political, institutional and ideological conflicts and tensions.

Chapters 7 and 8 now explore what *is not known* publicly, until now, about EOP: how such conflicts were *experienced* by those who owned and participated in the policy, or observed it with an expert eye. First in Chapter 7 I reiterate the methodology used, as described in Chapter 5. This set out the criteria used to select and classify the perspectives of the 36 informants. Interviewees are grouped into four categories: first, the senior officials responsible for the design or delivery of EOP, who I have termed **policy owners**; second, expert **observers** with long-term perspectives on VET policy but no direct involvement in EOP, who were selected for the breadth and value of their views on policy; and third a small number of **intermediaries** who were awarded their own EOP projects. Chapter 7 considers how these three groups experienced the policy.

The experience of the fourth group, the **employers**, is heard in Chapter 8, first from a small group of employers considering involvement in EOP and reflecting on their early experience, and then through

the voices of employers participating in two EOP projects, **Hosta** and **Indus**. These employers were selected for interview first for their known commitment to apprenticeship, then for the contrasts between their projects: they were in different sectors; they won projects in different funding Rounds with different prospectuses, one as a single employer and one as a collaboration between employers; one had extensive experience of dealing with government on skills issues, and one had very little.

The conceptual lens on the data collected - the different types of inconsistencies between espousal and enactment, and how these are experienced by participants as policy fractures (Davies and Hughes, 2009) - determined the questions put to interviewees (Annex 2 gives the interview template). All interviewees, including the policy owners, were asked the first two questions: what the espousal of EOP had led them to expect of it, and how they had actually experienced it. Employers were also asked what impact if any this experience had had on later decisions about their apprenticeship programmes. The key findings from these chapters are identified and interpreted in Chapter 9, to provide empirical evidence not only of the challenges of EOP for, and their impact on, the employers but also of the barriers which prevented the policy owners from addressing and overcoming them.

To fulfil the commitment made to interviewees, reiterated in the template at Annex 2, that unless they gave explicit permission - as some did - their views would not be attributable in this thesis to them personally or to their organisation, all interviewees and organisations cited in the analysis have been pseudonymised and given a code, as listed at Annex 3. Each is introduced the first time by their personal pseudonym, a code identifying their organisation or perspective, and the date of interview, and subsequently by pseudonym and date, to enable the reader more easily to track and understand individuals' perspectives.

Chapter 7 now considers the data collected on the experience of EOP of the *policy owners, observers* and *intermediaries*. All were interviewed in the same way, and their interviews transcribed though, to avoid repetition, not all are cited in this chapter. Each section first introduces the interviewees and their accounts of how they actually experienced the espousal, and any inconsistencies between that and the enactment, and what impact if any such inconsistencies had on them and on their decision-making.

7.1 The experience of the EOP policy owners

The group of interviewees I have called **'policy owners'** are five state actors who were senior officials within different parts of the state machinery; each of them was accountable directly or indirectly to ministers for some aspect of the design or delivery of the policy. The five were drawn from the four organisations which between them had responsibility for the EOP policy: the two government departments BIS and DfE (following the split in responsibility for apprenticeship created by the incoming Coalition in 2010), and the two Agencies UKCES and the SFA/NAS sponsored by their lead department BIS, as described in Chapter 6.

The first voices are from two officials within UKCES, the Agency 'championing' the policy: Martha (Martha Policy owner UKCES 2013) and Ruth (Ruth Policy owner 2013). These are followed by two officials from the two departmental owners BIS and DfE: Sophie (2014, Policy owner, BIS) and Ruby (2012, Policy owner, DfE). Finally we hear from Paula from NAS/SFA (Paula NAS 2013).

The interview schedule aimed to investigate what policy makers from different parts of the state were experiencing at different stages in the policy. The earliest interview data were collected as Round 1 contracts were due to be signed off in the summer of 2012, following the launch of the policy in November 2011. This was intended to capture the early enthusiasm of those who had been involved in agreeing the espousal of EOP, as well as the sense of expectation and any concerns these state actors were willing to express at that stage. Actors' experiences of inconsistencies between the espousal and enactment mainly emerge later, in interviews between late 2013 when Round 2 contracts were due to have been signed off and the following year when difficulties were becoming more evident. At this stage, the 'the Big Society' (Coalition, 2010; HMT and BIS, 2011) platform of 'civil society, social justice and environmental political agendas' (Spours, 2015, p. 6) described in Chapter 6 had started to give way to the more uncompromising ideology of what was to become the Conservative party's future manifesto for the General Election to follow in May 2015. By this point, concerns were also emerging publicly about how EOP was being enacted (eg Sloman, 2014). Where feasible, and individuals now working in different fields could be traced, more recent interviews aimed to capture any longer term perspectives which informants were willing to share.

The Policy owners' perceptions of the *espousal*:

As described in Chapter 6, **UKCES** emerged strengthened from the Coalition's 'Bonfire of the Quangos' to 'champion' EOP. Speaking in August 2012, senior UKCES official Martha (Martha Policy owner UKCES 2012) described the importance and the urgency of UKCES' opportunity in 2010 to position 'employers at the heart of the skills debate' for the new Coalition, and to challenge what she and her colleagues saw as the ineffective traditions of delivery of skills and apprenticeship policies.

Characterising the problems of what, since the 'massive' decline of apprenticeships in the 1980s (cited in Chapter 2), had become the tradition of the state-funded supply-led skills system, as:

'I've got a skills budget, how can I spend it?'

Martha claimed that this had made all vocational education including apprenticeship into a production line where learners roll off the end.

She argued that there was so little information on, or provider accountability to, participating employers that they were unable to act as customers to shape the offer; there were also no incentives, within the quasi-market system creating this supply, to drive improvements so:

even when [the sector] had more money than we frankly knew what to do with, we actually hadn't changed anything (Martha PO 2012).

She found it surprising that state intervention in this field was such a closed system, and that the information needed to empower employers in the training market was so difficult to access. She argued that in other sectors of the economy:

You create informed customers...people design their own holidays, cars, kitchens...Whereas in education there's this presumption that you can't trust them – they'll dumb it down. And [to begin with] they will, because they don't know...but as they own it the bar will go back up. But, where they don't own it, they've got no skin in the game – the learning's just done to them.

But now, she argued, a new opportunity had arisen because:

The political climate has changed [to be] less interventionist and more enabling...and now we know we haven't got any money⁵⁵. There will only ever be less money so you have to be prepared to think differently (Martha PO 2012).

She argued that the EOP as espoused was challenging this tradition in three specific ways. First, thanks to the role that employers in each sector would play in devising their apprenticeships, the key purpose of the state's intervention was made clear. It was to support

the centrality of the employer/employee relationship [in providing the] pathway to a great career.

Secondly, unlike the mainstream apprenticeship quasi-market system where the state's funding to providers is hidden, EOP:

makes transparent the public contribution [which will] flow directly to the employer for them to go and purchase the outcome from whoever they want, or take it inhouse and do it themselves, or club together and form a GTA⁵⁶ or work up their supply chain.

Third, as a consequence of these two changes, EOP would challenge employers to:

step up and *own* the problem (Martha PO2012).

Asked about the concept of *employer ownership* she explained that the term was derived from the experience of a UKCES colleague who, on buying a property, wondered why she was awake so early one morning thinking about rawlplugs for her new blinds, when in her previously rented flat she had just 'whacked up' some curtains and thought no more about it. At UKCES they felt this analogy captured the notion of employers' *ownership* of the skills problem and therefore of the solution. Martha contrasted this with the 'rather tired' traditional discourse of employers called on to show 'leadership' in skills policies⁵⁷, with its implication that:

⁵⁵ A reference to the financial crisis of 2008 and the policies of austerity introduced by the Coalition.

⁵⁶ GTAs are group training associations (see Chapter 2.1).

⁵⁷ The interviewee referred specifically to Centres of Vocational Excellence (COVEs) and National Skills Academies (NSAs) as two policies from 2001 and 2006 respectively, designed to secure employer investment and to build FE capacity through employer 'leadership'.

the public sector must be rubbish...[which meant] employers could passively sit on the side and say 'government you're not providing and you need to fix it' and ministers bless them run around like headless chickens trying to meet that employer requirement while employers can sit there and say 'it's not really working'.

By contrast, she argued, 'ownership aligns the incentives' to take responsibility because:

If you own the problem, you own the reward of the solutions that go with it (Martha PO UKCES 2012).

Martha described herself as 'optimistic' that EOP would successfully demonstrate how, in principle, the employer-led - rather than state or provider-led - programme design of EOP added value.

Both Martha and her colleague Ruth, interviewed the following year, also talked about a new type of relationship between the state and employers. It was not, Martha claimed, that the EOP model was dependent on the notion that 'the employers were all good' but, Ruth argued, it was about 'running with the fastest, not trying to prop up the weak' (Ruth Policy Owner UKCES 2013). UKCES' role was getting things going and trying some things out...and, if we see people doing things that are inappropriate, we just stop them (Ruth PO 2013).

This description of the state's role implies a change to the QM described in both chapters 2 and 3, in which the LME state's interest is in keeping the market free and competitive; it has no developmental relationship with employers but instead monitors the delivery of supply through what Chapter 2 called 'a chain of low-trust principal/agent relationships' (Dunleavy and Hood, 1994, p. 9). UKCES' view implies that state actors would be sufficiently skilled first to select good projects, and then, by remaining close to the network of employers they were supporting, to oversee how they were using public funds and to draw lessons from this. Martha saw that this was a change in the state's approach, but saw it as localized, observing that such flexibility was likely to be 'a bigger challenge for the SFA' who would be doing the contracting, since they were 'more subject to the day-to-day considerations of ministers' than UKCES was (Martha PO 2012).

Asked about her fears for EOP, she identified two. One was the contracting:

the risk in the pilots is that we create a complicated contracting process...and strangle the life out of the proposals.

The second, a source of frustration in the early days of the pilot, was that:

the inertia...is incredible – institutional and collective, including employers.

She had been puzzled to find that, although there were ‘some great businesses’, not as many had come forward to participate in EOP as she expected:

some had pulled back and don’t seem to want to take that responsibility (Martha PO 2012).

However, she was optimistic that, once EOP had provided proof of concept for direct subsidy of employers not providers, this would then be followed by ‘the more important change’: to move away from the contractual relationship of the QM altogether, to a simple National Insurance declaration system, which would provide a tax exemption. She argued that this would at last provide the incentives needed for employers to invest in apprenticeships, but without the need for the current vast QM bureaucracy of contracts and regulation: finally the incentives would be appropriately aligned for what the state and employers together wanted to achieve.

Officials from the two **government departments DfE and BIS** also expressed support for the policy as an experiment. Asked about her initial expectations, Ruby (Ruby, Policy Owner DfE 2012) emphasized that the purpose of EOP was ‘challenging the norm’. She described their minister as open to new ideas. Experimenting was right for apprenticeships, Ruby claimed, not because the traditional model of apprenticeships was failing, but because

We might be reaching the limits of what can be achieved with the current model...there’s not a presumption that apprenticeships have to look radically different but there’s absolutely no acceptance that they need to be left alone.

She suggested that ministers believed that other countries’ apprenticeship systems ‘seem to be more stable and well respected and established in their economy and society’. So the question was not so much about what might be wrong but instead:

where do we need to go?...it doesn’t need to have a watertight critique of what’s wrong with things now, it’s much more interested in ‘what does it need to look like in future?’ .

She saw EOP as supporting her minister’s agenda, which is described in Chapters 4 and 6 as the ideological approach of the Conservatives to freeing up the market, and which she defined as:

Deregulation, reduction of bureaucracy and a chance to put users in control and remove intermediaries.

Ruby was excited about this focus on *disintermediation*, as described in Chapter 6, and how the 'removal of intermediaries to give employers real purchasing power and freedom from bureaucracy' would also improve quality:

Our mainstream route is contracting through the SFA...the norm is done through providers...What's exciting [about EOP] is that you put money into the hands of employers, which itself drives up standards – providers have to win business rather than just be handed it – and that it gives the employers the chance to be free of the bureaucracy that we've created .

With DfE part of the governance, not the executive, structure of a policy to be implemented by BIS, she was also enthusiastic about the espousal of a policy from which the state and others could learn from what employers might do, if given the chance:

to push boundaries, pilot new stuff, be experimental, loosen the restrictions and see what interesting new stuff grows up...[These] could not be done through the mainstream [contract], and *that was the whole point*' (Ruby, 2012).

At BIS, Sophie too was supportive. Citing market failure, where employers would be unable to capture the benefits of investment, she argued that the state was right to intervene to support projects where employers had 'a real ambition', and where they were 'good for the business but not *critical*'. She saw the 'experiment' of the EOP funding competition as intended to demonstrate new ways to meet ministerial free market priorities by

seeing what worked, publicising that and then letting the market work out different ways of achieving it (Sophie Policy Owner BIS 2014).

These comments from BIS and DfE indicate consistency between departments and with ministers for a more radical and innovative approach to apprenticeship policy. They appear to be arguing that by ending the funding of intermediaries, the state would be 'stepping back' (UKCES, 2011b) from the burden and costs of high levels of low trust bureaucracy, so that the market could take back ownership and resolve its own skills problems. These priorities reiterate those of the LME state and

neoliberalism, as discussed in Chapters 3 and 4. It is interesting, though, that none of these interviewees mentioned the importance of the intermediaries in delivering the state's target for apprenticeship, nor how many apprenticeships would likely be delivered in the free market. Since the EOP was operating in parallel with mainstream contracts, however, with their focus on targets, perhaps they did not yet need to take this into account.

One voice did express a broader scepticism of the ambitions of EOP, and of what would be gained from such an experiment. As described in Chapter 6 NAS, as part of the SFA, had responsibility for delivering those mainstream national apprenticeship targets which had been increased in 2010 by the incoming Coalition. Interviewed in 2013, senior NAS official Paula expressed support in principle for the core concept of 'employer ownership', but did not accept the premise on which the espousal was based, that employers offering apprenticeships did not currently 'own' them. On the contrary, she claimed that, if employer investment was a key test of ownership, then by providing workplace training and premises they were already investing, while the government contributed to the 'other costs' of the general vocational skills. She argued that the priority for the state, therefore, should instead be to convince *new* employers to get involved in offering apprenticeships, not to continually wrestle with the need to increase their investment or change the funding system for these employers (Paula Policy Owner NAS 2013).

She acknowledged that there were simplifications and flexibilities to the SFA regulations which employers wanted. She would like to have known what was important to large employers which they could not do through their mainstream contracts – such as higher rates, different qualifications, or the ability to train organisations in their supply chains within mainstream contracts, for example – because it might have been possible to make those changes⁵⁸, though they were not in the gift of NAS and 'there might not be the appetite in the SFA' for them. EOP was now introducing some of these.

⁵⁸ The rule prohibiting employers with direct funding contracts from using them to train their supply chain was subsequently relaxed in 2012, enabling some large employers to use their mainstream contract for this (a similar decision was eventually made over the use of the levy for supply chain training). Previously large employers held simplified contracts exempting them from some of the 'quality' measures which applied to contracted providers (such as helping apprentices to find new jobs), but in return they could only use their funding contracts for their own employees. It is interesting to note that despite the evidence in this interview that NAS was aware of employers' concerns, no action to address them was initiated by the SFA before the launch of EOP (Source: author's own records).

She regretted that employers seemed to believe they were getting a more attractive offer from UKCES. She found it

frustrating that employers were now saying ‘I’m not going to talk to [NAS] but to [UKCES]. The bright lights [of this] shiny new product ...made it very attractive (Paula PO 2013).

After all:

if it was simplification that employers wanted [it would seem more sensible to] keep apprenticeship management within the SFA, rather than have a different system designed by UKCES (Paula PO 2013).

She expressed particular concern that the EOP budget of £350m had been taken from NAS’ budget, because she feared that fewer apprenticeships might be delivered in EOP for that money than could have been achieved if the funds had been left in mainstream SFA contracts.

She hoped that there would be an early evaluation of the policy, to identify the innovations and how they could be scaled up; what systems were needed to support them; and whether they were indeed ‘paying more for less’ in EOP. She said she was ‘disappointed’ that BIS had thought it was too early⁵⁹ to evaluate, with so few of the promised outputs yet delivered.

The Policy owners’ experience of the *enactment*:

Inconsistencies and unresolved tensions, identified in Chapter 6 and still hidden by the enthusiasm of most of the policy owners for the ‘experiment’, did start to emerge as implementation proceeded, however. Even as early as 2012, Ruby (DfE) described an ‘unspoken tension’ about ministers’ agenda of *disintermediation*, and how UKCES would ensure that EOP delivered on that, especially as many of the UKCES commissioners were themselves intermediaries⁶⁰. She felt that such tensions had stayed

⁵⁹ The first evaluation published was Diamond, A., Hughes, T., Higton, J., Neat, S. and Howe, P. (2015b) *Evaluation of the Employer Ownership of Skills Pilot, Round 1: initial findings*. London: Department for Business, Innovation and Skills.

⁶⁰ As a social partnership, membership of the Commission included a wide range of actors including providers and colleges

‘under the surface’ because it was ‘just a pilot’ and because, in the context of the skills budget, the £50m⁶¹ initially allocated for Round 1 of EOP was ‘still pretty small’ in scale:

The initial sense of shared endeavour [was] always strong enough for it not to bubble up in a discordant way. But [if] instead of saying ‘here are some EO pilots’ which routed funding to employers rather than providers, they said ‘this prospectus describes the way we want the world to be’... there’d be absolute pandemonium’ (Ruby, 2012).

Within UKCES, in the summer of 2012 when Round 1 projects had been approved but were yet to be announced, Martha claimed that the project was

going well: for a 6 - 8 week application period we did well to get [the applications] we got.

She did, however, note some problems with how some officials were addressing the ‘operationalization’ of the policy:

People might agree the principles but are struggling to reconceptualise what everything looks like beyond that (Martha PO 2012).

A year later her colleague Ruth (Ruth 2013) looked back on this struggle. She described how, as the deadline for contracting the selected Round 1 projects approached in August 2012, BIS, who led the project and chaired the project delivery group in this round:

appeared to have done absolutely no planning...about implementation, grant offer letters or management of the negotiations. Just simply none...people going on holiday and nobody doing it, and nobody knowing how to do it...[while the SFA did not seem] able, or willing to adapt its usual processes...or invest any processes or people or effort⁶² .

She even wondered if there had been

no intention of allowing the EOP to succeed in the first round.

⁶¹ The budget was quickly increased to £350m

⁶² until 2013 (Round 2) when ‘some good people [became] involved’ thanks to the support of the incoming SFA CEO, the late Kim Thorneywork.

At the same contracting stage a year later, in Round 2, she offered a different explanation, now characterizing BIS' approach to what had been espoused as 'simple and flexible' as

get everything absolutely and totally watertight before we start because we can't trust these bastards (Ruth PO 2013).

By 2014, Sophie too appeared exasperated, describing EOP as 'not in a good state as a programme' (Sophie BIS 2014). It had been espoused as supporting projects which were employer-owned and innovative and this had been 'the basis on which the funding was allocated'. The problem, in her view, was that this was not being achieved because of the way it had been enacted. She felt that the language of the espousal in the prospectus had been 'pavlovian', and had been interpreted by other policy owners as 'give employers the money and see what they do'. Although there were differences of view between policy owners interviewed on who had responsibility for each stage of the enactment, Sophie described the problems she saw at every stage.

First, the initial process of **project appraisal and assessment** was supposed to sift out projects which would not deliver the policy objectives or provide good value for money. Sophie claimed that because officials did not have the skills and understanding to understand what they were buying, they had failed to 'see through the narratives of employer ownership' in the bids. They may not have had 'the discipline' to define how they were going to operationalise the Green Book guidance (Treasury, 2011). She argued that, as a result, the EOP value for money model, used for the appraisal and assessment of projects by officials and the Investment Board to determine whether a specific project met value for money criteria, had been 'fatally flawed' (Sophie, 2014).

She was equally critical of the level of skills and capacity during the second stage, the **negotiation** of offer letters and the contract itself, which she saw as

an asymmetric document, 100 pages of gobbledygook [with] no real understanding [of] what the incentives for the various actors are...or what ministers thought they were buying (Sophie, 2014).

Making the contractual outcome more appropriate had been a key part of the problem that EOP, in removing intermediaries and bureaucracy, was attempting to address. UKCES had challenged employers to define these outcomes themselves in their bids, as part of their 'radical' and 'flexible'

innovation, but Sophie believed that none of the state actors had had the skills to negotiate or contract for such outcomes. Whereas Ruby had appeared relaxed in 2012 that the espousal was 'loosening restrictions [to] see what interesting stuff comes up', Sophie claimed that differences of view between the policy owners on what this really meant had been addressed by imposing a standard set of KPIs through the MOU, as described in Chapter 6. For Sophie, however, this MOU created new problems because these KPIs were

not the KPIs that were in the bid; they're KPIs that have taken the bid and turned it into essentially a college, ie this is how much we're going to pay per learner, this is a rate and this is the profile and this is how you're going to draw down the money...That is not helpful or particularly empowering (Sophie, 2014).

The new KPIs, in imposing new measures by which the success of EOP was to be judged, now needed to be incorporated into the offer letters, contracts and monitoring systems. This did not solve the issues. The immediate effect was administrative chaos as the 'small secretariat' was overwhelmed by trying to negotiate 36 offer letters at the same time:

things don't work out and we sign lots of variations...[it was] basically a fiasco..[with people] waiting for their offer letters almost a year later⁶³ (Sophie PO 2014).

Further difficulties were caused in the third stage, the **monitoring** of project delivery, because the information used by contract managers on what KPIs had been delivered was unreliable. Many of these account managers were either newly appointed to their role in a recently downsized SFA, or had no understanding of the original espoused purpose of the projects, or both. It was not, in any case, now relevant for them to understand it: the contracts had now returned EOP to the SFA's normal operational procedures for managing the apprenticeship quasi-market, even though, as the BIS Evaluation reported, these 'failed to respect the principles of Employer Ownership' (Mori and IES, 2017, p. 20).

The EOP was now problematic for all four policy owners. The SFA/NAS was accountable to ministers not for innovation but for delivering a specific number of apprenticeships, and while the MOU had

⁶³ The Mori Process Evaluation found that the *average* wait in Round 2 was a year

brought the KPIs much closer to mainstream contracts, they were resource intensive to monitor and not designed specifically to deliver high numbers of apprenticeships. For DfE the point of the funding experiment, to innovate in ways that were not possible through mainstream contracts, was lost as the KPIs reverted to mainstream outputs. For UKCES, these and other unheralded changes between the original espousal and the actual enactment were profound. Ruth observed that this more complex and demanding regulatory approach had put them in ‘a rather frustrating place’: the impact on EOP was ‘layer upon layer of complexity’ which was ‘at odds’ with the way EOP had been espoused. Not only was it changing the narrative of the espousal, but since the delays had led to what was now likely to be ‘a dramatic fall in the number of apprentices’, it also risked the failure of many EOP projects. Problems were attributed by UKCES to ‘a change of leadership⁶⁴...[and] a re-evaluation of where we’re going’ (Ruth 2013), at a time when, Ruth claimed, other political events - most recently government embarrassment over the West Coast rail franchise⁶⁵ - had made BIS particularly risk-averse.

BIS too was finding EOP increasingly problematic. Irrespective of how this or any other policy had been espoused, Sophie argued that her job was to be

a bureaucrat...there to protect the minister and our accounting officer and to make sure that the money’s spent in line with public money and state aid rules⁶⁶.

She claimed this was a constant challenge because

it’s very easy for ministers to allocate money, especially large amounts, but it’s very difficult to contract that money.

Her concern was whether the project was delivering ‘what the minister was buying’:

I’m talking about how we as civil servants lose control of the money...What normally happens is that ministers say we’ll give you money to do X but the beneficiary hasn’t really specified X and actually

⁶⁴ Skills minister Matt Hancock succeeded John Hayes in 2013, both Conservative ministers under a LibDem Secretary of State

⁶⁵ <https://www.bbc.co.uk/news/business-19809717>

⁶⁶ EU state aid rules put limits on what funds the state could route to employers, other than for training BIS, BIS (2015a) *Employer Ownership of Skills - Pilot scheme - State Aid Guidance*.

the lead company isn't that involved, and really the driving controlling brain is company Y who's got vision but they're not quite sure about details (Sophie, 2014).

In Round 1 she was concerned at the lack of skills and capacity in the teams. A poorly managed appraisal process meant that, in her view, many EOP projects in Round 1 were

deadweight, projects which employers would have done anyway, rather than the market failures required by the Green Book...so not that innovative and not that employer-owned (Sophie PO 2014).

In Round 2, however, she felt that there was an additional problem since the prospectus seemed to her to be in conflict with the ministerial agenda of *disintermediation*, as described by Ruby (DfE 2012) above and in Chapter 6. Not only had the original 'vision' for EOP (UKCES, 2011a, pp. 6,19) included a call for employers to form sectoral collaborations, but these were now a central feature of the prospectus for Round 2, in the form of Industrial Partnerships (IPs), as described in Chapter 5. The problem of IPs was how they were to be operationalised. The policy required that funding was routed to the lead employer who signed the bid: in the case of an IP they would then disburse the funds to the other partners. However, EU state aid rules put a cap on how much public funding the lead employer could receive in this way: either each employer had to have their own contract (which might mean monitoring the performance of nearly 50 separate contracts within a single project) or the IP needed to set up, or use, an intermediary organisation to receive and disburse the funds. Since these collaborations were likely to seek out the intermediary body with the greatest sectoral expertise, and this was likely to be the SSC, this had the potential to create tensions with the ministerial decision to end funding to SSCs as 'non-market' intermediary organisations. It is not known whether the state aid implications were understood by policy owners when the then Skills Minister signed off the prospectus which explicitly invited employers to

Collaborate across sector, region or supply chain, to form partnerships with training providers and other organisations (Matt Hancock, Ministerial foreward UKCES, 2013b, p. 2).

Despite this apparent ministerial endorsement in 2013, following what Ruth (Ruth UKCES 2013) describes as a 're-evaluation', Sophie was critical of what she saw as evidence of 'regulatory capture'. In her view UKCES had 'jumped to the solution to say it's Industrial Partnerships' (Sophie 2014). The

problem now with ‘what the minister was buying’, as perceived by Sophie, was that EOP was now supporting

all the IPs basically doing the same stuff as [the SSCs] in 2010...[with] too much homogeneity between projects [and] too little innovation’.

This not only potentially gave SSCs and other intermediaries ‘more money than ever’, but in enabling them to ‘act as gatekeepers for their sectors’ they were re-emerging as impediments to the free market. The project funding included development work for qualifications and capacity building. This had put these sectoral intermediaries in a position to ‘take margins’; for Sophie this meant that

funds [were] not going to the front line, with employers not stepping up and putting their own cash in (Sophie 2014).

Three value for money issues were at stake for BIS: why SSCs and other intermediaries were being funded despite ministers’ policy of *disintermediation*; why the projects were funding investment in ‘infrastructure development’ such as qualifications rather than participation; and why employers were being allowed to make contributions in ‘kind’ (as Paula (PO NAS 2013) had suggested) rather than in cash.

The policy fractures experienced by policy makers and issues arising for employer ownership: a summary

Sophie (BIS) described in interview here the traditional perspective on market failure as the justification for state intervention in apprenticeship discussed in Chapters 2 and 3. However, her working definition that the ideal EOP projects would therefore be those where employers had ‘a real ambition’ and which were ‘good for the business but not critical’, reveals some of the practical issues for officials using the theory of market failure as a guide to operational decision-making. It required a level of skills and understanding, of skills issues and of employer decision-making, which were not expected of officials whose normal role was arm’s length regulation of a quasi-market. The shortfall in skills and capacity perceived by Sophie, which created inconsistencies between the espousal and the enactment, appears to have been at quite a basic level, however, and it is only one of several examples of the *enactment fractures* in this case (Davies and Hughes, 2009, p. 596) leading to policy failure. Further inconsistencies, introduced by the introduction of the MOU and new KPIs which did

not 'respect the principles of employer ownership', as reported by the Evaluation, reveal the impact on the policy of differences of perspective between the agencies on what EOP needed to achieve, a cause of *agency* and *bifocal fractures* (ibid). Most significant for the failure of EOP and the early termination of the projects, as described in Chapter 6, however, were the ideological fractures, evidenced by BIS' judgement that, despite its consistency with the espousal, the funding of intermediaries and the infrastructure development, required to operationalise Industrial Partnerships, was at odds with 'what ministers thought they were buying'.

While the published and interview data, above and to follow, provides evidence to support Sophie's criticism of EOP for its *enactment* and *agency fractures*, the evidence of its *ideological fractures* is even more revealing. As discussed in Chapter 4, the Varieties of Capitalism literature distinguishes coordinated (CME) from liberal (LME) market economies. The espousal of EOP, particularly of Industrial Partnerships, encouraged employers and their suppliers and stakeholders to collaborate on building shared pathways to careers in their industries, and espoused the devolution of decision-making powers to them to learn from each other and agree the best way forward. This arrangement is claimed to be common within an CME rather than an LME, and while Wood dismisses it as not 'incentive-compatible' and therefore 'unlikely to succeed' in the longer term, as a pilot it might have succeeded. However, the way it was enacted through the quasi-market was characteristic of the powerful LME state in England, whose role is limited to establishing and regulating a competitive and disintermediated free market to deliver programmes at the lowest cost. Consequently, less than 2 years after UKCES had espoused through EOP and Industrial Partnerships (IPs) a new CME-like role for the state in supporting networks and collaborations between employers and the state which might increase the incentives for employers to invest in apprenticeships, the espousal had changed so much that Sophie could describe IPs as evidence of 'regulatory capture'. Instead she is endorsing the LME model of a chain of 'low-trust' contractual relationships and, by implication, is either dismissing the notion of *employer ownership* as a policy goal, or is supporting the policy assumption that, despite nearly 30 years of experience of this model failing to secure *employer ownership*, as described in Chapter 1, employers can be persuaded by financial incentives, delivered under contract, to invest their money, time and expertise in apprenticeships in a way that would not otherwise be in their economic interest.

The next section considers how other stakeholders and observers viewed the espousal and enactment of EOP.

7.2 The experience of expert observers

The second group of interviewees includes a wide range of **observers** with long term policy expertise and potential influence on - but no direct financial interest in - the outcomes of EOP. These included specialist journalists, writers and former policy makers, and also representatives of provider and employer groups, all of whom had also been observers of previous policies. None were participants in EOP, though some had been participants in a range of roles in previous policies. What they had in common was long-standing experience and expertise in state-funded apprenticeship, training or education policy, some in several different roles over several decades, which enabled them to see one or more aspects of EOP in a broader context.

The sample included nine interviewees from three different backgrounds; some wanted their views to be known, while others did not. Five of them - Liz (2013), Ann (2014), Norma (2015), Caroline (2016) and Xenia (2016) - had worked as policy advisers and officials within government departments or agencies, and were able to offer an insider's perspective on either the policy context of EOP or on the broader political and operational implications of policy making and implementation. Two, Pippa (2014) and Chris (2016), were specialist analysts and commentators on education policies. Two, Dianne (2016) and Sally (2013), were representatives of specific provider interests including the institutions and intermediary organisations potentially or actually impacted by EOP, while one (Felicity 2013) represented unions, and two (Steph 2015 and Leanne 2016) represented employer groups (not all are cited). Interviewed between 2013 and 2016, most were looking back on what they perceived as a failing policy. This section considers their perspectives on the espousal and on what they were observing of the enactment of EOP and what they believed, given their longstanding experience, was causing it to fail.

Liz (XPolicyAdviser2013) argued that it was important to understand the ambition of EOP in its political and economic context. She described the emergence of the different components of the policy as:

a largely neoliberal framework that says the demand side is the way to do things, and you've got to do deals with business, to make them believe you.

Despite her experience of policy making, she did not note any contradiction between these positions.

At the same time, she observed that politically there had been:

a galloping critique of the supply side which was 'FE's not very good, so we can't really trust them to do it'.

Then from 2010 the political and economic context introduced new elements:

austerity, we haven't got much money; a political view that believes in small government not big government, [so] government shouldn't be...putting a lot of money in, or having large bureaucracies administering it [or] prescribing how things should be delivered.

So what she welcomed about the new direction in which EOP was taking demand-led policy thinking, was that it had introduced a 'mood shift' where, like Ruth (Ruth UKCES 2013) cited in Section 7.1, it was possible to see the EOP policy as:

moving slightly out of market failure: you allow good employers doing successful things to spend money, rather than repair the damage of bad employers not doing things.

She saw this ambition as supporting new demand-side opportunities at local level, though this would require a better understanding and ownership by employers of related strands of policy thinking. She suggested that a successful engineering company based in Derby, for example, might discuss with their local competitors that, since there was also an advanced manufacturing Catapult⁶⁷ centre being built in Derby, they could jointly bid for an EOP project to enable them to 'get a set of technician-level skills' to feed into the Catapult centre. She thought this kind of joined up thinking difficult for government but that:

good employers are more likely to understand [this] than government (Liz XPA2013).

⁶⁷ Catapult centres were launched by BIS in 2011 as public-private partnerships to 'commercialise new and emerging technologies in areas where there are large global market opportunities and a critical mass of UK capability'. <https://catapult.org.uk>. A government review in April 2021 recommended that 'each Catapult takes a strategic role in identifying future skills needs and gaps in their sector, and the opportunities to address those needs in their local economy' <https://catapult.org.uk/the-catapult-network-welcomes-the-review-published-today-by-the-governments-department-for-business-energy-industrial-strategy-beis/>

Other **observer** informants described EOP as a 'brave' attempt to address a serious problem in the mainstream apprenticeship system: that there were perverse incentives for providers to profit from public funds as a consequence of the agency problem. Specialist analyst Pippa (Pippa Analyst 2014) described how this problem was integral to the quasi-market, because its characteristics were in fact quite different to a private market:

employers weren't actually paying for what they were getting...[so] they could be sold something that wasn't worth much...It only had to be better than free for...employers to go along with it... Tariffs based on activity rather than impact will only ever benefit the provider...because the longer it takes, and the cheaper it is, the better. So people are doing courses at level 2 when they could have started a level 3, and they're wasting their time but the provider's making extra money. [In contrast] those that added real value were [where] the employers were fully engaged and...saw these people as future leaders of their organisation' (Pippa 2014).

Ex-policy adviser Caroline gave an example of how these perverse incentives drove the behaviour of all the actors, including the employers, in this system:

At head office level M&S might say 'we're not engaging with this', but actually in their branches they were. That's because little Johnny would say to the store manager 'I have no qualifications, I really want to do this...they say I don't even need to go to college, you'll never notice I'm doing it, please sign this', and the store manager would say 'yes of course I'll sign it'. [Meanwhile] the SFA has to get its target of 3m apprenticeships...so it's really just easier if they give [the money] to Elmfield and they spend it on Morrisons. So [the providers' contracts] are a fountain of funding where they can do exactly what they want for the money that they've agreed with the SFA, and the employer doesn't really have to engage with it (Caroline XPolicyAdviser2016).

Most observers, however supportive they were of what Norma (Norma XPolicyAdviser 2014) called 'this mad innovative interesting experiment' of EOP, acknowledged that its enactment had shown up a number of fundamental problems. Given that the EOP policy was one of radical policy change, there was widespread concern at the *enactment fractures* as, just like the policy of Sector Skills

Agreements (SSAs) described in Chapter 3, the policy process failed to devise the right policy levers to deliver the espousal. They too identified a shortfall in specialist skills and capacity in the state actors. Like Sophie in Section 7.1, Caroline expressed concern not only about what had emerged as the team's inability to implement the right appraisal, assessment and selection processes for projects, but also about their overall grasp of what they were trying to achieve. She argued that what the team, as state actors, were intervening in was quite a technical field, which they did not understand. When they read the bids, she claimed, they did not interrogate what was different about what was being proposed. So

as nobody asked the employers...they didn't realise what could be done in [the] mainstream programme: they didn't have that expertise. For some of the [bids], all they would have had to do was get the [apprenticeship] framework out and see what units were in it. A bid for a 'non-SASE'⁶⁸ apprenticeship implies they're not doing enough...but actually some employers just wanted to do **more** than they needed to! Nobody seemed to have asked themselves 'Why would we do this, what's different about it?' No-one sat down with the [employers] to say 'what exactly are you trying to do'? (Caroline XPA 2014).

Several experienced policy advisers and observers suggested that these problems emerging for EOP were emblematic of a wider problem of a rapid loss of policy making expertise in the public sector. Some noted how 'thin' the EOP policy was and how many obvious questions – for example about the role of intermediaries, the state aid implications, the funding of 'infrastructure' and capacity building investments, or how and when project success or failure was to be measured or learned from - did not seem to have been thought through in advance. Norma described herself as 'bemused' that BIS seemed to have 'outsourced the EOP policy to UKCES' despite their having 'no policy making experience, so didn't ask the [right] questions'. Others commented on the 'naivete' of the EOP proposition, that employers could handle, without mediation, policies such as EOP:

what do employers know about implementing skills policies? Not a lot' (Norma XPA2014)).

⁶⁸ The Specification of Apprenticeship Standards for England (SASE) set out the requirements for a recognised English apprenticeship framework.

As an ex-policy maker herself, Ann acknowledged that some policy making actually went no further than drafting the rhetoric. The policy levers were often not developed at all:

I'm as guilty as anyone of drafting my way through a problem half an hour before going to the printers, and then you hand the policy to the agency and say 'deliver that!' People wanted to do policy because they thought that was cool...[but] they weren't required to articulate the policy in a deliverable way (Ann XPolicyAdviser2014).

Expressing pessimism about EOP as just the latest manifestation of this problem, Chris as a long term observer of policy making in education observed that over many years she had:

not found people working in [government policy making] with the time or the energy to get to the depth of detail [to] manage the administration.

She was pessimistic:

the government has created the conditions for change. But it doesn't know how to make it happen... So I think that will bring it to its knees in about 18 months' (Chris Analyst 2016).

As well as such *enactment* problems from poor skills, capacity and coordination, observers perceived *agency* fractures arising from unresolved conflicts between BIS' and the two Agencies' different priority objectives. Many inconsistencies leading to policy failures in EOP, including those above, resulted from the failures of the state actors to coordinate or collaborate their efforts, exemplifying bifocal fractures, where 'different arms of government with different focal points for espoused policy bear upon the same context in contradictory ways':

Because everyone was landgrabbing, or worrying about what was being landgrabbed from them...instead of people saying 'right, this is what we're trying to achieve, now let's all work together to achieve it!' everyone was dismissive of each other' (Caroline XPA2014).

Observers also raised the competing beliefs which underpinned the EOP espousal, leading to *ideological* policy fractures. Given that ministers' priorities (described in Section 7.1) included *disintermediation*, the removal of intermediaries, while state aid rules required intermediaries, not employers, to receive the public funds for Industrial Partnerships, a conflict between BIS and UKCES on IPs could have been predicted. Similarly, UKCES' declaration in the EOP espousal that it would trust employers conflicted with the 'low-trust' relationships of the LME quasi-market as the key policy

lever. In Liz' view, any public discourse about trusting them with public funds was both extraordinarily risky and politically naïve because:

Waste is a bad headline for ministers: if it did not bear results quickly enough the policy would be portrayed, rightly or wrongly...as a bribe or a bung (Liz XPA 2013).

Other observers saw the apprenticeship targets, in defining what ministers thought success in this policy field looked like, as posing an insuperable barrier to policies like EOP which attempted to address demand rather than supply:

When [senior officials] stop talking about the numbers, when they stop getting hold of [the NAS Director] and kicking him because we haven't got as many 16-18 year old starts this month, then they'll change. But I don't think they'll change because they think that's how they'll be monitored, they're worried about FE Week⁶⁹ and other people saying 'we've got 27 of those and only 7 of these'. Well maybe they should stop and say 'we don't care because it's now truly demand-led and therefore if that's what we've got, that's what they've asked for!' (Sally ProvRep2013).

The resurgent priority of this apprenticeship target, in a policy espoused and explicitly designed to achieve something quite different, was seen by the Process Evaluation (Mori and IES, 2017) as part of an 'inappropriate' focus in Round 1 on qualification outcomes. Caroline argued that this highlighted the broader problem that the state did not understand or respect the value or purpose of apprenticeship:

It's not a programme of learning, it's a job, and the purpose of the learning is increased productivity. But how are we measuring apprenticeships? On a 3m target of starts. Not completions, not jobs, not 'made a difference to people's lives', just 'we've signed them up' (Caroline XPA2014).

Chris claimed that what she was observing was 'all too common':

⁶⁹ Online magazine FE Week has been almost the only source of expert investigative challenge to ministers and their departments and agencies on detailed issues of funding and regulation, and to providers and employers on sharp practices. It uncovered and ran the Elmfield/Morrisons story in 2012 and says of itself that 'since its founding in September 2011, FE Week has firmly cemented itself as the go-to news source for further education and skills'.

We have a grand plan and all sounds eminently sensible and rational but at the end of the day it doesn't work terribly well so we review it, restructure it, change it and it never has time to take off (Chris Analyst 2016).

Skills and apprenticeship policies were seen to be particularly vulnerable to this constant policy churn and the lack of long term thinking, because these policies were:

not critical to the thinking of [government]...The people working in [the sector] aren't very powerful, it's outside of people's experience and [apprenticeship] is for other people's children... the class system's got a lot to do with it' (Liz XPA2013).

This meant that for ministers and officials, the skills portfolio was seen as:

something that they would pass through on their way to sexier appointments...New [ministers] need to make their mark and leave a legacy...They want to get up and they want to get out...If [they] don't make stuff happen in 6 months it's too late. [This leads to] constant meddling with the system (Xenia XPA 2016).

She argued that this need to set and achieve short term goals explained why

as a minister you want control... The idea that they can sit there patiently while an arm's length body is responsible for this stuff, it's anathema to them' (Xenia XPA2016).

Even as early as 2013, several observers claimed, BIS did not care about the espoused ambition for EOP; they had already decided on imposing a *Levy*⁷⁰, and were just trying to shut EOP down:

they don't need this anymore because it's proving something they've already moved on from (Norma XPA2014).

So instead they were trying to 'kill it off', using an increase in regulation and control. Norma characterised this as an elaborate game that officials were now playing with participants:

they say if employers [want to be] engaged in this we want them to contribute to the cost of it, and if they [the employers] come back and say yes here's a way in which we can do that, then [BIS] come back and say no we want it to be more granular than that, we want to match

⁷⁰ The Apprenticeship levy was announced in 2016

pound for pound...Then what they're really saying is that they believe [employers] are out to trick them (Norma XPA2014).

while Caroline too claimed that departmental and agency officials other than UKCES were walking away because they were thinking:

oh well we'll move on to something else in a minute...

But that lack of interest then meant that:

when the projects were closed and nobody understood [them]...nobody went in and said 'what have you done? How does that work?' so any lessons that could have been learned were lost (Caroline XPA2014).

The group of informants who were less supportive of EOP, espoused as routing funding directly to employers rather than providers, were those representing the interests of the provider network: they were highly sceptical. Dianne (ProvRep2016) argued that EOP was just

giving public funds to employers, on the thinnest of propositions with the least amount of direct control, and no specification (Dianne ProvRep 2016).

Her perspective was that the providers she represented could be trusted, since they worked for 'the social good', but that employers were different and could not be trusted. She claimed that their capitalist structures determined that they would take advantage of any 'light touch' regulation and nothing useful would be accomplished. She claimed that it was 'unlikely', and the espousal of EOP made it no less so, that:

employers would do the morally proper right thing, [or that] if you just put the lightest touch in place employers...would see the value for the longer term...of investing in the skills of [their] supply chain...[or that] £350m would become £1bn⁷¹ as employers [started to] build social capital' (Dianne ProvRep 2016).

Sally (ProvRep2013) claimed that, irrespective of how it was espoused, EOP was really just 'about the funding and who gets it'. The question of how to overcome barriers to employer ownership of decision making appeared to be a secondary issue. She argued that, while employers could use their

⁷¹ A reference to the leverage to be achieved by the employer contribution to the EOP budget of £350m

own money in any way they wished, government must control the use of the public funding, and the best way to do this was to continue to route it through providers, because, in her view:

[providers] make a reasonable bridge between the priorities of employers and learners.

Employers just look short term because of the profit motive.

She also expressed particular concern that what would otherwise have been 'providers' funds' had been diverted:

I object to providers being capped to fund EOP (Sally ProvRep 2013).

Although the focus of this case study is specifically the EOP 2011 - 2017, some observers, especially those who had been policy advisers, also commented in more recent interviews on more recent reforms. They were concerned that some of the same problems identified as an issue in EOP were re-emerging in the *Trailblazers*, trialled from 2013, and in the Apprenticeship *Levy* introduced in 2017 after the EOP policy was terminated. The *Trailblazers* were designed to support employer ownership by giving employers influence over the way an apprenticeship in their sector was defined as standards. However, in the early days at least, the process was seen as chaotic (Newton *et al.*, 2015). A current concern was that employers were *still* having difficulty getting approval – this time from the new Institute of Apprenticeships and Technical Education (IfATE) - for some of the technical skills they needed: these were not 'firm specific but...narrower than the more general training' which providers preferred to deliver, and as a result, Ann felt that:

the pressure to focus on low skill levels is really undermining the quality of the apprenticeship programme. It disempowers the employer (Ann 2016).

Additional concerns were expressed over the impact of the *Levy*:

The *Levy* was supposed to be transformational. But it didn't transform the pipe work...There's no link between the delivery of training and the delivery of money. In principle there was meant to be a double lock on funds. If you're the training provider and I'm the employer, you bill me for service delivered, I signal release of funding, you report to the SFA what you've done, so that would link funds to training.

For Norma, this system was already 'broken' because the SFA has weakened the rules to facilitate the role of the provider:

as employer you can say that you've agreed the programme but you're going to outsource the management of it to the training provider, so now [the provider has] one of the keys. Then the SFA just asks 'is this person an apprentice?' not 'have you delivered any training?', because the SFA said we want to manage this on the basis of staged payments. [They simply] assume that the apprentice is still there [and go on paying]. It's insane (Norma 2021).

7.3 The experience of providers and other intermediaries

This section considers the experience of a small third group, comprising **intermediary organisations** who had bid for and won EOP funding in their own right and were therefore participants in the policy. Although, as intermediaries, their own 'ownership' as employers is not relevant to this thesis, their views are included here for two reasons. First, their success as intermediaries in winning funds in a competition specifically designed for employers, provides another perspective on inconsistencies between the espousal and enactment, and the failure of the team to 'see through' what Sophie described in Section 7.1 as the 'narrative' of employer ownership. More significantly in terms of understanding how EOP was experienced by the employers holding EOP contracts, they have insights to offer as highly experienced individuals with long-standing expertise acquired from playing different roles in state-funded training or education fields.

The interviewees were Rosie (2013), who had been running an SSC with its National Skills Academy (NSA) and who went on to lead an Industrial Partnership, as described in the previous section, Robyn (L&D corporate entrepreneur 2014) who is not cited, and Angela (Angela Entrepreneur 2013) who used EOP to establish a new commercial business promoting and delivering a new cross-sectoral apprenticeship. Rosie and Angela both had a direct business interest in participating in EOP: while Rosie's was not-for-profit, Angela's organisation was commercial and its parent company was sufficiently well capitalised to use EOP as a stepping stone to a more ambitious or longer term investment in the training industry. They both argued that their EOP projects met the value for money criteria in the application because there was not only a market failure but a non-market failure. The system created by the state for approving new apprenticeship frameworks – developed by SSCs, turned into credentials by Awarding Organisations (AOs), approved for funding by the state – only worked for industries where the state had previously determined there should be an SSC. It did

not work for cross-sectoral industries, so there was no institution to serve the interests of the employers in their sector. They acknowledged the appeal of EOP's promise of funding but with simplified bureaucracy for all participants, but denied that would have been enough on its own to engage them.

Rosie: brokering a collaborative industrial partnership

In an engineering-manufacturing sector, Rosie (IP Intermediary 2013) saw EOP in 2013 as the opportunity to develop the more ambitious collaborative structure espoused in the Round 2 vision and prospectus, an Industrial Partnership. She already worked closely with a group of employers through their sector's Skills Academy, so some of the groundwork on what skills were needed had already been done. She argued that her role as a 'facilitator' was crucial for two key reasons. First the employers found 'the bureaucratic environment... and the economics of the training world...complex ...and incomprehensible'. While the discourse in the EOP espousal had suggested that these new simple processes were designed so that the employers could engage with it themselves, Rosie argued that no employer could be expected even to complete the EOP application:

To [intermediaries like] us those forms look easy but to the average employer...they struggle with it. They [say] 'what are you talking about, I'm not going to get involved with that, that's your job, if you can't make it work I'm not interested, I've got a company to run (Rosie IP intermediary 2013).

She aimed to customise a range of 'make or buy' solutions to their skills shortage issues, which they could understand, and which made it 'manageable' for them. Her role was as someone who could

interpret...and make [it] relevant for them...discerning what's important, selling and persuading them that it's a good thing, and leveraging commitment back' (Rosie IP 2013).

Secondly, she was aware that the EOP rules as espoused – routing funding directly to the lead employer of a collaborative partnership to distribute to other partners – would breach state aid rules; if an Industrial Partnership were to be established it would have to have an intermediary to receive the funds.

With the support of leading industrialists in the sector, the EOP bid submitted in their name was highly structured. The employers would be non-executive directors of the Board of the intermediary

organisation which would receive the funds⁷², it would commission new apprenticeship standards customised to meet the latest skills requirements, and would manage the outsourcing of training delivery where appropriate. Since the employers were in highly regulated industries with high levels of demand for skills but limited opportunities for expansion, the intermediary organisation would also operate as an ATA⁷³ to employ the apprentices, thereby creating a pool of skilled workers for members, and their supply chains, to recruit as required.

She argued she was too experienced to believe the EOP rhetoric on trust and flexibility, and saw her priority as getting the contractual details right to protect the employers who had signed up. She noted the irony that the legal frameworks established for these industries to manage standards at arms length from government in other parts of their business were not available within the apprenticeship system:

They've got full responsibility in law for Health and Safety for their people ...but they're not allowed...we don't trust them...to write their own [apprenticeship] standards.

She acknowledged that the mainstream funding systems were

designed for the lowest common denominator, the Elmfields (Rosie IP 2013).

However, she saw the IP as espoused as 'a series of processes that give you a reason for trusting somebody with money and standards', something which was different and could be differently enacted.

Angela: side-stepping institutional inertia to develop a new apprenticeship market

In her application, Angela (Angela Social Entrepreneur 2013) described herself an employer: this was technically true but exemplifies the difficulties which Sophie believed that bid appraisers had had in 'seeing through' the narrative of employer ownership. She had set up a subsidiary of her services

⁷² As discussed in Chapter 4, employers could not receive the funds direct since this would conflict with EU state aid laws

⁷³ This is the YTS model developed in the 1980s, now known as flexible apprenticeships or the 'ATA' model discussed in Chapter 4. The learners are employed by the training provider, who organises the necessary training and work placements but has no long term interest in them. Chapter 2 gave examples of large diverse business services firms such as Carillion, Serco, and Compass building new commercial businesses with this model: they appear on conference attendance lists as employers but use SFA funding streams to run separate commercial training operations.

business specifically to develop the market opportunity for a new training business⁷⁴ which EOP offered. She argued that although EOP offered the opportunity for ‘new types of apprenticeships’ which did not meet the full SASE specification, she did not see that development work as sustainable in the longer term. On the contrary:

Our pilot was...just to do a different framework...to do the development work...and to bring partners on board...to make a massive difference [to the industry].

What the high profile and urgency of EOP offered the industry and her business was speed and visibility, as well as start up funds. Like Martha in Section 7.1, she too complained of a vast institutional inertia right across the apprenticeship sector: this made it particularly difficult to attract the attention of the Awarding Organisations (AO) needed to work up new qualifications. However, she was finding that the strong ministerial support for EOP was transforming the speed of response of the AOs:

If we’d been just a training provider come in with our new idea, [the AO] would just have said ‘well good luck...here’s some stuff we’ve [already] developed which you can use’.

However, the high profile of the policy, the public mandate and EOP’s ‘tight deadlines required a very rapid response’. She found that the AOs wanted to be associated with it, because they wanted people to say to ministers:

Oh they’re innovative, they’re fast, they’re good, they’re flexible, they’ve really turned it round (Angela Social Entrepreneur 2013).

Her experience of the enactment of the new regime of trust, simplicity and light-touch audit promised in the espousal, however, was a shock. Like Rosie she saw the quasi-market as a very complex low-trust environment which incentivises providers to game it:

What’s built into the SFA system is an implicit lack of trust: we don’t trust you...so we’ve woven these rules around you, and it’s so complicated there’s so much opportunity to game the system.

⁷⁴ In 2021 they were still a successful provider in a growing market

With the EOP espousal promising a different approach, she had been optimistic but had been disappointed:

So in EOP they've said 'we're going to trust you, there's only a few of you...[then] how do we manage that, oh all the old ways of doing it'What's not coming through is: how are we going to behave differently to make this different? So just saying words like 'yeah go for it, pilot stuff, we're right behind you, but by the way we're going to use exactly the same checking and funding processes'...Well you don't need a pilot [for that]...If you want it to be a pilot, you've got to change the mentality of the whole system. They just didn't communicate that (Angela Entrepreneur2013).

Angela gave several examples of particular problems which followed the adoption of the MOU to increase the regulatory controls on payments, as described in Section 7.1 and in Chapter 6. She claimed that the decisions of BIS had been late and sudden, and included not only the change to the KPIs but the unexpected decision (not mentioned in interviews with policy owners) to hold back 20% of the funding to the end of the project. She saw this as demonstrating 'a complete lack of understanding' of how business investment works:

as a business we're putting in £2m to this, we don't have money in a central pot ready to slosh around on initiatives like this, we've had to make the internal case to say we need this much and we need it at this time...and then we suddenly [have to] say [to our Board] 'oh dear [the government's] changed their minds, we want 20% more'!

She also cited how self-defeating some of the complex rules and regulations built into the quasi-market were:

We're capped on what we can claim in a month, but we can't ever overclaim on the profile, so if we're supposed to do 20 starts in each of 2 months and we do 10 in one and 30 in the other, we can claim for 10 in this one but only 20 in the next one. Well that's stupid...because that's 10 fewer than what we would have otherwise done (Angela Entrepreneur2013).

This section 7.3 has provided the voices of some highly experienced intermediaries, who understood the need for reasonable bureaucratic requirements, but who were clearly shocked by their experience of EOP. Since EOP was designed to persuade employers to invest their money, time and expertise in

apprenticeship, their reflections cited here highlight some of the areas where EOP may have put such ownership at risk as a result of evident policy fractures. They provide a startling insight into the extraordinary complexity, cost and risks faced by those dealing with the state on skills; and these interviewees were already specialists. This was exactly what the employers also faced, since their relationship with the state was contractually the same. What is most striking is the impact of obscure rules embedded in the quasi-market as ‘the outputs of large organisations functioning according to regular patterns of behaviour’ (Allison and Zelikow, 1999, p. 5). While some of the restrictions cited sound absurd, they are part of a system designed to regulate the use of funds in a low-trust environment. The ‘capping’ of monthly payments is just one example of how, irrespective of its discourse of trust, the mechanics of the QM can be seen, mid-process, to have shifted the risks and costs of compliance onto the holder of the contract.

What the analysis of the inner workings of EOP shows here is how it is the detail which reveals the immense challenges for employers who engage directly with the state on apprenticeships. It shows how the complexity of the QM shapes the incentives and disincentives to leave them few alternatives for reducing their risks, other than by outsourcing their decisions to specialist providers. It is extraordinary that such anecdotes should arise from a policy specifically espoused as ‘high trust’ ‘simple’ and ‘flexible’ and designed to secure employer ownership. As Angela suggests:

if you really said...what we want to change is employers [getting] committed and excited about [apprenticeship], then you’d look at it in a different way (Angela Entrepreneur 2013).

7.4 Conclusion to Chapter 7

This chapter has shown the level of ideological and operational confusion which beset EOP, how the unresolved tensions created significant inconsistencies between the initial and subsequent espousals and the enactment, and how these were experienced by the policy owners and participating intermediaries, and observed by stakeholders, as *enactment, bifocal and ideological policy fractures*.

Their accounts show that their experience was not one of a ‘transformation’ of the apprenticeship system – the ‘stepping back’ of government to make bureaucratic controls flexible, simple and ‘light touch’ enough for employers to manage them without the need for intermediaries - as promised in

the espousal. On the contrary, the evidence of this chapter, including the voices of the policy owners themselves, provides a real insight into the challenges faced by participants attempting to work with such poorly designed and implemented state interventions in this field of apprenticeship. It shows how even experienced intermediaries were blindsided by a succession of policy fractures, as the state used the 'old ways' embedded in the quasi-market to reassert the low-trust system of contractual controls, which the policy had originally been intended to transform. It also shows why this happened. Under the LibDem leadership of the Coalition, the EOP espousal, especially in Round 2, was investing in the type of collaborative activity which, the literature claims, supports the apprenticeship systems of CMEs. As the Conservative grip on the Coalition tightened, however, the state strongly reasserted its LME role, not as investing in employer demand but as regulator of the quasi-market. This ideological position, predicted by Wood (Wood, 2001), can be seen in the context of EOP to have erected a barrier to better policy making, since it provides a graphic illustration of how the primacy of its regulatory role, and its immense power in the absence of expert or political challenges in this field, also protects the state from facing up to the problems created by the politicisation of the apprenticeship targets and its lack of skill and capacity.

Once these policy fractures had led to the remaining EOP projects being terminated early, ministers in the incoming Conservative government moved on to a different set of policies for employer engagement in apprenticeship (including *Trailblazers* and the *Levy*, briefly discussed in Chapter 9). This termination fulfilled the worst fears of the most experienced policy observers, who argued that the constant churn of poorly developed and resourced skills policies and institutions to support them is endemic in English policy making, and is in particular a function of the low status of FE and skills policy, and the immense power of the executive in Westminster to centralise policy and politicise apprenticeships through targets.

Chapter 8 which follows considers the experience of the employers participating in EOP and the impact it had on their ownership of apprenticeship.

Chapter 8: The employers' experience of EOP

Chapter 8 is the last of the three chapters 6 - 8, which seek to test empirically the theoretical accounts from Chapters 2-4 of the challenges for *employer ownership*, and of the barriers which prevent policy makers from addressing and overcoming them. In these earlier chapters, I argued first that the challenges result, not only from market failures but from the interventions of the state itself. In 'correcting' these failures using complex and constantly changing regulations in a quasi-market designed primarily to achieve targets, the state has created high levels of transaction costs and risks for employers. Second, using the lens of comparative capitalism, I showed that it is the distinctive factors which shape the English LME *variety of public policy* which create the barriers preventing policy makers from addressing and overcoming these challenges: the ideological conflicts, the limitations of the quasi-market as a policy instrument, and the undermining of employer confidence to invest in apprenticeship policies.

In Chapters 6 - 8 I am appraising this theory with the analysis of a specific case, the Employer Ownership Pilot (EOP) 2011-2017. This was a policy, ostensibly designed to secure greater *employer ownership*, which appears to exemplify both how and why successive governments have failed to achieve this.

In its description of what is known about EOP from published texts, Chapter 5 identified a set of tensions between the espousal of the policy and how it was enacted. Chapter 6 considered how these unresolved tensions were experienced as policy fractures by three groups of actors and observers, as reported by them in semi-structured interviews conducted between 2012 and 2021. These groups were the state *owners* of the policy, the expert long-term *observers* and the *intermediaries* who facilitated the participation of employers. The chapter concluded that the policy owners were not only aware of such inconsistencies but had introduced them: some deliberately as ministerial priorities changed, and some inadvertently through the embedded mechanisms of the quasi-market and shifting inter-agency rivalries over the life of the policy. Experienced observers saw EOP as exemplifying many of the long term problems of skills and apprenticeship policies, particularly those arising from the constant policy churn instituted by a centralized command and control culture

in Westminster focused on political advantage, a lack of skills and capacity for policy development and implementation in the public sector, and an ideological resistance to engaging with employers' decision making. The policy fractures experienced by the intermediaries, which jeopardized their ability to deliver on their contract, revealed and illustrated the challenges that faced all organisations holding EOP contracts with the state, including employers.

Chapter 8 now considers the experience of these employers. Section 8.1 introduces the responses of 5 large employers, first to being involved in informal consultations on the problems of *employer ownership* of apprenticeships before the launch of EOP in late 2011, and then to their first sight of the early EOP documentation. Sections 8.2 and 8.3 take a closer look at two contrasting EOP projects. Section 8.2 introduces the Round 1 project awarded to **Hosta**, a large multi-site employer in the hospitality sector, while Section 8.3 describes the experience in Round 2 of two of the leading employers who created the Industrial Partnership **Indus**, a coalition of employers from an engineering-related sector.

Some of the interviewees whose voices are heard in this case worked for organisations with longstanding apprenticeship traditions, came from sectors which were a high priority for government support, particularly those in STEM based industries, and had significant experience of building relationships with government. Others were relatively new to the apprenticeship system. Most were already involved in some way in other employment and skills or regeneration-related policies, which may have included programmes promoted by other government departments⁷⁵. As the rationale for interview sampling in Chapter 5 describes, the individuals interviewed had very different kinds and levels of operational responsibility for their organisation's dealings with the state on EOP or mainstream apprenticeship contracts. This wide range of experience, from main Board governance to individual learner data processing, provides insights into different aspects of the quasi-market they encountered.

⁷⁵ These included the departments then known as Work and Pensions (DWP), Education (DfE), Communities and Local Government (DCLG) and other parts of BIS

As in Chapter 7, all interviewees and organisations cited in the analysis have been pseudonymised, in line with the commitment made that unless they gave explicit permission - as some did - their views would not be attributable to them or their organisation. Annex 3 lists their personal pseudonym, a pseudonym for their organisation, an indication of their job role and the date of the interview being cited, to enable the reader to track individuals' perspectives.

8.1 Employer expectations of ownership 2010 - 2011

This section provides a snapshot of perspectives from five of the large employers who were considered key potential participants in any new policy on skills and apprenticeships, and who were informally consulted by policy makers, before EOP was launched, on what they expected or wanted from the new Coalition government. Each of the interviewees cited in this section was employed in a senior Learning and Development (L&D) or broader Human Resources (HR) leadership role by a large well-known company with a global reputation for quality; four of the five had significant experience of delivering well respected STEM apprenticeship programmes successfully (Karen Rattle 2012), (Ethel Box 2013 *not cited*), (Rachel Pitch 2015) and (Jane Bearings 2015), while one (Polly HRD Sterling 2013) had used a provider to design their programme and had no direct experience of the quasi-market.

Although these employers welcomed a new willingness by government to engage with them on such policies, as described in Chapters 5 and 6, they found the approaches by the incoming Coalition, particularly prior to the launch of EOP, were unhelpfully *ad hoc*. Many government departments, including not only BIS but DfE and DWP, to name but three, wanted them to use their global brands to endorse their new political and policy initiatives. Karen, who ran a large, high quality FTSE100 apprenticeship programme renowned for its quality, described how, in the early days of the Coalition, her CEO was one of those receiving multiple approaches from individual government departments, ministers and officials. She described her CEO's response:

We kept getting letters from no.10 saying 'what are you going to do to get more people on programme, to get more apprenticeships, to do this, to do that?', sometimes the Tories, sometimes the LibDems, all grandstanding, saying 'we want you on this programme'. Anyway we get all this stuff and in the end BIS got a note from [our] CEO saying 'not another bloody initiative – can we just back off these things?'. We put together [a] paper saying 'here's a list

of the things we can do for you. We understand you only fund us for apprenticeships, but if you give us the money for apprenticeships and reduce the complexity of the stuff around it...we'll deliver all these things for you' (Karen Rattle 2012).

The area where employers felt that the absence of a properly planned approach, for joint working on skills between themselves and government, caused them most difficulty was the lack of coherence between the policy aims of BIS and DfE. For Jane (Jane Bearings 2015), who later chaired a STEM-based Industrial Partnership, the critical issue for all STEM employers was the shortfall in young people choosing to study STEM subjects. In 2015 she described it as a long term frustration for all STEM sectors that, despite rhetorical support for British technological skills, there were no DfE policies in place to encourage take up by young people of the subjects where there were skills shortages (see Wolf, 2011, p. 76) or indeed, she felt, any joined up policy thinking between the two departments. She described the challenges this created as:

How do we grow the supply chain in the UK?...[There are] many benefits of being a UK-based business and having our engineering done in the UK [but]...why doesn't [DfE] talk to BIS?

What she said she wanted was 'a proper industrial approach' which was able to address the problem, for example by adjusting the curriculum⁷⁶ and incentives for school leavers. She claimed that hers was not the only sector which was frustrated:

When we got together as IP Chairs all our problems were the same, whether you're creative industries or tech or whatever, you find the same...issues. It can be quite depressing to think how big the problem is (Jane Bearings 2015).

The second most frequently cited issue was the complexity of the apprenticeship funding and data systems. Rachel (Rachel Pitch 2015), whose advanced manufacturing organisation had a long-established apprenticeship tradition, believed that the rigidity of the rules imposed within the quasi-market⁷⁷ had been a major impediment to employer ownership, and welcomed some new thinking.

⁷⁶ The recent introduction of the new higher-level vocational qualifications T-levels may be relevant to this problem <https://www.gov.uk/government/publications/introduction-of-t-levels/introduction-of-t-levels>

⁷⁷ Employers holding direct contracts were not able to use the funding to train their supply chain

She wanted to address her own supply chain issues through the ‘over-training’⁷⁸ which had been traditional in the nationalised industries, but the SFA contract did not allow this, as described in Chapter 3. Describing the discussions they were having with the PM and ministers about over-training:

they were saying ‘that’s what we want you to do’ but we were running up against all the organisations that had got the money. It’s hard work but we worked our way through it. That was the start of *employer ownership* (Rachel Pitch 2015).

She saw, in the Coalition’s interest in employer ownership, an opportunity for a change because:

Unless you get employers owning it we’ll have nothing. Why have we got 90% of companies not doing anything? Because they don’t feel they own anything – I think we’ve got some programmes that work well, but where we are at the moment is an over-bureaucratic process (Rachel Pitch 2015).

All the interviewees talked of their willingness to build their apprenticeship and other skill programmes, but also of barriers they felt they faced. As a large employer who had committed in principle to expanding their ‘very small’ apprenticeship programme, delivered through their provider’s contract, Polly found to her surprise that she had:

a very low understanding of the apprenticeship world...it’s been a really steep learning curve, for what should be a relatively simple proposition. We’ve found it probably a lot harder than we anticipated just to get to grips with the whole process, the whole language and everything that sits around apprenticeships (Polly HRD Sterling 2013).

By late 2011, interviewees felt confident that their discussions had led to a recognition by officials and ministers that the complexity of the system was a direct cause of the lack of employer ownership; it was out of step with what government said they wanted and a source of frustration to the employers.

⁷⁸ ‘Over-training’ was a well established practice in the 1960s when the nationalised industries recruited and trained more young people than they needed. This gave them an opportunity to select the best apprentices to stay on and make their careers in the company, and it also created a pool of trained talent for their supply chains. Employers with direct contracts with the SFA were prohibited from doing this until 2012 because it was considered a commercial practice, although there were no such restrictions for businesses such as ATAs who employed apprentices but held provider (rather than the simplified employer) contracts. The anomaly was resolved by giving employers provider contracts.

The employers felt that they had made clear to the government what they needed, and how the current system had to change to make it possible, and they waited with interest to see how the new policy for improving employer ownership would take their views into account as promised by ministers. Karen claimed that UKCES had even assured them that they would be 'right at the heart of this prospectus', and consulted as it was developed (Karen 2012). However, she heard no more until the launch, when she was puzzled to discover that while training providers had been consulted during development of the prospectus, employers like herself had not. The prospectus itself was not what she was expecting either. Karen described it as:

Bonkers, absolutely bonkers..you're producing a prospectus that is designed for employers, and I think I understand more than most employers about this sort of thing but I didn't understand what they were talking about...it was all policy gobbledegook (Karen Rattle 2012).

Rachel too was surprised that the language lacked the employer-friendly simplicity that they expected. The application process itself was a particular shock:

What the hell does this mean? Your tax form can be a bit confusing from time to time – I've made the odd mistake because I didn't read the question properly - but on these forms you couldn't make a mistake because you can't understand what they're asking for (Rachel Pitch 2015).

This section has considered a snapshot of what a small number of large employers said that they had described to incoming Coalition ministers and officials as key challenges for them in owning their apprenticeships: the lack of joined-up thinking on related policies governed by different parts of the state, and the operational and contractual complexity. Even at the start of the EOP enactment process, however, policy makers did not seem to have seriously addressed the issues employers raised. This may be a result of the same *enactment* and *agency* fractures identified in Chapter 7 (Davies and Hughes, 2009, p. 596). The employers' priorities, however, could also be seen as an *ideological* challenge to the way that the state sees its role in an LME (Hall and Soskice, 2001), which was to ensure a free market in education and skills training, imposed through strict regulations on individual contracts, and to ensure employer collaborative arrangements do not impede the workings of that market by, for example, prioritising one sector or set of skills shortages rather than another. Following their discussions, in which employers perceived that ministers were looking for advice on

the reform of apprenticeship policies to secure and sustain greater employer ownership, they had expressed an optimism that they were being heard by policy makers. They then experienced shock and disappointment on seeing the early EOP documentation. Sections 8.2 and 8.3 now explore two projects in detail to consider how individual employer participants experienced the impact of these policy fractures.

8.2 Hosta's experience of EOP

This section first outlines the key features of the hospitality firm Hosta and their EOP project, then introduces the people who were interviewed about their experience of bidding for, winning and delivering it. It considers what they had understood the espousal to offer them as a business, how they experienced its enactment and the implications of that experience for their decision-making on skills and apprenticeship.

Introduction to Hosta and its key people

In 2011, Hosta was a large global company in the growing hospitality sector, with 3500 business sites - hotels, restaurants and coffee shops - well established in the more prosperous parts of the UK, with plans to create 5000 new jobs as it expanded rapidly into increasingly deprived areas. Since 2006 it had been running its own apprenticeship programme through a direct contract with the SFA through its large employer unit NES, and by 2011 it had around 400 learners.

Seven interviews took place with 5 Hosta employees at different levels in the organisation between 2014 and 2020: the Managing Director of the Division (Freda MD Hosta 2014), the Global HR and Main Board Director Susan (Susan GHR Hosta 2016), two Division Training Managers Jo (Jo TM Hosta 2013, 2014 and 2015) and Yvonne (Yvonne TM Hosta 2020), and the Data Administrator Jill (Jill DataAdmin Hosta 2014). Jo was responsible for existing apprenticeship and other skills development programmes across the Division, reporting into the HR Manager for the Division. She was often the external face of Hosta across the apprenticeship industry, speaking at conferences and attending working meetings with the SSC, SFA, BIS and skills ministers. She led an inhouse training team which designed and delivered workplace and assessor training; she also bought in specialist services such as *Work Experience* programmes for schools, *Skills for Life* (English and Maths), *Back to Work*

programmes from the Princes Trust (recruitment, training, work experience and transitional support for disadvantaged groups including the disabled and long term unemployed) and she also managed the Awarding Organisation linkages to the funding and data management systems required by the SFA. Within Jo's team Lisa was responsible for the integrity and use of this data, meeting the SFA's requirements and producing the internal performance and financial reports for Hosta.

Hosta's commitment to training

Hosta saw their large, well-structured training programme as essential to their market position. They now wanted to 'professionalise' their people development by integrating their own standards – 'a set of skills knowledge and behaviours for each of the different job roles' - both with the national education and qualification frameworks including apprenticeships and with their broader HR practices of recruitment and pay for progression. This integration of work based standards and career progression routes with educational qualifications was described in Chapter 1 as the original ambition for state interventions into workplace training in 1986 (Young, 2011, p. 264). For Hosta this was easier for some roles, such as chefs with their long term traditions of career progression through craft qualifications, than for others. Speaking in 2014 about the gaps that they wanted to fill, Jo claimed that there were few such progression routes in place for service and management roles in the industry. Consequently there was currently

no connection between what was needed at entry or team or leader level within our organisation or sector [and] what was being learned [in school or college]...no one saying 'I've just spent the last two years studying this and now I want to join your organisation' (Jo TM 2014).

Hosta now wanted both to 'give an indication to schools and colleges that within our organisation and within our sector there were some visible and valuable qualifications that can be earned while you were working' and also to show both current employees and new recruits how they could progress within the organisation (Jo TM Hosta 2014).

They had already carried out an employee survey to ensure that they understood the aspirations of their existing workforce:

We asked all our people ‘what’s of value to you?’ [The overwhelming majority] said a qualification in what they were doing, to help them progress. The qualifications [offered] additional learning, additional thinking, additional responsibilities [to the existing job standards]. It gave us a chance to stretch people beyond what we needed them to do in their job role... to get insight into what the next role would be.

Since many of these people did not meet the funding criteria⁷⁹ for government support, a fully integrated approach of this kind would mean significant levels of investment from Hosta in addition to payments from the SFA.

The model of ‘employer ownership’ which Hosta chose to adopt was therefore one of a greater professionalization of the hospitality sector, through an integrated and ‘systematic approach to acquiring, retaining and progressing talent’. They believed that this would enable the often low-skilled and disadvantaged people, who they recruited in regions with few jobs, to achieve career progression through professional qualifications and improved skills (including English and Maths). They saw this as a partnership with government to create:

a pipeline of talent...a ladder of progression for [all our] people...so that people don’t just fall into [the sector] but make it a proper job (Jo 2014).

All of the interviewees from Hosta claimed that the company had a strong commitment to skills and apprenticeship. Susan argued it came from the top since their CEO had ‘always had a belief that [Hosta’s] strength was the engagement of its people’ (Susan GHR Hosta 2016); this was echoed by Freda, the MD of the Division which bid for EOP, who talked of her own sense of

personal purpose...to create opportunities through industry for young people across the hospitality industry... In my position...I could create something...We had people who wanted to do this, who had engaged teams who wanted to do it, and all they wanted was for the leadership of the company to want to do it, and we forged that between us’ (Freda MD Hosta 2014).

⁷⁹ From 2010 adults over 25 were eligible for funding but only if they had not previously achieved a qualification at that level

They bid successfully into the first Round of EOP in April 2012, winning funds for a project which ran in one of their key Divisions for 3 years until July 2016. The five projects within the bid, which included improving school-to-work transitions and supply chain development, each addressed elements of an action plan to put these links in place to support the 5000 new jobs Hosta hoped to create, by giving their new recruits ‘opportunities for rapid progression’.

Hosta’s ambivalence: working with government

However, Susan (Susan GHR Hosta 2016) also described the caution she had felt before agreeing to submit an EOP bid. She recalled their early experience of apprenticeship as ‘quite a bumpy road’ when, in 2006, they took on the contractual commitment but found they had ‘overestimated the capability of the entire business to step forward’. She claimed that it had taught them all an important lesson that:

You can’t juggle 10 balls on the day you decide you’re going to learn to juggle; you start with one and build to 2 and you might get to 3....But in the areas of skills development we seem to assume that overnight we will be competent (Susan 2016).

She admitted that

My preference would almost have been: don’t take the funding and let’s cut the training to what we can deal with from our own resources...[because] if you take government funding for anything you’ve got to be pretty damn sure that the ROI⁸⁰ that government is going to get is absolutely right first time.

It was the HR manager of the Division, Jo’s boss, whose ‘confidence in our level of learning meant we decided to take it forward’ on the basis that it would be about

quality not quantity...we’d rather sign up 20 apprentices who we know are going to develop through and finish, than 200 and lose the majority of them. So we went in with our eyes open about the commitment that end to end ownership of the skills development of our people would really take (Susan 2016).

⁸⁰ ROI: return on investment

Susan was also aware that there would also be a negative impact in the workplace of such commitment. She saw this as the result, not of managers taking time to develop their people, but of the downtime they needed to complete the paperwork. She described how she had met resistance to such bureaucracy in the early days from senior leaders in the business units:

If you'd actually seen a manager with one of their apprentices you'd see them cover every aspect very clearly, but what was documented was poorer...[Business unit leaders] said 'we really appreciate that this could give me standards of capability... but the opportunity cost of the bureaucracy is like a brick wall stopping us from accessing that' because [managers] were already back of house enough with managing shifts and systems and product changes and auditing, so the job of work they had to do didn't have the space to...produce [assessment] evidence.

For Susan the problem was that the system and the paperwork were unnecessarily complex: even though the government was asking employers to take charge of these processes, it felt as if they had been designed in such a way that only educational intermediaries could deal with the burdens they imposed.

The rigour the government required...seemed more appropriate to an academic situation than to a real live operational business...Our first Ofsted visit, I almost felt we were having to apologise for this being an operational context, and not an academic institution (Susan 2016).

Despite these reservations, Hosta decided to bid. They were particularly open to talking to me about their experience of EOP, not only because of my existing relationship with the company⁸¹ but also because, as Susan argued at the end of our interview in 2016:

Very little of what I've said is contentious because it's based on our experience. I'm more than happy to be public about what we've learned and the challenges...I genuinely feel what I've said is authentic and I'm happy to be challenged on it (Susan GHR Hosta 2016).

⁸¹ As Director of NES in 2006 I was responsible for funding their programme and for holding them to account for their performance, as Susan describes. After my retirement from the SFA, it was my belief in their commitment which led me to support their EOP bid in 2012

Hosta's expectations and experience of EOP

Training manager Jo described in 2014 her reaction when she first heard about EOP in 2011:

I was driving and I remember this big blue sky and green hills and nobody to be seen, and I thought '[if we had] no constraints, no rules...what would my organisation do to make a significant change...to radically reform a landscape owned by government up to that point...I remember thinking: how clever not to pre-ordain the programme but to put the suggestion on the table, put the money on the table, and say to employers 'if you're big enough, bold enough, brave enough, put forward what you would do, and own the programme yourself (Jo TM Hosta 2014).

Their expectations continued high, not only of the opportunities which were being espoused, but of the means by which they would be enacted. Jo described her excitement as she worked on their bid:

I imagined I was entering into something so well organised, with such sophistication, such clarity. I was organising myself to match (Jo 2014).

However, even for Jo, who for several years had dealt directly with the regulations governing direct apprenticeship contracts, the realities of the enactment, with its initial application forms and 38 page guidance, came as a shock. One of the spreadsheets in the application form which needed to be completed required

a simplified forecast of Profit & Loss over five years... and for comparison ... a forecast profit and loss for the scenario where Employer Ownership Funding is not granted ... and for supply chain collaborations this should be the profit and loss of the lead employer in the application (BIS, DfE and UKCES, 2012)⁸².

She had understood that EOP was offering

the opportunity to do things differently, with freedom and flexibility.

But she found that even to get started she 'needed a translator to get through a document like that'.

Once through to the negotiations she found all the enactment processes completely different from

⁸² Source: author's own records. This Guidance is no longer accessible online

what she felt she had been led to expect. Negotiations required detailed costings, timings and measures, 'split into 22 milestones' for the contract.

it was much more detailed and much more onerous and much more specific than I ever thought it would be...And at that point I wanted the flexibility to update what we wanted to do...I wanted to say 'this was written back in April but we now want to do it this way' but it wasn't possible at all (Jo 2014).

This thesis has made many references to unnecessary complexity in the funding system, but – to avoid tedium and confusion for readers - has not until now explored what this meant for the detailed experience of those providers and employers, including Hosta Data administrator Jill and her manager Jo, who had to use it. Their long term experience put them in a position to compare the 'simple and light touch' of EOP with other SFA systems. Before describing how consistent their experience of the EOP data systems was with the way these had been espoused, Jill set the scene with an anecdote about how difficult it was to check payments under the mainstream apprenticeship contract. The SFA system had an algorithm which calculated the level of funding payable for every individual learner, but which included so many variables that the SFA data 'was impossible' to reconcile with Hosta's own:

there might be someone the same age, doing the same qualification at the same time but 'earning' different amounts of money⁸³, and I just couldn't work out why...I just had to accept it (Jill DA Hosta 2014).

The problems that employers with direct funding contracts experienced with this kind of complexity, cited in Chapter 6, had led the SFA in 2009/10 to develop simpler reporting arrangements for such employers through a 'Simplification' pilot. Hosta had welcomed this, registering their new learners on what they thought of as a more intuitive system:

⁸³ The data Hosta submitted to the SFA included (but was not limited to) each learner's postcode, disability, age and learning aim, each of which introduced a different variable to the algorithm calculating the amount paid. This amount should have been predictable, allowing Liz to do her job of checking whether the payments were accurate.

'Simplification' made it easy: we were told what people were going to 'earn', we got a starting amount, English and Maths and then a completion payment, and it was easy...it was transparent' (Jill 2014).

The new funding and reporting system for EOP was similar to the 'Simplification' pilot, though not the same. Hosta now had to run three different data systems in parallel. That was not her main complaint however: her main problem was that if she rang the data centre and asked who was the right person to speak to in a query about a data point on one of these three systems:

they didn't know, and they're the ones who designed it, so that was hard. I ask for it in writing, but if they're not sure they don't put it in writing...I want us to be spot on, so having someone who's not sure, that makes me worry ...It's very time-consuming (Jill 2014).

But at least, Jill reflected, EOP was one of the two systems which were transparent.

However, just prior to interview in 2014, Jill and Jo had heard that the SFA had decided to drop both of the 'transparent' systems, including the EOP system: in future all SFA learners would be on the same mainstream system. They expressed real anxiety: they had been enthusiastic about the simplification pilot, were not aware of any evaluation taking place, and had not been consulted. The only channel they were aware of for challenging this change was through their SFA account manager, with whom, despite the Kafkaesque context, they clearly felt they had a relationship of trust. Touchingly, they said they hadn't wanted to use this channel in case their complaints 'reflected badly on her': the SFA was going through yet another restructure and downsizing and she 'didn't know if she had a job at that point [so] the last thing in the world you want in that situation is to start creating noise'. However, they felt strongly that the SFA was making a mistake:

we're throwing all of the best transaction processes that have been developed over 6 years to go back to an old-fashioned, tragically antiquated red-tape monster (Jo 2014).

Hosta suspected that some officials thought that their objections to the 'red-tape monster' of the SFA systems were evidence that they did not wish to be held accountable for the use of government funds. They claimed the opposite was true: the problem as they saw it was that the SFA systems did not give them the data they needed to understand the returns on the investment of money, time and expertise for their own business. This was a problem because

if you've got no line of sight of those individuals then you can't see them move through your organisation, and you'd never know if there was any return to your business...[so] behind all [the SFA data] we've built some really robust internal systems to track what we were doing...We've got real time access to all the information [and can] view it in a number of ways to give us insight, we've got the capacity to have high levels of analysis so we can work out where we need to focus our attention⁸⁴ (Jo 2014).

There was however an even greater shock in store for Hosta than disappointment at the inconsistencies between an espousal of relative simplicity and flexibility and the 'red-tape monster'. This was the lack of interest from officials in what Hosta was achieving in return for the funding:

With the SFA it was all about the unit measurable. All those things that were critical to galvanise momentum, and were really expensive to organise, remained a story unreported while the spreadsheet was being filled out with, for example, the number of engagements with JCP⁸⁵! (Jo 2014).

Her concern was that

Lost in translation was the richness of what was taking place, which is *how* we were doing it... If someone had said 'I want you to... capture the buildup of the story...do a summary report on how you're changing mindsets and engaging ownership', that would have made sense to me...But people didn't want to hear the story [because] you couldn't put it on a spreadsheet. *Just to send off the numbers each month appears to have turned the entire project into something completely different* (Jo 2014).

She had expected someone to ask her what they were learning, for example about what was needed for an employer like Hosta to take ownership of skills. She claimed that:

We were changing how we induct, skill, progress and review performance, we were transforming the role of the site manager, and trying to stay on track with all the individual projects⁸⁶ simultaneously, while doing them all for the first time in the organisation...and

⁸⁴ Ofsted reported very good visibility and use of data by Hosta

⁸⁵ JobCentre Plus

⁸⁶ There were several project strands within the bid

trying to galvanise support from other employers in the sector to do exactly the same thing. We'd underestimated how long that would take, and overestimated how much appetite there would be for change.

She felt she had some insights she could share into what *employer ownership* really meant and the difference between the kind of investment and support she got from Hosta and the struggles of some of her counterparts in other, similar, organisations who, she claimed, felt:

frustration and embarrassment at not being able to do the same thing because they haven't got senior support internally, they haven't got a budget to do this, they haven't got any investment or any desire by their own HR team let alone their operational teams to do what we're doing, let alone in the way we're doing it. So they're tinkering with work experience...bringing young unemployed people in, and engag[ing] with apprenticeships as a stand-alone activity, not as part of a strategy for attraction or retention or a pipeline into a profession. Some of those people progress and some of them don't but it's not part of a strategic vision, it's just a tactical action because there's a spotlight on it at this particular time.

She argued that she was learning lessons on how to unlock senior commitment which other employers could use:

You have to give back to the business information about Return on Investment in a way that stacks up for them, so that the Finance team is comfortable operating in an arena that has always been seen as the responsibility of HR. You'd never dream of opening a hotel without calculating the ROI on bricks and mortar all the way to fixtures and fittings: it's looking at human capital in the same way that the business looks at other types of capital [investment]. When you've [only] got HR talking to HR across the sectors, that's where [it's] acceptable to say well we can't do it in our organisation, we haven't got the budget, or haven't got the operational buy in, [or] the operational people wouldn't be interested in this...But if you had different people round that table and the FD says I'll give you the money if you show me the

ROI, and the Ops director says I've got people who'd be really up for this, and the MD says I really want us to do this, now what are the barriers HRD⁸⁷? (Jo 2014).

Nor did Jo find any support for other aspects of the espousal which had promised joined-up approaches to educational institutions and supply chains in the sector from different government departments:

The government departments aren't connected...The real objective behind what each sector should be doing is: how are you going to engage with schools, colleges, HEIs, how are you going to engage with those who aren't employed, how are you going to integrate them into your business and how are you going to move them through your business? And how are you going to raise the skills and how are you going to know if you've raised the skill in your sector? But people [in government] just don't see these connections.

In contrast to the commitment that she had understood the state to be making in the EOP espousal, to pilot and learn how to achieve employer ownership and address barriers to it, she found that all that seemed to matter to them was the contract:

I've had all this learning and nobody's asked for it. I've had no connection with [UKCES] ... The whole premise of this was to have learnings for the government, not just for us. If I don't get my maths questions right, it's gone down as a fail without anybody saying 'where's your workings? At what stage did it go wrong? Am I waiting, 2 years on, to have somebody talk to me and say 'put together an evaluation so we can share your experience and make it more straightforward for others'? [No, because] that's not in the contract!

She claimed it shook her confidence in the decisions they had taken to engage with government:

It almost feels as if you've got the money on false pretences if you don't complete the deal, because it was part of your promise to innovate, to do something that really stretches you so that we can learn from that. [But to do that] you need an engagement at the level where you made the commitment, to talk about what you're doing and how you're doing it, just as you wanted to describe it as a strategic commitment in the first place (Jo 2014).

⁸⁷ ie Finance Director, Return on Investment, Operations Director, Human Resources Director

In summarizing Hosta's experience of EOP, Global HRD Susan too felt disappointment with the government, including but not limited to UKCES as the body which had espoused EOP. Looking back two years on, in 2016⁸⁸, she reflected on the challenges that Hosta had experienced. She had expected support and advice for employers from UKCES, but found a lack of expertise and capacity there:

I thought they would support and challenge employers to deliver a robust agenda for skills development, that they would add to by offering the best approaches, the best models and ways of doing it. I thought they'd be the employer voice, and I thought they'd be the employer facilitator, and they were none of that. I am still puzzled by that...We knew the importance of the agenda: we knew it on a number of fronts. We knew it competitively, organizationally, reputation-wise, skills shortages – we'd already got that – but I never saw anything that came from UKCES that was of value that I thought was tangible as an employer...

She also identified confusion between state actors who seemed not to understand how their own policy and its potential had been espoused:

[The Agencies] aren't on that page. You find you're dealing with individuals who don't know how to work in an *Employer Ownership* environment, are struggling with the 'where do I control, where do I consult, where do I collaborate, where do I let it go, do I want inputs or outputs? So the government [may prescribe] policy changes but the system is not being educated to how we might work differently.

In addition to what appear to be the *enactment* and *agency fractures* she identified were problems she perceived from the influence on policy of vested interests. Some of these she thought came from educationalists and intermediaries, including those within the UK Commission itself, who 'felt threatened in terms of their own survival and funding and also had a very set way of thinking about how education and skills should be delivered/developed' (a claim also cited in Chapter 7.1). She felt that employers' voices were heard differently from other stakeholder voices, in a way which impacted on the state's relationship with them. She had concluded that:

⁸⁸ after the incoming majority Conservative administration in 2015 announced that UKCES was to be abolished.

Government thinks it'll lose control if governance [of apprenticeships] is dominated by business leaders. At the heart of it there was this weight of thinking that...[employers] were going to undermine core good principles - you're not dedicated to this, you're not purists, you're profit-seeking...you need to be challenged, you're not trusted. They're not sure you're really going to meet the standards the way you said you will...you're going to say you've done it and you won't have done, you're going to cut corners. Some people assume that to make profits you have to cut corners. But our customers do want to be served by people who are technically proficient and capable (Susan 2016).

The lessons learned from Hosta's experience and its impact on Hosta's decision-making

The government may not have learned anything useful from the EOP experience, but Hosta did. The most significant impact of this extremely disappointing experience on Hosta can be seen in the final interview with Hosta in 2020, when Yvonne (Yvonne TM Hosta 2020) looked back on the experience of holding contracts both for their mainstream apprenticeship programme and for EOP, and what had changed since then. Since the introduction of the Apprenticeship *Levy* in 2017 (see Chapter 8) she claimed that the costs and complexity had become even greater, so:

One cold January morning we said 'we are spending money on the *Levy* and we're spending money on the team...and it's a truckload of hassle'.

So they made a decision:

It is now outsourced...

She described how the relationship with their provider now worked:

We do the workplace training... what you need from the provider is all the other bits.

She now had a specialist to deal with the complexity that's 'not about the quality of the workplace skills and learning':

thank goodness I don't have to have people in the team to be experts in government funding.... not just the English and maths, all the hassle around government documentation and the TAS and the DAS and the *Levy* and the blah and the standards and the End Point

Assessment and the process and aaagggghh! and I don't have to worry about that any more!
(Yvonne 2020).

While Susan saw many of these challenges for employers like her as resulting from the evident lack of skills and capacity in the various state actors, I see the failure of the state to deal with the unresolved tensions and failures of EOP as an ideological barrier. If the LME state's role is restricted to structuring and regulating the market, it does not need to understand *how* capitalist enterprises make decisions about skills, because it believes the labour market will in due course regulate itself. This makes measuring the success of EOP through a set of spreadsheets and algorithms which only collect quantitative data not just inconsistent but incompatible with the rhetoric of a policy espoused as intending to 'change mindsets and engage ownership'. It is the ideologically LME state which appears to have rejected the notion that these EOP projects, like the rest of the quasi-market for skills, are anything more significant for the economy than a chain of low-trust contractual relationships which successfully deliver its political goals.

Hosta's response to the experience provides an interesting contrast. As a multi-site employer in the hospitality sector, Hosta had no commercial imperative for building relationships with central government beyond their contractual relationship for apprenticeships⁸⁹. Their reason for participating was that the rhetoric and personal relationships at both senior and administrative level had given them confidence that EOP was an opportunity for joint working to address *employer ownership* as an issue of mutual concern to themselves and the government which went beyond the legal framework. This was not a mistake they were likely to make again. Their shock, disappointment and anger stems from the government having - as they saw it - invited Hosta to take risks to help them address a policy challenge, and then failed to value their work or commitment, or even to try and understand what they had done. What is striking from their accounts is how it enabled them to understand that the rhetoric of EOP was nothing more than that. To the government they were just a contracted provider, not a partner whose experience and contribution was valued: employer ownership was not important to the state. Consequently, as the transaction costs of the complexity increased even

⁸⁹ Other than the general interest they had in the incentive-compatible policies common to LMEs (see Chapter 4) such as maintaining deregulation in the labour market

further with the introduction of the *Levy*⁹⁰, without any increase in benefits to Hosta, that realization led them to distance themselves to reduce both their risk and their ownership.

Section 8.3 now turns to the experience of the leaders of the Indus Industrial Partnership to explore whether, if STEM sectors were more highly valued by government for being at the heart of the UK's future economy, their existing longstanding relationships with government might have given them some protection from the policy fractures and disappointments experienced by Hosta.

8.3 Indus: how the employers experienced EOP

This section describes the experience of employers participating in EOP 2011 - 2017 as members of the Industrial Partnership (IP) Indus. The first section introduces the two employers asked in interview about their experience of bidding for, winning and delivering the Indus IP. It explores what they said they understood the espousal of EOP to offer them as a sector, and how they experienced its enactment. It explores through their own words the extent to which, despite the many contrasts identified above, including a history of engaging with government on apprenticeships, their experience of the challenges, and the impact on their *ownership*, was similar to that described by Hosta.

The **Indus Industrial Partnership** EOP project was selected for analysis, as part of this case study, as a clear contrast to the Hosta project in the previous section, for reasons described in the methodology in Chapter 5. Where Hosta submitted their bid into Round 1 as a single employer, and the people who voiced their experience of it were all their own employees, Indus was an Industrial Partnership from Round 2, a collaboration between many different large and small employers, two of whom were interviewed. Where Hosta was a hospitality firm in a service industry, the Indus partners were all engineering-based. Both the employers interviewed about the Indus partnership had longstanding relationships with government, primarily because they had won, or hoped to win, major contracts to

⁹⁰ Hosta's reference to the increase in transaction costs from dealing with the levy may also indicate that poorly designed complex bureaucracy associated with the levy invalidates Wolf's claim Wolf, A. (2015a) *Fixing a Broken Training System: The case for an apprenticeship levy*. Available at: <http://www.smf.co.uk/wp-content/uploads/2015/07/Social-Market-Foundation-Publication-Alison-Wolf-Fixing-A-Broken-Training-System-The-Case-For-An-Apprenticeship-Levy.pdf>.that paying a levy would incentivise employers to expand their apprenticeships to ensure they got best value from it.

supply elements of engineering-based manufacturing, services or national infrastructure; they already enjoyed a relatively secure position at the heart of successive governments' industrial and regeneration strategies and plans for growth, which had enabled them to access a range of different funding and support packages. Hosta had little such experience. Unlike firms in service sectors, many in engineering based sectors also enjoyed a reputation for excellent long-standing traditional apprenticeship programmes such as those cited by Wolf (2011, p. 7). This meant that while the key Indus interviewees were, in both cases, senior leaders experienced both in their own field and in apprenticeships, they were also significantly more experienced than Hosta at dealing with government.

Introduction to the Indus IP, and its key people

The Indus Industrial Partnership (IP) created in Round 2 of EOP was intended to be a long term sector coalition of some of the UK's most iconic employers. Many of them were viewed as the government's most trusted partners and ambassadors in STEM sectors, and often cited for their importance to the country's competitiveness (eg HMT and BIS, 2011). Chaired by the CEO of one industry-leading firm, the Indus project was governed by a Steering group attended by other industry CEOs; these appointed an intermediary body to receive and disburse the public funds and direct operations on their behalf to ensure there were no state aid issues, as described in Chapter 6. They heard that their bid had been successful in 2013, although the difficulties in agreeing contracts, described in Chapter 5, delayed activities so much that some projects were unable to start until 2015.

Between 2012 and 2020, four interviews took place with two of the key players in the Round 2 Industrial Partnership, Esther (Sparks 2019) and Sarah (Sarah Weld 2012, 2019,2020), both of whom were Directors of training and development for large global engineering-based organisations. They were both very experienced at running very high quality apprenticeship programmes, and were well known and respected in their sectors and in various sector associations which predated the IP. Both had led, and were often the external face of, their organisation's high quality, successful, apprenticeship and technical training programmes over many years, chairing sectoral working groups, speaking at conferences and attending meetings with the SSC, SFA, BIS and skills ministers. Both

worked with local educational institutions and other providers across the country to customize their programmes to their requirements⁹¹.

Esther (Sparks 2019) had herself been recruited many years earlier as an apprentice: describing her career she said she had

come up the apprenticeship route as apprentice, graduate, post-graduate and making it in the organisation...that's how apprenticeships work well (Esther 2019)

Sarah (Sarah Weld 2012, 2019,2020) was a specialist in technical training. Weld's own apprenticeship programme, funded through a direct contract with the SFA, was mainly delivered inhouse, with a different delivery model in each of its UK sites, according to the needs of the business because:

we found that training providers will give you what they can afford and not what you need: if they happen to be the same that's great, but if not you're snookered' (Sarah 2012).

Like both service sector employer Hosta (Section 8.2 above), and the STEM sector firm Bearings (Section 8.1 above), these employers now collaborating in the IP bid had long felt frustrated by the fragmentation of government policies both on education and apprenticeship, and held a longstanding ambition as a sector to 'join up the thinking' (Esther Sparks 2019) to bring greater coherence to the task of attracting talent into their industry:

How do we build the pipeline of people coming in[to the sector] through various routes with career progression and apprenticeships?...

In the absence, as they saw it, of a national strategy for STEM subjects and school-to-work transition, their organisations' high profiles meant they had to deal with multiple fragmented interventions supported in different ways by the state and its agencies. Described by Karen (Rattle 2012 in Section 8.1 above) as 'well-intentioned', these were seen as problematic by Esther because 'lots of charities, NGOs etc with great ideas' had a high level political or personal influence which enabled them to 'go to the top' for funding contracts. This gave these NGOs:

⁹¹ The tradition for engineering-related apprenticeships was a minimum of a year full-time in college to learn the basic technical and craft and general vocational skills before entering the workplace

skin in the game, a vested financial interest somewhere along the line as a supplier [or] charity⁹².

Esther felt she was speaking for the industry in describing this fragmentation into random services, purchased through little quasi-markets invented by the state, as very unhelpful both for the sector and for the young people it wanted to recruit:

We wanted to...join up the thinking and start shedding stuff. We were all fishing in the same pond and not addressing the real, real problem about the need to get the right skills to create employment for youngsters coming out of school and university...we were extremely frustrated. (Esther 2019)

Esther argued that this 'joining up' work could only really be done effectively by 'real' markets shaped by coalitions of employers, working to the same set of aims, not by these opportunistic quasi-market-based interventions. They needed a coherent set of apprenticeships for careers in their cross-sectoral industry: while many engineering-based industries had been well served by their most closely related SSC, SEMTA, the full range of apprenticeships was not yet available in the Indus sector. Working together for some years, their sector had collaborated to put 'some of the mechanics in place...as members of the [sector] associations etc', and from around 2008/9 they had started using labour market and other market data, particularly that provided by UKCES as 'it was the most reliable stuff you could go back to' to support a better targeted approach. This enabled them to start to address the key questions:

We wanted to work out a strategy for [our sector]: how's the market going to change, how that does that play out in terms of the kind of people we need? (Esther 2019).

Sarah too argued that the employers needed to take matters into their own hands because, despite the gloomy forecasts for skills shortages in the sector, there was no government strategy to address this pipeline problem.

⁹² The opening of many public services to market competition meant that some charities and enterprises with good political connections, working in fields such as work experience for young people, were able to leverage these to secure public funding contracts. The cost-effectiveness of such cronyism is contested eg as reported by the NAO on KidsCompany in 2015 in a different policy field (<https://www.nao.org.uk/wp-content/uploads/2015/10/Investigation-the-governments-funding-of-Kids-Company.pdf>)

for us as an industry it's about new people coming into the sector.

They did not see the government as supporting them, however. Instead they saw it as pursuing 'a different agenda':

The government strategy is about apprenticeship starts, a very crude 3m, and they're not that fussy about who, where, when, how old...

Sarah was scathing about this target:

I like all the ministers on a personal level, but we gave [the minister] a hard time over the 3m [target]. We said 'do the maths... why would you want 3m? look at how many are leaving schools, you're assuming 50% will go into apprenticeships, and there isn't the need! Where we need to put in the effort is in the higher GDP earning apprenticeships where the UK can get behind the manufacturers who are creating the wealth. (Sarah Weld 2019).

So they saw EOP as a great opportunity for their sector to build for the future:

What changed with the Industrial Partnerships and got us excited was that government gave us the impression that it was prepared to put much, much more time and effort and resources, financial and people, into really addressing the skills challenge out over 30 years for the UK, by creating a group of IPs around key industrial sectors (Esther Sparks 2019).

They wanted it to be a foundation for their work, not a one-off response, to

come together to join up the thinking and agree between ourselves - and this exists to this day – that...we as partners would stay together...and that would be our legacy (Esther 2019).

The Indus employers' expectations and experience of EOP

Their early experience of the enactment of EOP, however, was not consistent with what they, like Hosta, believed had been espoused. First, they were puzzled by the unexpected focus on apprenticeships, since the prospectus had espoused a range of different skills solutions (see Chapter 5). Esther had, like several members of the Indus Steering group, previously bid into Round 1 in 2012 as an individual employer but, to her surprise, it was only her apprenticeship bid which 'seemed to make the grade'. Secondly, the prospectus had promised a simple and flexible process, but even she, with long and successful experience of mainstream contracts, had found the application process:

very complicated...a very convoluted online experience.

However, when first interviewed in summer 2012 Sarah was optimistic about EOP. In response to the invitation in the espousal to do so, her bid had proposed a sensible schedule of outcome measures which could be incorporated into the contract and which were simple to audit. She was glad that the espousal had promised a different regulatory approach for them because they were employers, not commercial providers, and had invited suggestions on how to do this. Her suggestions had been accepted and contracts were about to be agreed.

What's important to me is simplicity of auditing, which we'll achieve with the pilot: if I was a normal commercial provider then I would expect to have to jump through all those hoops but I'm not and there's no value in those additional safeguards.

She was also relieved to hear that her suggestions for a simpler payment schedule, instead of the 'red-tape monster' of complex variables described in Section 8.2, which it had been impossible for Liz at Hosta to check, had also been agreed:

A flat fee paid over 3 years with 6 payments against pre-agreed milestones...Instead of learner 'uplifts' and all that stuff that has crept in over the years⁹³, we've agreed that we don't need it. It's like the simplification pilot in fact but one that works for a longer programme' (Sarah June 2012).

However, by October 2012 Sarah, like Hosta, was experiencing:

Lots of teething problems, red tape, what looks really easy on paper becomes really complex, it's completely crazy. They're now saying they want to pay us quarterly. "Hello? You've accepted a bid that says pay every 6 months in arrears!"

In 2019, Sarah described how she felt, looking back at her experience of both rounds:

I can laugh about it now, but at the time I couldn't. They didn't have a process to administer the EOP [Rounds] 1 or 2, so they created one which was based on the existing process. So that meant even more red tape than before.

⁹³ One official, not interviewed formally for this case, used a sailing metaphor to explain the exponential increases in contractual complexity: 'your boat starts with a clean bottom, but over time it gets covered in barnacles' as contractual loopholes are closed one at a time, slowing down speed and effectiveness in the interests of risk mitigation (source: author's own records). These included the individual 'learner uplifts' which Lisa at Hosta claimed in Section 8.2 made it impossible to predict or reconcile SFA payments.

Not only was it not simpler, but

I had more problems accounting for EOP than I had for my normal funding contract. I was on the simplification pilot [described by Hosta in Section 8.2] so I had to run four systems, as I had a Scottish contract too. That taught me a number of things (Sarah 2019).

Once Indus were successful in winning funds in Round 2 in summer 2013 (though agreeing the contract took another 9 months), the intermediary they had appointed was able to start to work on the pipeline stimulus, develop the apprenticeship standards and services described in the bid, and to maintain the confidence of the partnership. Asked about the job of their intermediary, Esther saw the role as critical for providing the expert advice to enable the non-executive industry CEOs to understand the project risks and make swift and appropriate decisions. This kind of collaboration required a

crucial [process of] facilitation: it needs a coherence for why we're here together, with the CEOs three times a year...You need a secretariat that runs the agenda, runs the objectives, does the research, gets going on the initiatives that we've agreed' (Esther 2019).

Their intermediary also advised them on the contracts which, as described in Chapter 5 and 6, were very different from what they thought they had agreed. But they signed, she claimed, as

an act of faith in the integrity of the state and the strength of their partnership with it.

She acknowledged that this trust may have been misplaced, since with hindsight she felt there had been

a lack of transparency and openness about them...a lot of very quick things put together...[which] doesn't give people time to understand them.

The first sign for Sarah of problems with the Indus bid was the decision by the state, at a late stage in contract negotiations, not to pay for the development work, and to fund only work which contributed to the 3m apprenticeship target:

All they were really interested in was the participation, because that's what gave them the headline numbers. But we'd already put [development funds] into sector attraction and diversity, so all of a sudden we didn't recover funds.

And then in May 2015, just over a year after the three year contract was finally signed, the government:

decided unilaterally to close [the EOP programme] 2 years earlier than anticipated. That meant that the whole business model, that the sector had agreed to, became non-viable overnight. The project would have delivered its full volume if it had had the three years, but it got switched off after one year

Sarah believed the trigger was

the change from Coalition to Tory government, because it gave [Tory ministers] the chance to show their real intentions (Sarah 2019).

Reflecting on the impact for the employer participants of this disaster, Esther observed that such behaviour

breaks confidence.

Sarah too believed that their experience of EOP had ‘completely disengaged the whole industry’:

How to cheese off your biggest stakeholders, [the minister] certainly accomplished that. He could pick a fight in a telephone box (Sarah 2019).

Asked about the views of other employers within Indus on their decisions for contracting with government in the future, Esther said that the largest employers wanted the partnership itself to continue, because they saw the need for leadership in the sector, but it was different for smaller businesses:

we knew it was the right thing to do for our sector...we were all doing it, not for government money, but because we needed to play our part in society and the reputational brand is impacted if you're not doing it. So it's driven by the need to do the right thing... But smaller organisations?...if you're not a FTSE100 you don't have those sensitivities and drivers (Esther 2019).

The people within Indus she had spoken to had said:

We're not going to do this again (Esther 2019).

This evidence indicates that Indus employers, like Hosta, had welcomed EOP as piloting not so much a different model of apprenticeship but as a different relationship between the state and employers on

apprenticeship: one in which the state worked alongside good employers which it trusted to solve intractable problems of skills shortages, poor productivity and ineffective transitions from school to work which neither could solve alone. They were driven to participate in the belief that the state was going to invest their own time, money and expertise in the problem, in order to leverage *ownership* from employers. However, multiple inconsistencies between how EOP was espoused and how it was enacted emerged as significant challenges to the success of the policy.

The early challenges of EOP were perceived by Indus employers as enactment fractures, experienced when the new espoused approach to simplifying the contractual outcomes and regulations of the quasi-market never materialised. However, the fractures experienced by the employers which were most damaging to the policy, and to the willingness of such employers to invest alongside the state in the future, were *ideological*. These were barriers for the state in overcoming the failures of their own interventions: rather than address and overcome them, the LME state and its agencies retreated behind the contractual machinery of the quasi-market and distanced themselves from the experience of the employers.

8.4 Conclusion to Chapter 8

This concludes the empirical study of Chapters 6 - 8, in which I have sought to test the theoretical accounts from the literature in the earlier chapters of the challenges for *employer ownership* and the barriers which prevent policy makers from addressing and overcoming them.

The case study has provided three key findings: first, it has revealed the nature and origins of multiple inconsistencies between espousal and enactment, such as those arising from a lack of capacity, a lack of coherence across government, or a change in ideology; second, it has shown how such fractures were experienced by employers and how this affected their commitment to give money, time and expertise to apprenticeship; and finally these policy fractures have exemplified the barriers for policy makers in addressing and overcoming such challenges.

Chapter 8 has provided evidence of the willingness of some of England's most committed employers to invest their money, time and expertise in apprenticeships: to *own* them and to work alongside the

state to make them more effective. However it has also illustrated in graphic detail the challenges for employers of doing this.

It showed how the employers experienced inconsistencies between espousal and enactment, and even significant changes to the espousal arising from an ideological shift, away from the employer-facing policy making which characterized the espousal of *employer ownership*, and back to the state as purchaser of training targets from its contractors in the quasi-market. The analysis of the resulting *enactment, agency, bifocal and ideological policy fractures* showed that employers experienced the state as an unreliable partner, with no understanding of, or interest in, their motivations or challenges as employers. This undermined their confidence in their commitments by turning their projects into costly and reputationally damaging ventures. It also revealed that these policy fractures were experienced by employers, not merely as problems of contracts and rational incentives, but as triggering emotions of shock, anger and an overwhelming disappointment. The impact on their decision-making, as reported by them, was to withdraw such commitments and to resolve that in future such risks and transaction costs would be outsourced to the specialist providers whose business is based on effective management of a quasi-market of costly, risky, tortuous complexity.

The analysis over these three chapters of the case study, the Employer Ownership of Skills Pilot 2011 - 2017, has exemplified the value of the conceptual lens of comparative capitalism in explaining the barriers for the state in addressing the challenges of *employer ownership*. It demonstrates that, despite the rhetoric of EOP espousing the need to understand how employers were addressing their skills issues, or how they might work together to solve the market failure in apprenticeships, the LME state was ideologically unable or unwilling to sustain this brief interest. No longer interested in lessons to be learned to improve policy, the state is instead seen quickly to revert to a focus on the quasi-market, to meet its apprenticeship start targets and increase the cash contributions made by employers to support their expansion, while de-funding the development work which it had previously agreed to support.

This case has also illustrated the barriers which appear to prevent policy makers from addressing and overcoming these challenges for employers. First the ideological conflict between the LME state and the notion of *employer ownership* was seen in EOP to have led to the state simply recreating the

design of the previous quasi-market, along with the complete contracts which defiantly replicated, or even increased, the challenging complexity it had promised to eliminate. Second, lacking the capacity or the will to see this as a problem, the state was shown to adjust the regulations of the quasi-market to further its own self-interests in ensuring its own targets and political goals are achieved, even if this is at the expense of nurturing the kind of non-market collaborative and coordinated institutions, common to CMEs, which support successful apprenticeship systems. Third, the case showed that the lack of effective challenge to, or interest by, the state enabled it to use its power to launch a poorly designed and implemented policy, and then change it mid-stream; this exacerbated the challenges for employers, by undermining their confidence and willingness to invest in apprenticeship policies.

Chapter 9: Employer ownership: the barriers for policy makers

This chapter concludes this thesis, which has investigated the problem of the challenges for *employer ownership* of apprenticeship, and the barriers which prevent the state in England from addressing and overcoming these challenges. After nearly 30 years of public investment and regulatory intervention into apprenticeship, with access to successful models of practice in other countries, policy in this area is still perceived to be failing.

The definition of success I have used to capture the concept of *employer ownership* is the investment of 'money, time and expertise' to create the 'increasingly skilled' employees with 'excellent lifetime prospects', which delivers the 'high payoff' which makes such investment worthwhile, not only for employers but 'for all concerned' (Wolf, 2015b, p. 37). I have considered why employers in England are not getting these returns from their apprenticeship programmes, and are therefore not investing. I have addressed the following questions:

- what are the challenges associated with securing and sustaining the *ownership* of employers in apprenticeship policies in England?
- what are the barriers that prevent policy makers in England from addressing and overcoming these challenges?
- how can an understanding of these factors assist policy makers to improve the effectiveness of apprenticeship policies in the future?

I have considered these questions by drawing from a range of intellectual disciplines including vocational education and training (VET), economics, political science and comparative capitalism. I have used these to explore first the traditional explanations for the market failures in apprenticeship used to justify government intervention, and for the causes of failure in such interventions designed to correct such failures, and second the characteristics of the English political economy which may be driving some policy solutions and prohibiting others. Using the lens of comparative capitalism, I have considered how these frameworks can together explain the barriers which prevent policy makers,

despite their claims to be putting ‘employers in the driving seat’, from addressing these challenges. I have critically appraised this framing of the issues with a specific case study which reveals the experience and perspectives of both policy makers and employers.

This analysis has led me to argue in this thesis that the state in England has failed to strike an appropriate balance between employer and government control of decision-making, and that the *ownership* of employers as partners, co-decision-makers and clients of the apprenticeship system has been a critical failure for successive governments since the launch of Modern Apprenticeships in 1994.

This final chapter summarises my findings, draws conclusions, and suggests some principles for reform which take into account the barriers for policy makers in addressing and overcoming the challenges of employer *ownership*. The first section explains why the thesis has adopted Varieties of Capitalism (VoC) as the lens through which it views the relationship between the state and employers in England in relation to apprenticeship. It reveals the limitations of the use of the quasi-market in the Liberal Market Economy (LME) of England: a problem for *employer ownership* which has previously been unacknowledged in the literature. Section 9.2 explains in greater detail how other theoretical, historical and empirical accounts have allowed me to show this. Section 9.3 presents the key findings of the study in response to my initial research questions on the challenges and the barriers for policy makers, and Section 9.4 identifies my contributions to the field. Section 9.5 sets out my conclusions, including what policy makers can learn from an understanding of these factors, and offers some principles for reform.

9.1 The conceptual focus of this thesis: the impact of the LME state on apprenticeships in England

This section reiterates why and how ‘Varieties of Capitalism’ (VoC) forms the key conceptual lens of this thesis. This perspective, on the role of the state in England and its relationship with firms, provides a frame within which I have been able to integrate other traditional theoretical accounts: these include the Economics literature on the decisions of firms and market failures; the Policy literature on the actions of the state and non-market failures; and the Vocational Education and

Training (VET) literature on the history of apprenticeship policy. This integrated perspective on the role of the state in securing the investment of money, time and expertise by employers in apprenticeship has enabled me to challenge the conventional arguments of the VET literature (eg Lloyd and Payne, 2003), that employers in England have failed to invest in apprenticeship because the state has been too *laissez faire*, is insufficiently interventionist with employers and should do more to regulate their involvement in apprenticeship.

The first key contribution of the VoC literature is its typology of political economies as a spectrum of ideal types, with the coordinated market economies (CME) exemplified by Germany at one end and the liberal market economies (LME) including England at the other. This perspective allows me to explore these different types of market economy according to the way that firms, as the key economic actors, manage their most important relationships, including those with their employees on skills and apprenticeship, with their suppliers on quality, with the state on regulation and investment, and with the capital markets. While all firms will seek to maximise the collective benefits accruing from those relationships and to minimise the transaction costs of core activities such as skills acquisition programmes and apprenticeships, VoC claims that firms in LMEs such as England will adopt different strategies for achieving this to firms in CMEs.

The thesis has explored the implications for apprenticeship of the VoC claim that, central to the differentiation between these ideal types of national economy, is how the state sees its role in relation to the market (Wood, 2001, p. 251). It argues that, in education as in other policy fields, the LME state sees its role as securing an open, free and competitive market: it views collaborative and coordinating institutions, planning mechanisms and regulations as impediments to free competition, with the potential to sponsor anti-competitive practices between firms. Where coordination is required in the public interest, therefore, the state itself creates institutions which are then under its regulatory control, but also unprotected from political interference. By contrast, the priority of the ideal CME state is to protect the coordinated subsystems, institutions and networks of support, some of which are fully independent of the state, which underpin its industrial strategy and the competitive strategies of firms. These subsystems include not only the educational infrastructure but also regulatory support and access to capital through a wide range of collaborative institutions and

networks, which give employers the confidence to develop and sustain apprenticeship pathways. They set standards for careers within their sector, while complementary labour market regulations protect their value for apprentices and their employers. The independence of these institutions from political interference, enshrined in legislation⁹⁴, is claimed to facilitate the sharing of information by firms in ways which enhance productivity. Whereas in an LME market equilibrium is sustained by free competition through the matching of supply with demand through the price mechanism, in a CME it is sustained through non-market strategic interactions and collaboration between firms (Hall and Soskice, 2001, p. 8).

These contrasting ideal types of national economy do not necessarily presuppose the superiority of one over another (Hall and Soskice, 2001, p. 21), or particular industrial strengths – automobile manufacture for example rather than financial services - but this perspective helps to explain why the strengths of the CME tend to be more closely associated with high vocational skill product-market strategies than do those of the LME. This is because the complementary subsystems of financial, educational and regulatory support provide stable and comprehensive support for the industrial strategies of CMEs; these provide the patient capital and higher level vocational skills which are required for a manufacturing-led economy. In an LME, however, competitive advantage is to be gained in a deregulated and fully competitive market particularly for services, and is associated with general, rather than specific, vocational skills which are switchable assets, enabling firms and jobs to respond flexibly to a rapidly changing marketplace (op.cit p. 17). The strengths required in an LME may come from high levels of skill, not only from low levels as has been argued (Finegold and Soskice, 1988); however they do not for the most part require VET-based skills.

The second contribution made by this VoC literature is its perspective on the factors which link ‘the institutional characteristics of varieties of capitalism to the policies pursued in them’ (Wood, 2001, p. 248), and the understanding this offers of what is distinctive about policy making on apprenticeship in

⁹⁴ The role of the German Chamber of Commerce in apprenticeships, for example, is defined by legislation Wood, S. (2001) 'Business, Government and Patterns of Labor Market Policy in Britain and the Federal Republic of Germany', in Hall, P. and Soskice, D. (eds.) *Varieties of Capitalism: The Institutional Foundations of Comparative Advantage*. Oxford: OUP, pp. pp. 247–274.

England. It shows the English *variety of public policy* as shaped first by the preferences of firms, which in LME England will be for deregulation and free markets, and second by the power of the Westminster executive which, because of the English Constitution, is ‘unmatched anywhere in advanced industrial democracies’ (Hennessy in Thompson, 1996). Most advanced economies have constitutions which incorporate checks and balances on the power of the executive, forcing policy reformers to negotiate, delay and perhaps compromise with political or regional partners before being able to introduce major policy change. In England however relatively few powers or budgets are devolved, for example, to cities, regions or the second House. This centralised power has enabled the party in power to pursue priority goals which may not align with the public interest.

This distinctive combination of market ideology and state power is seen to have resulted, in England, in the widespread use by policy makers of what may appear to be highly competitive quasi-markets for delivering public services including state support for apprenticeships. However, this VoC perspective on policy making has enabled me to reveal the limitations of the quasi-market as a policy instrument for apprenticeship, by showing how it can inhibit rather than support *employer ownership*.

9.2 The historical, theoretical and empirical findings of the thesis: a summary

This thesis has described the evolution of policy interventions into apprenticeship since 1994 which have consistently espoused the importance of ‘putting employers in the driving seat’, and then wrested control away from employers, either because of a shortfall of skills and capacity within the state, or through a complex regime of funding and regulatory control of the quasi-market. This section first reviews the different theoretical accounts explored in Chapters 1 - 4, and their explanations for *what* happens and *why*. It then outlines the way that the empirical analysis in chapters 6 - 8 show *what and how* it happened in 2010 – 2017 and how this was *experienced* by employers.

The historical and theoretical accounts from Chapters 1-4

The history of state interventions into apprenticeship from 1994 was shown in Chapters 1 and 2 to describe a succession of market and non-market failures and challenges for employer ownership of apprenticeship. The causes, including the widespread changes in the nature of global competition

and the changing role of the state in England, and the implications of these changes for apprenticeships, were then explored through the literatures of economics, political science and comparative capitalism in Chapters 3 and 4.

The market failures, predicted by Human Capital Theory (HCT), were evidenced in the historical accounts, as apprenticeship numbers fell, following the loss of jobs for life in the large local enterprises of the 1960s which had traditionally provided them. As their comparative advantage depended increasingly on a deregulated, and therefore mobile, labour market and low skill economy, and with no confidence that recruits would stay long enough to repay years of investment in their training, firms' preferences were increasingly to resolve their skills and other coordination issues as and when required directly from the market, rather than maintain or develop the model of inhouse learning known as apprenticeship. Individuals, meanwhile, were shown to have the incentive to invest in their own skills to increase their value in the market, but to face extrinsic and intrinsic barriers to doing so, such as a lack of finance or self-confidence. This was the failure which the state would attempt to overcome through its interventions.

In Chapter 2 the impact of globalization on both the economy and on the state in the UK from the 1980s, was seen to have led to a reshaping of the state as it adopted the neoliberal approach to deregulation of the LME of England, and outsourced many of its public services through quasi-markets. This led to non-market failures evidenced when, despite its market ideology, in 1994 the state chose to intervene by 'correcting' the decline in apprenticeship numbers. Using the quasi-market infrastructure created by the 'bureau-shaping' process of separating elite policy makers from delivery agencies, it commissioned its own supply of 'apprenticeships' as a public service for learners and employers, delivered by a burgeoning industry of low-cost contractors.

These chapters showed first how, in overriding the notion of market demand for apprenticeships, redefining what an apprenticeship was and then setting targets for its own purchase of supply, policy makers were being driven by political goals - the need to achieve their targets - rather than economic or social objectives. This self-interest was seen then to have driven the decisions of successive governments and officials to vary the regulations governing the quasi-market, until apprenticeship

became 'whatever the government says it is' (Fuller and Unwin, 2008, p. 18) rather than the traditional labour market institution driven by employer *ownership*.

Second, Chapters 1 and 2 showed that the state's power to redefine apprenticeship in this way meant that it did not have to address the issue of employer demand for different types of high quality apprenticeships in modern industrial society in an LME England. The range of accredited VET programmes on offer were perceived to have become 'overly institutionalised' and retrospective, lacking the relationship with modern work practices and employment models needed if they were to be of value, either to learners or employers (Guile and Unwin, 2019b, p. 20). Despite the promise of a range of employer-facing policies, such as apprenticeships in skills shortage areas to support industrial strategies, and reforms claimed to give employers greater purchasing power over providers as their 'customer' of training services, these policies lacked the levers which would be needed to operationalise them effectively. On the contrary, far from meeting employer demand in higher level skills shortage areas to improve productivity, the chapter showed the state's priority, obscured within the quasi-market, to be a rapid and indiscriminate expansion of low level, inexpensive training programmes, irrespective of their value in the labour market.

This approach by the state created challenges for employers, who were found to be resistant to investing money, time or expertise in such programmes, which presented them with the challenges of risky, complex, costly bureaucracy but without the returns to productivity which would make the investment worthwhile. A growing critique and a change of political leadership led in 2010 to a new focus on employer demand, which sets the scene for the case study in chapters 6 - 8.

Chapter 3 considered the economic and political science literatures which have traditionally been used to help explain such policy failures. First, the self-interest of policy makers – the theory of Public Choice – was explored to explain the prioritisation of target achievement for governments over productivity gains for employers. Second, failures of the policy process itself were shown to follow from unresolved tensions between the different goals for the programme of the many stakeholders, and the relative power of vested interests and advocacy coalitions. Third, although the policy instrument of the quasi-market introduced in the 1980s was claimed to be a neutral, rational technique for reintroducing the market disciplines of supply and demand to public services, it was

perceived by others as embodying the political goals and self-interests of the state, delivered through a 'logic of appropriateness' within the bureaucracy. While these accounts were found to explain policy failures, they did not explain why policy makers had not addressed and overcome them.

Chapter 4 drew on the lens of comparative capitalism to explore what is distinctive about the institutional complementarities of English LME *variety of capitalism* and *variety of public policy*, and whether these can explain why the state has not addressed the challenges for employer *ownership*. It argued that, while the quasi-market appeared to offer a policy instrument which introduced market disciplines and was incentive compatible with the market ideology of the LME state in England, it was in fact entirely under the control of the state. This is first because, fuelled by the power vested in the Westminster executive by the Constitution, the state has politicised apprenticeship, by promising unrealistic expansion targets which ambitious ministers must deliver before they can be promoted elsewhere. Second, its power – and the weakness of any challenges to it - enables it to ignore advice, and respond to political pressures by making constant and radical changes to policy, even borrowing policies which are not compatible with LME preferences, are unlikely to be successful, and which undermine the confidence of employers to invest.

Using the lens of these historical and theoretical accounts, I argued that these are the factors which have led to the constant churn of short-lived and unsuccessful apprenticeship policies which have presented a range of challenges for *employer ownership* which policy makers have failed to address.

The empirical accounts from Chapters 6 - 8

To test the reliability and validity of this theoretical approach to understanding the challenges and barriers to employer *ownership*, Chapters 6 - 8 explored the case of the Employer Ownership Pilot policy (EOP) 2011 - 2017. This was espoused as a pilot, to test whether employers would feel a greater sense of *ownership* of – and would therefore invest more money, time and expertise into – an apprenticeship programme where they, rather than providers or the state, had enough control over design and delivery to secure returns to productivity. Central to its espoused purpose was to capture lessons for future policy making, from which the state and other employers would be able to learn.

Chapter 6 compared how this policy was *espoused* with how it was subsequently *enacted*, and found multiple inconsistencies between the two. Chapters 7 and 8 analysed data from 36 interviews with policy owners, observers, intermediaries and participating employers, which describe how they experienced these inconsistencies as *policy fractures*. Using the analytical framework of Davies and Hughes (2009), I revealed the types of policy fractures which had unfolded: notably *enactment fractures* from a lack of skills and capacity to operationalise the policy change; *agency and bifocal fractures* from a ‘landgrab’ for territory and resources, and a lack of coordination, between the agencies and government departments within the state; and the *ideological fractures* which prevented policy makers from addressing these failures, as the quasi-market once again consolidated its complex regulatory grip. The analysis not only showed that the increased trust and flexibility which the state had promised the employers never materialised, but that, following the demise of UKCES, there was little interest⁹⁵ in any lessons which could be learned about *employer ownership* from the investments made.

Chapter 8 explored, through the voices of participating employers, the challenges to their sense of *ownership* which these policy fractures created. Their accounts convey their shock and disbelief at what they saw as the perfidy of the state, and how this explains their decisions never to take such personal and financial risks of *ownership* again, but instead to outsource them to specialist providers, reducing their ownership for the future.

9.3 The Key Findings

This section summarises my key findings in response to the first two of my research questions: the challenges of employer *ownership* and the barriers which prevent policy makers from addressing and overcoming them. The third question, on how understanding these factors can assist policy makers to improve the effectiveness of apprenticeship policies in the future, is addressed as part of the concluding section, 9.5.

⁹⁵ UKCES’ own study of Industrial Partnerships was published but not publicized Whitehead, N. (2016) *Employer Ownership of Skills: Testing the power of collaborative approaches through industrial partnerships*: UKCES. Available at: https://dera.ioe.ac.uk/25414/1/Employer_Ownership_of_Skills_-_testing_collaboration_through_industrial_partnerships.pdf.

The challenges associated with securing and sustaining the ownership of employers in apprenticeship policies in England

I found that the challenges for employer *ownership* of apprenticeship resulted first from market failures, and then, following state intervention to 'correct' those, from multiple non-market failures.

The first, the market failure, resulted from the barriers to investment by individuals in their own skills. This investment is essential since there are few incentives for employers in England to invest in the general vocational skills of apprentices who were not expected to stay with the firm long enough to repay the investment in increased productivity. I found this was a consequence of changes in the labour market in the LME of England, which has been extensively deregulated and has become highly mobile. The economic incentives which once underpinned the traditional market solution model of apprenticeship (Chapter 2 and 3) no longer work. Once trained, employees are likely to move on rapidly to secure a return on their own investment in skills, and firms' preferences are in any case not for vocational but for general skills which they can redeploy as their product-market mix changes. Firms will therefore look to the market to address their skills requirements, rather than to develop them inhouse. While the changes to the economy, the labour market and the nature of work are global trends, I found (Chapter 4) that the distinctive characteristics of the LME English state and its relationship with firms meant that firms' competitive strategies may be particularly dependent on public policies to free up and deregulate the labour market.

The multiple difficulties faced particularly by low-skilled or disadvantaged individuals, which prevent them from investing in their own skills, has led the state, despite its free-market ideology, to intervene specifically in the model of learning known as apprenticeships. I found that multiple challenges for employer *ownership* have resulted from these interventions, particularly those which date from the launch of the quasi-market for Modern Apprenticeships in 1994. These relate to the focus of the programme, the complexity of the regulations, the constant churn in policies and what employers perceived as a lack of interest or support from the state for what they were doing.

First, the service which, at its launch was said to be 'designed by employers' has not been focused on the improvements to productivity which would provide a return to incentivize employers to invest. It

has not been a programme driven by the demands of a market economy, but a supply-driven policy controlled by the state through the quasi-market, and designed to deliver the state's political goals. These goals were found to be very large volumes of qualifications, many of which are at low skill levels, and are of little value to employers or learners. Although the quasi-market is perceived as a means of introducing market disciplines into public services, it is not a market model in which supply and market demand achieve equilibrium at a price point. This is because the state was found (Chapter 3) to be in complete control of all the key regulatory variables: it determines what is supplied, the prices and the contracts, within a complex regulatory framework in which it is auditor, regulator, funder and customer. This state control has detached apprenticeship programmes from the labour market, and from employer influence, as the intermediary organisations which hold contracts were found to be looking to the state, not to employers, as their customer. This has led to policy fractures between an ideological position in which the LME state leaves skills issues to the market, and a political and regulatory position in which the state determines and 'purchases' not only the general vocational skills but the workplace training done by the employer as part of an apprenticeship.

The second challenge, as a result of this, is that even the largest employer organisations, with a long term commitment to apprenticeship, find the regulatory framework, which covers even their workplace training, to be a sprawling complexity. Policies on apprenticeships, even those such as the case study policy EOP 2011 - 2017 which was designed specifically for employers to work with directly, were experienced by employers as complex, bureaucratic, risky and costly. This was not the 'relatively simple proposition' of an apprenticeship (cited by interviewee Polly 2013 in Chapter 8.1) but a set of processes 'more appropriate to an academic situation' (Susan 2016, chapter 8.2), where corporate and personal reputations were being risked for an uncertain return.

Third, such policies were found to be constantly changing. Regulations, which require long term planning and investment by employers if they are to secure an appropriate return, come and go, as do the institutions which support apprenticeship, with whom committed employers try to build partnerships. This churn was found to be highly damaging to employer confidence and to the credibility of policies. Although those employers featured in the empirical study (Chapter 8) wanted

to be supportive of government, and were committed to apprenticeship, they saw this bureaucratic overreach as designed to deliver political and contractual, rather than economic, outcomes and as irrelevant to their aspirations for high quality skills and productivity. As the uncertainties and continual policy changes exposed them to uncontrollable risks and transaction costs, they therefore felt compelled to offset their risks by using specialist providers, tasked with handling on their behalf whatever decisions would minimise the administrative complexity they faced.

These challenges were found to be part of a broader problem demonstrated in the empirical study: that the desire on the part of these employers to be supportive of government on apprenticeship was a one-way street. Interview data showed that they did not feel that the state saw them as key partners in a joint national enterprise but as commercial contractors; they perceived that officials distrusted them as business people, and used contracts which set them up to fail. They were shocked and disappointed with the lack of interest by the state in how it could learn lessons which could be used to improve policy and achieve joint aims. I found that this did not dim their commitment to developing their people, but it further reduced the money, time and expertise they were willing to invest in dealing with the state.

This lack of understanding of what motivated employers made it difficult for the state to develop policies which would attract their time, money and expertise – their *ownership*. While such challenges do not appear to be insurmountable, including for example having higher expectations that officials will ensure greater consistency between the espousal and enactment of policies to secure employer *ownership*, neither the historical nor the empirical accounts offer any evidence of serious attempts to go beyond the rhetoric to do this. The next section therefore continues with a deeper exploration of the barriers which prevent the state from doing so.

The barriers which prevent policy makers from addressing and overcoming these challenges

I identified three explanations for the barriers which have prevented policy makers from designing and implementing policies which could address the challenges above. Drawn from the traditional literatures of economics and political science, using the overarching lens of comparative capitalism,

and triangulated with the evidence from the empirical study, all three point to failures in the state's overall approach to apprenticeship policy. They are summarised below, along with citations from the historical, theoretical and empirical evidence from the study. It is from these findings that the lessons for future policy explored in the concluding Section 9.5 emerge.

Barriers through the lens of economics: insufficient return on investment for LME firms

I found first that its ideological approach to free markets is the first barrier which prevents the LME state in England from addressing the problem of market demand or employer capacity for apprenticeship. This is one of the factors which makes the English *variety of public policy* very different from some of its competitors in more coordinated economies.

The LME state in England since the Thatcher years has responded to the preferences of firms by deregulating the labour market, and instituting other policies which firms would see as 'incentive-compatible' with their existing LME product-market strategies. To increase returns on investment in general vocational skills, the state would need to introduce greater regulation to make the labour market stickier. But the LME state in England does not see that as its role: it sees it as the responsibility of individual firms to build their capacity to grow and utilize skills⁹⁶, or address their skills shortages by raising wages and improving conditions to attract labour. By contrast, in CMEs, it is claimed (Chapter 4), the state supports independent collaborative networks and institutions which may give firms the confidence to invest in skills; it may also legislate for regulatory policies such as licences to practise (Bagehot, 2011) which improve the incentives for apprentices to stay on to invest in themselves by completing their training. CME policies such as these are part of the long-established coordinated subsystems of finance, employment regulation and education, which are supported by the state in response to the preferences of firms whose competitive strategies depend on them, and which help sustain incentives for firms to maintain their investment in vocational skills.

Interview data (Chapter 8) showed this *laissez faire* approach by the LME state could be a source of particular frustration, for example to employers finding difficulty recruiting STEM skills (eg Jane (2015)

⁹⁶ Rare employer-facing policy exceptions included Investors in People, introduced by the Conservatives in 1990, and Business Link skills advisers funded by Labour; the Coalition terminated funding for both in 2010.

in Chapter 8). However, the English state does not intervene directly into individuals' market choices either, other than by continuing to tolerate an education system which is widely acknowledged (eg Augur, 2019) as 'designed for students who go straight from A levels to university' while allowing apprenticeships to be 'starved of funding'; a situation claimed to make it 'staggeringly hard...to find the right [apprenticeship] opportunities' (Johnson, 2018, p. 1).

It is therefore paradoxical that, despite its ideological resistance to planning strategies to build demand for skills, the state in England has, since 1994, responded to what it sees as a market failure specifically in demand for apprenticeships, by creating a quasi-market. This was found to have created a dual system of publicly and privately funded apprenticeship training: a private market in which employers invest their money, time and expertise where there are returns to them, and a large and growing quasi-market, funded by the taxpayer, in which outcomes and prices are defined by the state and private investment may be crowded out, as explained in the next section.

Barriers through the lens of political science: public choice, the quasi-market and the failure of the policy process

I found that it is primarily the state's need to ensure that the quasi-market delivers its political, rather than economic or social, goals which prevents it from addressing the challenges of employer *ownership*; other non-market failures, such as the lack of skills and capacity among state actors and the undue influence of providers, follow from this.

The first barrier, or difficulty, for the state, lies in the UK's political market. All parties must demonstrate achievements to win future electoral support. Successive governments of all parties were therefore found to have prioritised the expansion of apprenticeship volumes over issues of employer demand. As this required the purchase of very large numbers of low level qualifications of dubious value, this was found to be, as predicted by the Public Choice literature in Chapter 3, a consequence of state officials and ministers putting their own personal and political interests above wider interests.

These targets were found to be of far greater personal and political value to state actors than meeting the needs of employers through improvements in productivity. Unlike productivity, targets are visible to the electorate and to the Treasury, and used as evidence that individual ministers and

governments have achieved something. Interview data in chapter 7 indicated that some ex-policy advisers believed that it was unimportant to ministers and officials whether such achievements were real in terms of improving productivity or not: they claimed that few ministers had any interest or understanding of apprenticeships, but that the only way that they could 'get up and get out' into more prestigious appointments was through being seen as junior ministers who reliably delivered their targets. Ministers were also claimed to need to demonstrate accountability to the Treasury for their budgets, with tangible evidence of successes, such as a rise in participation numbers and qualification outcomes, in order to secure funds for the following year. Advisers noted in interview that, despite its market ideology, it was difficult for ministers to say to the electorate that their high profile apprenticeship target was an issue for the market and that employers were working on it.

The second barrier for policy makers was therefore found to be the ease with which policy makers could distort the quasi-market to ensure the delivery of these targets. Far from being a neutral, bureaucratic 'technique' driven by rationality, the need to achieve 'nonsense' targets (Ryan, 2018) made it a 'distributional mechanism' for the powerful shared interests of state actors and providers (Chapter 3). With complete control over the contractual requirements, policy makers were able to change funding eligibility at will. Multiple examples of resulting distortions in policy included '*Programme-led apprenticeships*' which not only did not require a job, but did not even include work experience (Panorama, 2012). Following the 2010 commitment to expansion, 18,000 low-level service 'apprenticeships' were delivered within 6 months to adults working on the shop floor by the Morrisons/Elmfield programme (Linford, 2012). Even when *employer ownership* was espoused as the key policy goal, the 'logic of appropriateness' within the bureaucracy was found to have prioritised the minister's targets, as described in Chapter 3. This drove officials to 'reduce' the contractual outcome of an apprenticeship into something more easily deliverable, and, as was claimed in the case of EOP in Chapters 6 - 8, to refuse payment for outcomes other than apprenticeships even where these had in principle been agreed.

These examples above illustrate a related third barrier for policy makers: the dependency by the state, not on employers but on providers and their vested interests for the 'success' of its policies in meeting its targets. Rather than view successful apprenticeships as the fruit of a system of

partnership to which the state and firms make their different contributions, the English LME state was found to view them as fungible commodities which can be purchased in bulk through contracts. This has given significant influence to providers, who clearly have no incentive to concede their control to employers.

While a broader analysis of the success of more recent reforms is beyond the scope of this thesis, interview data in Chapter 7 revealed that this dependency by the state on providers may now also be compromising the success of the Apprenticeship *Levy*. Designed as a radical reform to ‘put employers in the driving seat’ and address the principal/agent problem, in the wake of the EOP, this *Levy* originally required a mandatory employer sign-off of *Levy* funds in employers’ ‘digital account’. Policy advisers noted in interview (Norma 2021, Chapter 7), however that as start numbers fell, the checks and balances which required direct employer authorization were quietly dropped, giving providers full sign-off on behalf of employers. Future evaluations are likely to show that, although the Apprenticeship *Levy* is perceived as successfully raising unhypothecated funds for the Treasury, whose ‘line in its spreadsheet’ for these funds now makes it hard to abolish, it has done little to change the fundamental configuration of incentives for employers to own their apprenticeships⁹⁷. An earlier reform, *Trailblazers* – in which employer groups agree with stakeholders the standards and assessment plan required for an apprenticeship in the sector - were also seen by informants to be the right idea, but poorly implemented⁹⁸ because whatever work the employers did, the decision to approve the new apprenticeship still lay with the state (at the time of writing the Institute for Apprenticeships and Technical Education IfATE). This led the Process Evaluation of the early

⁹⁷ Interviews indicated observers’ belief that one result of the *Levy* is that it has also increased the proportion of higher level apprenticeships as new providers and universities have moved into the industry to offer programmes such as MBAs and PhDs. Informants were not aware of analysis of market failures for such programmes: the key policy change appears to be simply that such programmes have now been deemed to be eligible for public funding. This has enabled employers to make some use of the money that they would otherwise forfeit through the *Levy*, but no interviewee argued that this has added value or changed the fundamental incentives for most employers to invest their time or expertise.

⁹⁸ Multiple anecdotes from interview transcripts focus on the haphazard nature of the IfATE’s approval process, including: repeated failures by an industry-leading firm to get their technical training approved for the sector because of provider objections; inappropriate craft-based standards being agreed because the self-elected employer group lacked representation from firms using modern industrial standards; and a lack of rigour in locking standards at all levels to employability standards in the sector, eg bricklayers who are not taught to reach the minimum speed required by the industry.

Trailblazers to conclude that ‘some of the challenges encountered were believed to have weakened employers’ ownership’ (Newton et al., 2014, p. 12).

The fourth barrier found to be preventing policy makers from addressing the challenges for employers arising from flaws in the quasi-market for apprenticeship was the power of the centralized English state. The weak scrutiny of, and challenges to, the state’s policies from expert stakeholder interests, means that it does not need to address these flaws. Its constitutional and political power means that it does not need to consult seriously or negotiate before introducing reforms (as illustrated in the description in Chapter 5 of the introduction of EOP) or new state institutions to oversee them. This was found to be one of the most distinctive features of the LME *variety of public policy* in England: the state only faces significant challenge where the stakeholders have significant political power, such as in Higher Education. FE and apprenticeships, by contrast, have relatively weak stakeholders and face low media interest because ‘the elite will not have friends who are experiencing disaster’ (Adam and Norris, 2017, p. 22). The weakness of apprenticeship stakeholders enables policy makers to ignore expert advice, and to manage political pressures by making constant and radical changes to policy, even borrowing policies which are not compatible with LME preferences and are unlikely to be successful; this was found to be undermining the confidence of employers to invest.

The fifth barrier was found to be the state’s own lack of capacity to design and implement policy changes, seen for example in the project-management of the EOP funding competition and its failure to apply agreed criteria to project appraisals or manage the timetable (Chapter 6), and also in Sectors Skills Agreements (Chapter 2). This limited capacity may also help to account for the complexity of the quasi-market, as regulations may be added in a piecemeal way (for example by extending the minimum length of a programme following the Morrisons/Elmfield scandal in Chapter 3) without sufficient regard for existing regulations. I found that officials responsible for espousing and enacting policies expected them to be overtaken by subsequent changes, and some appeared to lack a technical understanding of apprenticeship itself; of the complex regulatory environment they had created to govern it; of the business context; and of the financial and reputational risks that employers were taking when they worked with the state. It maintained no formal feedback mechanism from employers, whereby it could understand, address and overcome these problems of

its own making. I found that policies were enacted on the basis of crude assumptions that funding contracts would buy employer support: officials were reported as puzzled that employers were not more grateful simply to have the funding. Most had no clear sense of what motivated employers nor questioned why they would take such risks for relatively small amounts of money, and appeared neither aware of nor interested in how marginal this activity was for many of them. Their only relationship with the employers was contractual, focused on contract delivery and compliance. They may not have seen it as any kind of problem that, to minimize the risks from such complexities, employers are forced to turn to providers, whose interests are primarily served by delivering targets for the state as their customer, not value for the employer

Barriers through the lens of comparative capitalism: the power of and lack of challenge to the LME state

The English *variety of public policy* was also found to be one of the barriers identified through the lens of comparative capitalism: the power of the state, vested in the Westminster executive by the English Constitution and a parliamentary majority, committed to an ideology of free markets and deregulation. This was found to enable the state to launch policy experiments, however incompatible with the market incentives of the LME state, and then in short order to reverse them, and to define the contractual outcomes embedded into the quasi-market to ensure it achieves its political goals and targets, whether policies are well thought through and implemented or not. The rapid churn in policies such as EOP was found to damage their credibility, and in turn to inhibit employers from making long term investment plans.

Because governments have the capacity to introduce radical changes of policy at will, companies are unwilling to make... risky long-term investments (Wood, 2001, p. 259).

The rapid reversal of EOP policies churn was seen in interviews from the case study (Chapter 8) to be a source of great shock and frustration for the employers, who had been led to believe that their *ownership* was important to a government seeking a partnership with them. That was, however, not a spur for the state to change its ways: employers had no formal means of challenging Westminster's decisions on apprenticeship successfully. Unlike most economies, where policy decisions require support, either from other parties, from upper Houses or from regional or local authorities, there

continues to be little devolution of decision-making or accountability for apprenticeships. The champions of apprenticeships have little influence: unlike policies relating, for example, to Higher Education, ministers did not fear employer associations or FE Principals. Consequently it was found that the greatest barrier for policy makers to address these challenges was that the state itself saw the concept of *employer ownership* as incompatible with its market ideology in the LME of England.

9.4 The contribution of this thesis to the literature

I started my research with inside knowledge of the difficult relationship between employers and the state on apprenticeship, but without understanding how this had come about, and why such problems were not being addressed. Using the overarching lens of comparative capitalism, and drawing on the literature of VET, economics and political science, I have been able to interpret my empirical findings, to explain the challenges and barriers to employer ownership of apprenticeship policies, and to make recommendations for more effective policies.

This thesis has both drawn on this eclectic field and contributed conceptually to it in four significant ways. Firstly, it has broadened our understanding of the Varieties of Capitalism (VoC) literature and its importance for apprenticeship policies, showing the impact on the decisions of both the state and employers of the ideological commitment to *laissez faire*. It has demonstrated that, while the theoretical perspectives can explain the differences between political economies, the conclusions which could be drawn from this were limited in the following ways. The theoretical position presupposes that the state is either doing too little to regulate the apprenticeship market, or that the market is not willing to be regulated. This has led to calls for greater regulation and state prescription and control. However, the empirical accounts show something that the theoretical perspective cannot possibly explain, which is how extensively the state is already intervening: it is the nature of this intervention through the quasi-market which is itself the cause of much of the difficulty experienced, by even the largest and most committed of employers, in *owning* their apprenticeships.

My first contribution is therefore to have shown the limitations of the quasi-market as a policy instrument to increase the commitment of money, time and expertise by employers to apprenticeship. I have shown how, far from using it as a rational, neutral technique for addressing

the failure of market incentives, the LME state has been over-zealous in its interventions and its regulation of employers' programmes, and that those regulations reveal that its real priorities are the political goals which it values more than employer *ownership*.

I therefore offer a more nuanced perspective on the ideal type depictions of LMEs presented by Hall and Soskice, who claim that the state in the coordinated market economy is more interventionist in relation to apprenticeships than the *laissez faire* state of the UK. I take a different perspective: I argue that the evidence shows that the English state is highly interventionist in apprenticeship, and not in productive ways. Many in the VET community voice concerns about this *laissez faire* and argue for greater intervention. Examples include calls to address the low-skills equilibrium by influencing the firms' product market strategies to support higher level skills (Finegold and Soskice, 1988) or to intervene with employers to improve skills utilisation (Keep, 2016) or to force them to contribute more to the cost of the education that their recruits have received (Gleeson and Keep, 2004).

I argue on the contrary that, if they are to succeed, policies must be incentive-compatible with the LME political economy of England. The state should intervene *less* with employers and instead focus on regulating and incentivising take-up of general vocational skills, for which there is good evidence of underachievement and underinvestment. Workplace skills and utilisation of skills is not the business of the LME state, and the state should not be contracting for them: the state should put the workplace training mechanisms of apprenticeship at arm's length, to employer associations and other institutions, to agree and supervise content and quality assurance.

My thesis is closer to the arguments of Wolf (2015b) that employers must have greater influence over how an apprenticeship is defined and that if the system does not benefit employers through increases in productivity, it will not work for learners either. Where I differ from Wolf is in her assertion that taxing employers through the *Levy*, and then giving them the opportunity to claim back against apprenticeships delivered, will incentivise employers to engage with apprenticeships, and not only because, against her advice, the funds raised are not hypothecated to education (Wolf, 2015a, p. 20). I see the impact of such policies on incentives as more complex than this implies. I argue that poorly designed and regulated policies are a far greater disincentive for employers to invest in apprenticeship than has previously been suggested in the literature. Data from interviews indicate

that for some large employers the transaction costs of engaging, for example, with the Apprenticeship Levy outweigh the potential benefits, leading them instead to pay what they regard as a tax, but minimising their transaction costs and risks. I therefore argue that while, in the absence of market incentives, state funding incentives may seem an obvious way to secure employers' attention on skills, it may not be enough if the regulation that accompanies them carries unforeseeable additional costs arising from the state's poorly executed implementation and regulation. Indeed, it may be counter-productive.

My second contribution to the literature is new insights into how VoC also provides a new framework for viewing what is otherwise seen through the literature of political science simply as yet another failure of VET policy implementation. I show how failures of the policy process, for example those which were seen (Chapters 6, 7) to arise from a shortfall in the skills and capacity of officials (Sabatier, 2007) are, no less significantly, the consequence of ideological policy fractures (Davies and Hughes, 2009) arising from the LME state's resistance to the policy 'experiment' objective as espoused and its lack of interest in engaging directly with employers to deliver it. A second example in which VoC helps to explain the failures of policy design and implementation to secure employer *ownership* was seen (Chapter 3) to arise from the way that the state created the quasi-market and then customised how apprenticeship could be defined as an outcome which could be delivered under contract. These examples not only illustrate the importance of the market ideology in England but also the impact of the power and self-interest of the centralised state in setting and politicising 'nonsense' expansion targets, unrelated to employer demand.

Thirdly, this thesis has given an insider's account of the detailed realities of the process of policy making and implementation in apprenticeship and skills, as described both by those who were employed to deliver them and by those who observed and experienced them. Most of the VET community's accounts of apprenticeship focus on what the state can do (Keep and James, 2011); on the experience of the learner rather than the employer (Lloyd and Payne, 2011); or on the employers' approach to apprenticeship irrespective of policy constraints (Fuller and Unwin, 2003). It is rare to find accounts with this level of access to, and disclosure from, such senior actors from a range of roles and organisations within the apprenticeship system. These accounts of the lived experience of both

employers and policy makers, who might not have opened up in this way to someone they did not know, reveal both their commitment and their concerns about the need to overcome barriers to more effective policies.

Finally, the framework I have used, which integrates the economic, political and comparative literatures, provides a more complete conceptual tool for a critical analysis of new policy reforms as they are introduced or announced. While it may be too soon to pass judgement on their impact, and the details are outside the scope of this research, interview data referred to recent reforms such as the *Levy* and *Trailblazers* (Chapters 7, 8), which are perceived as failing for the same reasons as the case study in this thesis. Concerns were raised in interview not only about the bureaucratic complexity of the Apprenticeship *Levy* (see above) but about the state-dominance of the approval process for *Trailblazers*, perceived as a great success in sectors with the strong independent collaborative traditions which can be an effective challenge to the role of the state (such as those in some engineering sectors), but a chaotic process leading to problematic choices by the state in some other sectors. The framework also enables the reader to interpret the bureaucratic and policy implications of more recent rhetoric from Ministers, for example the announcement of *Flexi-job apprenticeships*⁹⁹. The previous versions of this policy, discussed in Chapter 2, required the ATA provider to employ the apprentice simply in order to access public funds. It is just such a hidden manipulation of funding regulations to address the state's political goals which perpetuate the myth explored in this thesis that the state is the key **actor** in apprenticeships, rather than a key **partner** for employers.

⁹⁹ 'Where an agency employs the apprentice directly for the duration of their apprenticeship but arranges placements for the apprentice with host businesses...In April 2022, legislation will come into force which allows for employers employing an apprentice on a Flexi-Job Apprenticeship to commit to a minimum 3-month apprenticeship contract as opposed to the usual 12 months. This will enable apprentices on the pilot to undertake a series of shorter contracts with a number of employers while completing their training in preparation for end point assessment'. <https://www.gov.uk/guidance/flexi-job-apprenticeship-offer>

The limits of this research

The conceptual framework used in this thesis, a lens which integrates the literatures of comparative capitalism with economics and political science, has generated important findings and conclusions which are highly relevant to the commitment of employers to apprenticeships today. The scope of this research was, however, limited in a number of ways.

First, the findings on the challenges of the complex bureaucracy of the quasi-market in apprenticeships, and their impact on their investment in apprenticeships, are generalizable, reliable and valid but only cite the experience of the already committed large employers who participated in the specific case study in Chapters 6 - 8, as discussed in Chapter 5. A useful next step would be to conduct a study of the experience of the quasi-market with a broader range of participants, and particularly SMEs.

Second, the empirical evidence was mainly collected prior to reforms which include the widening of the definition of apprenticeships to include certain forms of Higher Education, the introduction of T-levels, *Trailblazers* and the Apprenticeship Levy. The more recent interview data included in this thesis suggests that participants in these policies are starting to experience policy fractures which may be similar to those identified in this study; the findings of this study could be further tested by studying these.

Third, because of the limited resources available to me as a PhD student, I excluded from this study a number of areas of interest in understanding employers' decisions. One such opportunity for future scholarship would be Ofsted inspections and their impact on apprenticeship delivery models.

9.5 Conclusion

This thesis finds that, despite reaching enough employers to enable more than 2m learners to participate in learning programmes described as apprenticeships, the state has not created an 'effective and efficient' apprenticeship system in which employers are willing to invest their money, time and expertise. I conclude that, although the state wants employers to invest more money in the training it procures, it is not interested in whether or how they invest their time and expertise in apprenticeship.

The key challenges I found to be associated with securing and sustaining the *ownership* of employers in apprenticeship in England were that neither the economic incentives in the labour market, nor those provided by state interventions through the quasi-market, are effective in securing a return for employers on investment in the model of learning known as apprenticeship. The state has not corrected the market failures but has exacerbated the challenges for employers which help to create them. While I do not suggest that all employers have an ambition to develop high quality apprenticeship programmes, what I have shown is how risky and difficult the state makes it for those who do have that ambition. The complex regulatory environment of this quasi-market, and the limited capacity of officials to work constructively with employers, have shaped state interventions in which the enactment of policies is inconsistent with the espousal of employer *ownership*. Policy experiments are launched, then quickly reversed, damaging their credibility and the confidence of employers to invest. The resulting policy fractures have raised the transaction costs, increased the financial and reputational risks for employers of investing their time, money and expertise in state apprenticeships, and inhibited employer investment. The effect has been to frustrate, not to encourage, employer *ownership*.

I have concluded that these challenges are not simply inadvertent failures of the policy process, but are intrinsic to *the English variety of public policy*. Firms look to the LME state to deregulate to 'remove obstacles to market clearing and locate decision-making power unambiguously in the [management of individual] companies' (Hall and Soskice, 2001, p. 7). Policy makers are therefore prevented from addressing and overcoming the challenges above by the following barriers.

First the English state sees its role as freeing up markets: it does not perceive its role to include the fostering of constructive relationships with independent capitalist enterprises or supporting collaborations between them. Issues of employer demand or capacity or productivity, such as *employer ownership*, are seen as matters for them, not for the state, and there is no evidence of state commitment to 'real' apprenticeships if they require a less mobile or competitive labour market.

Second, the Westminster executive has politicised English apprenticeships. Since apprenticeships are visible to, but not understood by or important to, the electorate, the state is able to use them to pursue its own political goals in its own self-interest. This has led it to set 'nonsense' targets,

unrelated to employer demand, which have required it to prioritise high numbers of undemanding programmes over higher level programmes customised to improving productivity. It is able to get these delivered because of its absolute control over the quasi-market for apprenticeship, the policy instrument which is ostensibly a neutral, rational technique for reintroducing the market disciplines of supply and demand to public services, but which in practice has been shown to be the key mechanism by which the personal and political goals of Westminster and Whitehall are achieved.

Third, the Westminster executive has great power to determine and launch any policy experiment it chooses, including that of the case study policy, the Employer Ownership of Skills Pilot 2011 - 2017. The voices of those who have vested interests in the continuation of such quasi-market policies, along with a widespread ignorance and neglect of the apprenticeship sector among decision-makers, most of whose personal experience is limited to academic routes, have meant that there have been few effective challenges to poor policy making. However, the state not only lacks the skills and capacity to make *employer ownership* policies succeed, but its LME ideology and power means that the commitment of time and expertise by employers is in fact of little interest to the state. Following the brief flirtation with employer demand seen in the case study, it has now returned to its focus on purchasing state-controlled supply, for example in its launch of *flexi-job apprenticeships*, which are primarily programmes of training with work experience not unlike YTS. Since most employers will not pay for these willingly, the state has now instituted a tax on employers to fund them.

In reaching these conclusions, the thesis has welded together three very diverse literatures – economics, political science and comparative capitalism. It is striking however that the perspectives of all three point in the same direction: to a failure of the overall policy approach that has been in place since 1994. A new policy approach is required, and an understanding of these barriers for policy makers is an important first step in a comprehensive reappraisal of the range of incentives which the actors – not only the employers and employees but also the state itself - face when addressing apprenticeships.

How understanding these factors can assist policy makers to improve the effectiveness of apprenticeship policies in the future.

This, my third research question, was based on the initial assumption that if policy makers understood the challenges of employer *ownership*, and what was preventing their resolution, they would willingly act to address and overcome them. It is however evident, from the findings of this thesis, that the issue for *employer ownership* of apprenticeship in England is deeper and more structural than just an oversight. It is in the conflict between the market ideology of English capitalism and political pressures to incentivize employers to maintain apprenticeships.

It is easy to recommend changes to improve the design of policies and to increase the skills and capacity of officials. Many of the failures of policy design and implementation may indeed be managerial, and the consequence of a lack of skills and capacity at several levels of the bureaucracy; failures in leadership to set direction for the work of different agencies and departments to achieve common goals; and the egregiously complex and ineffectual contracting practices, obscured but embedded in the quasi-market. It is to be hoped that policy makers would want to address such organisational failures, brought to light by, but probably not limited to, the EOP case. While it is understandable perhaps that officials' skills and capacity are limited within the specialist field of vocational education, it is not acceptable that the processes of commissioning, project appraisal and contracting should be as ineffective as the evidence from the case study suggests.

Other challenges, such as the damage done to confidence and planned investment, by the constant churn in Ministers, policies and institutions, have been well known for many years (eg City&Guilds, 2014), however, without being addressed. This thesis has identified the barriers which prevent policy makers from addressing this issue, but for policy makers to overcome this problem would mean a radical change to the incentives driving the political market. It is not obvious how policy makers could respond to a call for radical changes to English LME capitalism, or to changes in the relationship between the state and industry. What the overarching lens of comparative capitalism has shown, however, is that the English LME state is not, and is not likely to be, concerned about *employer ownership* of apprenticeship. It may continue to launch policies which espouse 'putting the employer in the driving seat' but it is the targets attached to them which make them valuable to the state, and

it may therefore be impossible for the state to give up control to employers. If policy makers are to improve the effectiveness of policy in future, these are the areas where new thinking is required. The key factors are as follows.

First, the quasi-market and the targets which drive it, have been a significant cause of a range of the challenges which threaten employer commitment to 'real' apprenticeships. The nature of the English constitution and political power, and the low profile of vocational education in Westminster, make it likely that targets will continue to be required, and these will drive the state to control the programme via the quasi market. However, the quasi-market does not need to contract for the whole of an apprenticeship programme including the workplace training which Cassels identified as the key contribution of employers. A significant and increasing number of state 'apprenticeship' programmes do not meet the criterion that the employer must have a 'continuing interest' in the apprentice's career, as defined by Cassels in Chapter 2. They are in fact training programmes with work experience. These programmes (ATAs and flexi-job apprenticeships) would not be eligible for the term 'apprenticeship', and could not be funded from the apprenticeship budget, if the learner were not employed directly by the training provider, or agent. It is for that reason that I excluded them from this study of the incentives for employers to *own* their apprenticeships. That does not mean it is not a very useful model for general Vocational Education, in which the state contracts with a provider who is incentivized to deliver the specified and regulated programme. I do not argue that the use of the quasi-market is inappropriate for such a model, or that targets will necessarily distort such programmes, so long as learners are not deceived into thinking they are 'real' apprenticeships. They were once called YTS but could, for example, be called 'Apprenticeship Training Programmes' (ATPs).

This focus by the state on the take-up of general vocational skills, for which there is good evidence of a market failure, would recognise that the benefits received by employers for these programmes may be very modest – by definition they are not sufficient to justify employing the learner – so there is no need for employers to pay more than they would for any other work experience. The state's contract would not cover any workplace training carried out by employers; this would confine essential bureaucracy to training providers or to employers which had the resources to maintain their own

educational institutions or academies (as do many engineering firms). This would lead to a large cut in the cost and confusion of the bureaucracy.

Second, the thesis has shown that 'real' apprenticeship is not a market which can be incentivized by supply. It is a model of learning which combines 'direct intensive input from an employer with formal tuition'. It is for employers, not the state, to design such programmes. Distinguishing the 'formal tuition' of the state's vocational programmes from employers' workplace training would leave the 'real' apprenticeships, which do bring a return to employers, to be designed by the employers to address their productivity issues without the weight of state bureaucracy. Many firms, however, no longer have the inhouse expertise to do this, and would need help and support. This kind of help and support for collaborative institutions and skills utilization strategies is not compatible with the free market ideology of Westminster; it could however be applied 'fruitfully at the sub-national level' (Green p.153). As Green suggests, this would enable a balance to be struck between the skills being formed and those being deployed. Without 'apprenticeship targets', the state can devolve promotion, support and oversight of progress on 'real' apprenticeships to skills ecosystems within LEP and other economic areas.

I have argued here that, if policies are to be incentive-compatible with the English variety of public policy, they should not be intervening in the detail of the workplace skills which are the domain of employers. I do however call for targets and intervention in general vocational skills. One other area for intervention is essential for the apprenticeship model to work: much more effective use of modern technologies to ease the 'staggeringly hard' (Johnson, 2018, p. 1) process of finding apprenticeship opportunities.

The key principles of a new approach for the LME state

It is beyond the scope of this research study either to call for a change to English capitalism, or to list detailed recommendations. I propose instead some principles to underpin the design of policy reforms, which are compatible with the English state's LME ideology; which acknowledge the state's need to raise funds from large employers; but which also provide a radical simplification to limit the

damage being done to employer commitment by the overreach of existing contractual and regulatory arrangements.

First, the state should address and transform the current system of online UCAS-style access for school leavers to apprenticeship opportunities, which is viewed as currently 'staggeringly hard' (Johnson, 2018) to use or understand.

Second, the state should focus on its core role of investing in high quality, flexible general vocational education with work experience, and in incentives and entitlements for individual learners to access it, as recommended by Augur. If targets must be set, they can be set for these programmes. As an LME the state should not be regulating or setting targets for the training (or work experience) that employers provide; nor does it need to do so, if it stops paying them for it.

Third, it should limit its interventions into the *Trailblazers* and leave employers and their sector associations to manage both the collaboration required to define standards of competence for the workplace, where they feel they are needed, and the VET required as technical certificates and underpinning knowledge available from the education system. This is not the concern of an LME state, which should limit itself to regulating only the programmes it is paying for.

Fourth, and following the abolition of central targets, the state should devolve oversight of the apprenticeship market to regional ecosystems. Finally, as employers are not benefitting more from state investment in Apprenticeships than they are from any other form of state education, there is no reason to keep the complex reclaim system established for the current Apprenticeship *Levy* system. This does not mean that there could not be a tax to secure funds for the Treasury for education more generally, if the electorate support this.

This new approach would not change the current reality, that the apprenticeship programmes which are being purchased by the state are primarily programmes of education and training provided by public funds, with employers providing work experience. It would, however, enable the state to unpick the costly and labyrinthine bureaucracy of a quasi-market in apprenticeship, which this thesis has shown to be thwarting, rather than supporting, the *ownership* ambitions of employers.

Annex 1: Glossary

AOs	Awarding Organisations eg City & Guilds	NPM	New Public Management
ATAs	Apprenticeship Training Agencies	NSA	National Skills Academies
BIS	Gov't Dept for Business, Innovation and Skills	NVQs	National Vocational Qualifications
CME	Coordinated Market Economy	Ofsted	Office for Standards in Education, Children's Services and Skills
DAS	Digital Apprenticeship System	QM	Quasi-market
DCLG	Gov't Dept for Communities & Local Government	RDA	Regional Development Agency
DfE	Gov't Dept for Education	ROI	Return on Investment
DIUS	Gov't Dept for Innovation, Universities and Skills	SASE	Specification of Apprenticeship Standards for England
DWP	Gov't Dept for Work and Pensions	SEMTA	Sector Skills Council for Science, Engineering and Manufacturing Technologies
EPA	End Point Assessment	SFA	Skills Funding Agency
EOP	Employer Ownership of Skills Pilot	SMEs	Small and Medium Enterprises
GOL	Grant Offer Letter	SoS	Secretary of State
GTA	Group Training Association	SSAs	Sector Skills Agreement
HCT	Human Capital Theory	SSCs	Sector Skills Council
IfS	Institute for Fiscal Studies	STEM	Science, Technology, Engineering and Maths
IfATE	Institute for Apprenticeship and Technical Education	TAS	The Apprenticeship Service
KPI	Key Performance Indicator	TES	Times Educational Supplement

LEP	Local Enterprise Partnership	UKCES	UK Commission for Employment and Skills
LME	Liberal Market Economy	VET	Vocational Education and Training
LSC	Learning&Skills Council	VoC	Varieties of Capitalism
MOG	Machinery of Government	YPLA	Young People’s Learning Agency
MA	Modern Apprenticeship	YTS	Youth Training Scheme
MOU	Memorandum of Understanding		
NDPB	Non Departmental Public Body		
NES	National Employer Service		

Annex 2: Background note sent to interviewees following agreement in principle

Dear X. Thank you so much for allowing me to interview you on XX – here as promised is the background to our meeting.

As you know, *[since leaving the National Employer Service/SFA, I have become a PhD student...]* my research focus is *employer ownership* of skills and apprenticeship: why it has been, and continues to be, so problematic in this country. The current Employer Ownership pilot (EOP), launched in 2011 by UKCES is asking employers to put forward and pilot ways in which they might take that control. I am using the policy as a case study in my research, to tell the story of EOP from inception to policy to implementation. As I mentioned, as well as analysing all the key documents, I am interviewing a number of employers and intermediaries, as well as policy owners and stakeholders in the project, to understand how you experienced it. I know you have been involved *[in the following way...]*.

The interview will be 45 minutes long and semi-structured. I will ask a range of specific questions from which we can have a free-flowing discussion about:

- the background to your skills/apprenticeship programmes and their design and delivery, why you have been doing it this way, and what has and hasn't worked for you about it.
- what you hoped that the EO project would achieve for you [and if an employer what you've put into your proposal that is different from what you've been able to do before]
- how it's working out so far
- your views about employer ownership in general and EOP in particular.

I want to give you any assurances you need about confidentiality. As I mentioned on the phone, in order that I can concentrate on what you are saying (rather than on taking notes) I would like to run my digital recorder during the interview. This is entirely for my personal use: I transfer the tape to my laptop, so I can transcribe it for use as research notes.

In completing the analysis and write-up of these notes, and when I come to submit and publish my thesis, I will hope to quote some of your views and stories, but strictly on a non-attributable basis. If I

want to attribute a view/quote to you, or if it were possible to identify you [*your employer*] from my thesis, I will ask your permission before I do so.

If you feel able to give me a copy of [*your bid or other documents*] I undertake to keep them strictly to myself – not just the physical or electronic documents but my knowledge of what's in them. In that connection you need to know that I am doing some work in this field on a freelance basis, though not in your sector, and I do not believe that gives me any conflict of interest. However, if you have any concerns about this or anything else in this note, please let me know before the meeting and let's discuss it.

If you are ok with all of this, I look forward to seeing you at XX.XX at XX.

Annex 3: Interviewees, job roles and dates, pseudonymised

Pseudonym	Full code	Job	Employer pseudonym	Sector	Interviews
Employers					
Freda	Freda MD Hosta 2014	Managing Director	Hosta	Hospitality	2014
Jo	Jo TM Hosta 2014/15	L&D	Hosta	Hospitality	2014/15
Susan	Susan GHR Hosta 2016/2020	Group HR Director	Hosta	Hospitality	2016
Yvonne	Yvonne TM Hosta 2020	Training Manager	Hosta	Hospitality	2020
Jill	Jill DA Hosta 2016	Data Admin	Hosta	Hospitality	2016
Ethel	Ethel GHR Box	GHR	Box	Energy/utilities	2013
Rachel	Rachel L&D Pitch 2015	L&D	Pitch	Engineering mfg	2015
Karen	Karen L&D Rattle 2012	L&D	Rattle	IT	2012
Polly	Polly L&D Sterling 2012	L&D	Sterling	Financial services	2012
Jane	Jane L&D Bearings 2015	L&D	Bearings	Auto	2015
Sarah	Sarah L&D Weld 2012/2020	L&D	Indus IP	Engineering manufacture	2012/2020
Esther	Esther L&D Sparks	L&D	Indus IP	Engineering manufacture	2019
Intermediaries					
Angela	Angela Entrepreneur 2013	Business Dev't	N/A	Social entrepreneur	2013
Rosie	Rosie IP 2013,14,15	Intermediary	N/A	IP intermediary	2013/2014/2015

Pseudonym	Full code	Job role	Sector	Interview date
Martha	Martha PO UKCES 2012	Policy owner		2012
Ruth	Ruth PO UKCES 2013	Policy owner		2013/2021
Yvonne	Yvonne PO UKCES 2013	Policy owner		2013
Paula	Paula PO NAS	Policy owner		2013
Ruby	Ruby PO DfE 2012	Policy owner		2012
Sophie	Sophie PO BIS 2014	Policy owner		2014/2021
Dianne	Dianne ProvRep 2016	Rep providers		2016
Sally	Sally ProvRep 2013	Rep providers		2013
Felicity	Felicity (not cited)	Rep Unions	Unions	2013
Steph	Steph (not cited)	Rep Emps	Employers	2015
Leanne	Leanne (not cited)	Rep Emps	Employers	2016
Pippa	Pippa Analyst 2013	Analyst		2013
Chris	Chris Analyst 2016	Analyst		2016
Xenia	Xenia XPA 2016	Ex-policy adviser		2016
Liz	Liz XPA 2013	Ex-policy adviser		2013
Norma	Norma XPA 2015/2021	Ex-policy adviser		2015/2021
Ann	Ann XPA 2014	Ex-policy adviser		2014
Caroline	Caroline XPA 2016	Ex-policy adviser		2016

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