



GATSBY

FROM LEPs TO ERBs:  
STRATEGIES FOR ADDRESSING  
TECHNICIAN SKILLS SHORTAGES

A REPORT TO THE GATSBY FOUNDATION

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This report builds on Carmen Nicoara's thesis, *Skills for the future? An analysis of LEPs' ability to influence the production of technician skills for 21st century advanced manufacturing*, which she wrote as part of a Gatsby-funded PhD.

## **DISCLAIMER**

The views and opinions expressed in this report are those of the author and do not necessarily state or reflect those of the Gatsby Charitable Foundation.

## THE TECHNICIAN SKILLS SHORTAGE IN ENGLAND AND ITS IMPACT ON SMALL AND MEDIUM-SIZED ENTERPRISES (SMEs)

England's advanced manufacturing sector is in a critical state, which is set to get worse because not enough skilled technicians are entering the workforce each year. This shortage creates significant challenges for businesses across the country, particularly small and medium-sized enterprises (SMEs). The root of the problem can be traced back to the early 90s when government policies focused on a supply-led system. In this model, education and training providers largely had control over what was taught and how. Employers were not given the opportunity to shape the curriculum into something that would meet their needs. Despite multiple attempts at reform that would put employers in the driving seat, including the Richard Review in 2012,<sup>1</sup> the gap between policy intention and practical implementation has remained.

Whether a firm offers apprenticeship training is largely determined by the cost-benefit ratio of an apprenticeship compared to other methods of securing skilled workers. Firms can recoup their training investment by the end of the training period if they employ the most suitable apprentices. Apprentices leaving the firm after certification ensure there is a pool of skilled workers in the labour market. While firms have some influence on the cost-benefit of training, an equal or even bigger part of this ratio is determined by public policy: the education system, training regulations and labour market institutions.

The situation is particularly problematic for SMEs, which form a significant portion of the UK economy. Unlike larger corporations with more resources at their disposal, SMEs face unique challenges in engaging with and benefiting from the apprenticeship system. Smaller businesses often struggle to provide structured training opportunities, cover training costs or dedicate staff to effectively train apprentices. The impact of the skills shortage on SMEs is multifaceted. It creates a cycle where the lack of skilled technicians leads to reduced productivity, this in turn limits the resources available for training and development, which makes the skills gap worse.

Addressing this technician skills shortage is crucial not only for the success of individual SMEs but also for the overall economy. It requires a nuanced understanding of the challenges faced by SMEs and of the approaches to skills development that can effectively bridge the gap between providers and industry needs. We need to avoid interventions that may unintentionally lead to distortions in the labour market and reduce apprenticeship opportunities for particular age groups.

This paper examines the evolution of local skills strategies in England, from local enterprise partnerships (LEPs) to the more recent employer representative bodies (ERBs). It explores how these bodies have attempted to address the skills shortage, focusing on their impact on SME engagement. By analysing the successes and limitations of their approaches, we aim to provide recommendations for effective strategies that will tackle the technician skills shortage and support SMEs to take on apprentices.

<sup>1</sup> Richard, D. (2012) *The Richard review of apprenticeships*

## CHALLENGES FACING SMALL AND MEDIUM-SIZED ENTERPRISES (SMEs) TAKING ON APPRENTICES

While apprenticeships are widely recognised as a valuable pathway for developing skilled technicians, SMEs face numerous obstacles to implementing and maintaining effective apprenticeship programmes. These challenges are multifaceted and are often interrelated, creating a complex situation.

### 1. Limited financial resources

SMEs typically operate with tighter budgets than larger corporations. Many cannot afford the costs associated with apprenticeships, which include wages, training fees and potential productivity loss during the learning phase. The financial constraints often mean SMEs hesitate to commit to long-term training investments.

### 2. Lack of staff to oversee training

SMEs usually have fewer employees than larger firms. This often means they do not have enough to be able to have a dedicated member of staff oversee apprenticeship programmes effectively. Staff may struggle to balance their regular duties with the additional responsibility of mentoring and training apprentices, potentially compromising both their primary role and the quality of apprentice development.

### 3. Difficulty maintaining training quality

Ensuring consistent, high-quality training that meets national standards can be challenging for SMEs. Without specialised trainers or extensive experience in apprenticeship management, SMEs may struggle to provide comprehensive and structured learning experiences that align with industry requirements.

### 4. Complexity of apprenticeship standards

The apprenticeship system in England has undergone significant change in recent years, which has resulted in complex standards and requirements. Many SMEs find the system overwhelming and struggle to find the necessary time and resources to fully understand and implement the standards. The level of complexity can deter SMEs from engaging with apprenticeships altogether.

### 5. Limited awareness of support and incentives

SMEs are often unaware of the full range of support and incentives available to businesses taking on apprentices. This lack of awareness can result in missed opportunities for financial assistance or other forms of support that could make apprenticeships more feasible.

### 6. Retention issues

Perhaps one of the most significant challenges for SMEs is being able to retain apprentices once they have completed their training. Larger firms often offer attractive career advancement opportunities and higher salaries, which encourages apprentices trained by SMEs to leave to join the larger firms. This issue of 'poaching' can discourage SMEs from investing in apprenticeships because of the perceived high risk of losing the staff they have trained to competitors.

### 7. Capacity for projects and training programmes

SMEs may lack the capacity to take on large projects or extensive training programmes. Their ability to provide diverse, real-world experiences for apprentices can potentially impact the breadth and depth of the skills development they can offer.

## 8. Administrative burden

The paperwork and administrative requirements associated with apprenticeships can be daunting for SMEs that have limited administrative capacity. This additional workload can strain already stretched resources.

### THE EVOLUTION FROM LOCAL ENTERPRISE PARTNERSHIPS (LEPS) TO EMPLOYER REPRESENTATIVE BODIES (ERBS)

Research showed that collaboration between further education and employers was key to addressing local skills shortages.<sup>2</sup> This recognition led to significant changes being made during the last decade to England's approach to local economic development and skills planning.

#### *Local enterprise partnerships (LEPs)*

In 2010, the government established LEPs to cement partnerships between local authorities and private sector businesses. Initially the focus of LEPs was on driving local economic growth and job creation through business support, investment and strategic economic planning. However, as it became increasingly clear that skills gaps were a significant barrier to economic growth, LEPs gradually took on a more significant role in skills planning and development.

LEPs were well-positioned to understand local skills needs and began to work with educational institutions to align curricula with local economic needs. These employer-led and locally driven partnerships were designed to engage the local private sector in high-quality training investments that would facilitate business growth, attract inward investment, nurture innovation and reduce skills shortages in various localities and sectors. LEPs were required to produce strategic economic plans, which often included elements of skills development alongside broader economic growth strategies.

However, they faced challenges, including reduced local government funding and a shift towards competitive bidding for project funding. LEPs varied significantly in their capacity, statutory powers and core funding. Critics argued that LEPs' business engagement was weak and they had a fundamentally flawed governance model.<sup>3</sup> While some had the autonomy to decide which local sectors would receive capital investment, it quickly became clear that LEPs' local skills strategies were having limited impact on firms investing in training that could address technician skills shortages.

While LEPs aimed to serve as central hubs, connecting various local stakeholders and bringing diverse representatives onto their boards, their effectiveness was limited. This stemmed from inconsistent levels of engagement by local firms and the prevalence of poaching, where companies recruited skilled workers who had been trained by other local businesses instead of investing in training themselves. These factors undermined efforts to foster genuine collaboration within the local business community.

Many LEPs also heavily relied on incomplete secondary skills data to build their institutional knowledge of local skills needs. The combined effects of an over-reliance on inadequate data, limited SME engagement and the poor representation of SMEs on LEP boards meant that LEPs struggled to accurately capture the voice of the SME sector. In addition, LEPs had limited statutory powers, which hampered their ability to make independent decisions. So despite their potential to influence training provision

2 Corradini, C., Morris, D. and Vanino, E. (2022) *Towards a regional approach for skills policy*. *Regional Studies*, 57(6) pp.1043–1054.

3 Local Government Chronicle (24 September 2010) *LEP priorities strikingly different to RDAs*

through capital investments, their lack of authority over local firms' training behaviours meant they could not effectively address issues such as low-road training (short-term and low-quality training), restrictive apprenticeships<sup>4</sup> or poaching.

In theory, the allocation of Local Growth Fund (LGF) skills capital should have bolstered local skills by upgrading training facilities. But the restrictive conditions attached to the funding led to LEPs supporting training providers without first making sure the investments would result in quality training for specific sectors. The goals set for LEPs were too general, they were focused on increasing the total number of apprenticeships rather than addressing specific skills shortages in different industries. Another condition of the LGF was that the funding could only be used within strict geographical boundaries, but the need for apprentices often extended beyond these local areas. As a result, the money invested did not have as much impact as it could have had in solving the skills shortage.

This lack of organisational structure and strategic focus limited the ability of LEPs to foster effective collaboration and to align with local skills needs, which ultimately compromised their overall strategic effectiveness.

### ***Employer representative bodies (ERBs)***

The inability of LEPs to effectively address technician skills shortages led to a reassessment of the approach to skills development. In 2021, the government introduced a new framework for local skills planning and development, which was outlined in the Skills for Jobs white paper.<sup>5</sup> This resulted in the creation of ERBs as the statutory bodies with responsibility for developing Local Skills Improvement Plans (LSIPs).<sup>6</sup>

ERBs work with employers, education providers and stakeholders to create evidence-based, actionable LSIPs that outline the key changes needed to align skills provision to local labour market needs. While ERBs show promise and do not have the same limitations as LEPs, early evaluations and our interviews with ERB members have revealed both strengths and ongoing challenges.

Many ERBs are Chambers of Commerce with existing employer networks. These established networks mean they have good communication reach and can represent industry-specific concerns effectively. However, interviews with ERB representatives revealed a mixed picture of SME engagement. ERBs have tailored strategies to get the views of smaller businesses, including direct outreach and personalised communications, but many still find it challenging to engage with small and micro businesses effectively.

ERBs have established clear internal processes for managing training initiatives and collaborations by providing forums for discussing industry challenges, sharing best practices and coordinating advocacy efforts. Many ERB staff members have extensive backgrounds in industry and education and the importance of having staff who "understand both the educational landscape and the practical skills required by employers" was noted by one respondent for the valuable insights they bring and the practical knowledge that enhances their reach. This organisational strength enables targeted and effective interventions in skills development.

4 Apprenticeships that are restricted to a narrowly defined job role during which only skills for this role are developed.

5 Department for Education (January 2021) *Skills for jobs: lifelong learning for opportunity and growth*

6 Department for Education (updated 2024) *Local skills improvement plans and employer representative bodies*

However, the effectiveness of ERBs is contingent on active membership engagement and the alignment of diverse member interests. Having cooperative and non-cooperative firms in the same region can complicate the development of collective training goals. Despite this, ERBs are better able to address sector-specific skills shortages because they can organise around specific industries with a clearer strategic focus than LEPs were able to.

ERBs do not directly control financial resources, but they have significant influence over the allocation of sector-specific funding. The Strategic Development Fund (SDF)<sup>7</sup> set a requirement for collaborative working, thereby preventing a competitive environment developing between providers. This approach to funding collaborative working was a significant evolution from the LEP model with the potential to offer a more effective framework for addressing local skills shortages, particularly in the context of SMEs and apprenticeships. The collaborative approach enables providers to pool their employer networks and create an integrated engagement strategy rather than individual colleges working in silo. The Skills Accelerator pilot evaluation report<sup>8</sup> indicated that providers welcomed this funding model. It was seen as a positive departure from mainstream funding rules that created competition between providers.

### ***Employer clubs***

Despite these efforts, ERBs still find it challenging to engage small and micro businesses effectively. This suggests the need for more innovative approaches. A 2021 research study by Carmen Nicoara introduces employer clubs as a potential complementary approach that would help ERBs support SMEs, address local skills shortages and shield against intra-membership poaching.<sup>9</sup>

Employer clubs are formal or informal groups of businesses, typically SMEs, that pool their resources, knowledge and experiences to create more robust and sustainable apprenticeship programmes. It is a collaborative approach, where groups of SMEs in similar industries or geographical areas collectively manage and benefit from apprenticeship programmes. These clubs can take various forms, from loosely organised networks to more structured consortiums, but all share the common goal of making apprenticeships more accessible and effective for smaller businesses.

Employer clubs provide many benefits for SMEs engaging in apprenticeship programmes. Because costs are shared, the clubs can significantly reduce the financial burden on individual businesses while still allowing them to reap the benefits of apprenticeships. Regular meetings and communications between member businesses help create a learning community where all members benefit from the sharing of best practice in apprenticeship management. Employer clubs also offer apprentices the opportunity to move between different member businesses, gaining experiences and developing a broader skill set. Providing a wider variety of experiences and career path options can help keep apprentices from leaving the network of member businesses. Beyond apprenticeships, participation in these clubs can create stronger local business networks that encourage collaboration and knowledge sharing and discourage poaching behaviours.

7 Department for Education (updated August 2022) *Strategic development fund*

8 Department for Education (July 2023) *Skills Accelerator pilot evaluation*

9 Nicoara, C. (2021) *Skills for the future? An analysis of LEPs' ability to influence the production of technician skills for 21<sup>st</sup> century advanced manufacturing*

Employer clubs show promise, but their successful implementation requires careful planning, clear governance structures and external support. ERBs could play a crucial role in facilitating and supporting employer clubs using their existing networks and expertise to encourage SMEs to sit at the table.

### ***Moving forward***

It is too early to say whether ERBs have been successful even though initial evaluations have been positive. However, it seems they have found a way of understanding employer needs at a local level. The key will be whether ERBs can act as intermediaries, helping ensure that providers offer the training that employers are asking for but also ensuring that employers use the training.

By learning from the challenges faced by LEPs and adopting a set of guiding principles, ERBs can better align skills supply with employer demand, fostering a more responsive and robust technical education system in England. The roll-out of LSIPs needs supportive partnership structures that enable employers to provide foresight on the skills that will be required and how they will be used in the workplace, and that give them the flexibility to make changes to improve effectiveness.

## **RECOMMENDATIONS**

Drawing on the challenges faced by LEPs, the early experiences of ERBs and the potential benefits of employer clubs, we propose recommendations that would help ERBs support SME engagement with apprenticeships.

### **1. Facilitate employer clubs**

ERBs should take a proactive role in establishing and supporting employer clubs in their regions. Club members will be employers either from the same sector or looking for the same skills. The clubs can serve as a platform for SMEs to pool resources, share risks and collectively engage with apprenticeship programmes. ERBs can provide the initial structure and guidance for these clubs, using their existing networks and expertise.

### **2. Enhance data collection and analysis**

The government should provide ERBs with better access to data on the supply, stock and demand for skills. They can use this alongside their local intelligence and partnerships to create viable local skills strategies. This should include real-time labour market information, detailed apprenticeship data and regular surveys of SME needs. By being provided with evidence-based insights, ERBs can better tailor their support and interventions to address specific skills shortages.

### **3. Develop long-term skills strategies**

While LSIPs provide a good foundation, the next stage will be to start looking at future skills demand rather than focusing on the current issues employers have. This will help LSIPs become forward-thinking in their approach to skills planning, in line with broader economic goals for growth.

### **4. Improve policy stability for regulatory bodies**

Enable regulatory bodies to work more effectively by reducing the frequency of policy changes and ensuring long-term support for initiatives. This stability is crucial because it supports the development of expertise and the consistent implementation of strategies. Businesses have more confidence investing in long-term skills development programmes, which ultimately leads to more successfully addressing skills shortages.



### **5. Increase communication and outreach**

Develop comprehensive communication strategies to ensure that SMEs are aware of the support available from ERBs and employer clubs. This should include targeted outreach, case studies of successful SME apprenticeship programmes and clear guidance on how to get involved. In addition, ERBs from different regions should share best practices, align strategies for sectors that span multiple areas and provide a more cohesive national approach while retaining local relevance.

### **6. Regular evaluation and adaptation**

Establish evaluation processes for all ERB initiatives, which would include assessing the effectiveness of employer clubs. Use these evaluations to continuously refine and adapt strategies to better serve SME needs.

## **TOWARDS A STRONGER SKILLS ECOSYSTEM**

The new government should consider these recommendations as part of a broader strategy to enhance the effectiveness of ERBs and support SME participation in apprenticeship programmes. By doing so, they can create a more resilient and responsive skills ecosystem that meets the needs of both businesses and the wider economy.

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