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EDUCATING FOR THE MODERN WORLD

CBI/PEARSON EDUCATION AND SKILLS
ANNUAL REPORT

NOVEMBER 2018



In partnership with



Pearson



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Education and skills is consistently at the top of the priorities list of the 190,000 business the CBI represents. The reason for this is clear – education is the number one driver of productivity, business, and economic prosperity. But more than this, a world-class education system is essential for social justice and a fairer society. A society in which prosperity is shared by all.

Over the past year, there has been uncertainty about the direction of the UK as we leave the European Union, with a question mark over much of our future relationship with Europe, our trading relations with the world, and the shape an independent UK migration system will take. Alongside this, and just as important, the pace of technology, automation, robotics and rapid global communication is revolutionising the workplace: changing the way people work, use their skills, create ideas, and interact with one another. Indeed, many of the world leading companies and products today didn't even exist 5 or 10 years ago.

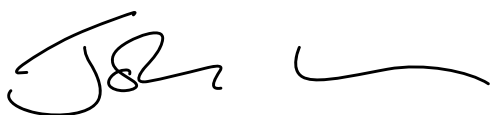
This year, the CBI's annual education and skills survey represents over 28,000 business of all sizes, regions, and sectors, providing a unique insight into employer's perception of our education system. The results this year provide reason for optimism, but also highlights some significant challenges.

Employers expect to recruit more people over the coming years but worry there aren't enough skilled people to fill the vacancies. Four in five businesses plan to maintain or increase their spending on training, but there has been a sharp drop in apprenticeship programmes because of the Apprenticeship Levy. Worryingly, the number of businesses engaged with schools or colleges is down by almost 10% - something we must reverse if the education system is to prepare young people for the modern world and work.

How we react to these findings is important. Politicians, policy makers, the education sector, and business all having their role to play. With driving economic prosperity and social justice as guiding principles, the CBI has four priorities it will work on over the next few years:

- Ensure the education system prepares young people for the modern world and work;
- Harness the power of business to improve the education and skills system;
- Create the right conditions for lifelong learning; and
- Champion our world-class education institutions, including schools, colleges, and universities.

I am delighted to have been able to work with Pearson on this important survey once again. The findings should help inform the education debate and help shape education policy that will deliver a world class education system.



John Cope
Head of Education & Skills, CBI



I'm delighted to introduce the latest annual CBI-Pearson Education & Skills survey. 2018 marks the 10th anniversary of the survey, a decade-long partnership between Pearson and the CBI, dedicated to bringing the voice of employers into the key policy issues facing education and skills. We are proud of this partnership and grateful to the businesses that responded to the survey this year. Their engagement is evidence that employers want to be involved in shaping the future of education and training of learners today.

Since the publication of our first report, we have had three General Elections, four different administrations, as well as the continued reverberation from the EU Referendum. A decade on, the economic shock of the financial crisis continues to inform our political discourse and shape public policy. In response to these macro challenges, we have seen significant education policy reform - from the introduction of the apprenticeship Levy to the far-reaching changes to vocational qualifications. But many other changes are affecting our nation, and, ultimately, our education system. Advances in technology and automation are rapidly affecting the way we live and work. These advances, as well as megatrends like demographic change, globalization, income inequality, environmental sustainability, and urbanization - will all have significant influence over the jobs of the future.

In a study we released in 2017 with Nesta & Oxford Martin on The Future of Skills: Employment in 2030, we predicted that the skills required for employment in the future will dramatically change. Whilst core knowledge in important subjects like English language, maths, and science will remain foundational for all, much deeper learning that results in resilience, problem solving, values and leadership of people will be more important than ever, and all careers will require the use of technology. Our nation's future workforce will need to be 'always learning' - to be able to adapt and respond to a dynamic labour market where unskilled jobs will be rendered obsolete, new jobs will be invented, and the human centered professions, including teaching, will grow.

As I look over our past reports, it is impossible not to notice the primary trend that persists - the gap between what is taught in schools, colleges and universities and what is valued by employers. Despite best attempts at systemic improvement, this gap has yet to be closed. As this year's survey demonstrates, employers continue to value qualifications as indicators of achievement and ability - but qualifications are just one part of the mix. Valuing and nurturing the right attitudes, behaviours and skills as young people progress through the education system is just as important.

Students entering formal education today will be considering their career options in 2028. We call on the Government to acknowledge the important recommendations within this report and to work with businesses and educators to collectively improve the life chances of every student, as they move through the education system over the next decade and become the future workforce. Let's all make the most of this opportunity.



Rod Bristow
President UK & Core, Pearson



This report marks a decade of the CBI Education and Skills Survey, produced in partnership with Pearson. The survey was conducted between July and August 2018, with responses representing over 28,000 businesses.

The CBI's 2016 report Unlocking Regional Growth found that educational attainment of young people at 16 was the single most important driver of productivity differences across the UK.¹ The findings of the Education and Skills Survey offer an important opportunity to better understand how employers perceive the strengths and weaknesses of the UK education system.

We are grateful to the 379 businesses and trade associations, which represent over 28,000 employers, who responded to the survey.

Participants in the survey ranged in size from firms with fewer than 50 employees, to those with more than 5,000. SMEs accounted for more than a third of respondents (35%).

Respondents were also drawn from all sectors of the economy, ranging from manufacturing (27%), education (6%), professional services (44%), construction (7%), or financial services (8%) and retail/wholesale/motor trades (9%).

There were responses from all parts of the UK, with more than two thirds of participants (67%) having at least some employees in Northern Ireland, Scotland, or Wales.

Business demand and expectation for skills is continuing to change...

For the first time since 2014, the survey finds over three quarters (79%) of businesses expect to increase the number of high-skilled roles over the coming years, and two thirds (66%) are concerned there will be a lack of sufficiently skilled people to fill them.

However, there is also much to be optimistic about. More than four in five businesses expect to maintain or increase their investment in their workforce through training.

The UK therefore needs a world class academic and technical education system now more than ever to prepare young people for a rapidly changing world and labour market.

...alongside qualification businesses highly value work readiness and broader skills...

Qualifications are valued by employers as indicators of achievement and ability but developing the right attitudes and behaviours for success in all aspects of life is vital. The evidence for this is clear in the survey findings, over half of employers (60%) value broader skills, such as listening and problem-solving, as one of their three most important considerations when recruiting school and college leavers. Furthermore, almost half (45%) of businesses rank readiness for work as the single most important factor.

Even when considering the value of qualifications, nearly three quarters (74%) of the businesses say they prefer a mixture of academic and technical qualifications, or that they view all qualifications equally.

...links between business & education remain strong, but progress has stalled...

Effective school and college partnerships with businesses have a key role to play in raising levels of attainment and smoothing the transition to work. Indeed, the evidence in the survey supports this, finding close to three quarters of businesses that participated have a link with an education institution. Concerningly, however, this figure is significantly lower than in 2017 at 81%. The top three manifestations of partnership are visiting the education institution (83%), offering information about apprenticeships and traineeships (70%), and giving careers advice and talks (68%).

Despite the disappointing fall in partnerships, two thirds of respondents (65%) are willing to play a greater role in supporting schools and/or colleges. However they report significant barriers including inadequate guidance on how to make work experience and other encounters worthwhile for young people (48%) and the difficult, time-consuming processes involved around for example health and safety and DBS checks (47%).

Alongside partnerships between business and education, making sure business understands education reforms is important. There is evidence of room for improvement, with less than half of businesses (46%) being fully aware of the new GCSE system and understand the grading arrangements.

...technical education is highly valued, but in urgent need of improvement...

Businesses are keenly aware of the importance of investing in training and development. Firms of all sizes across all sectors are strongly committed to growing the apprenticeships brand, however the number of firms operating apprenticeship programmes has shown a sharp fall since the introduction of the Apprenticeship Levy (from 83% in 2017 to 70% in 2018), and over a quarter have taken the decision to absorb the Levy as an added cost of doing business rather than a skills policy. Worryingly, and meriting further investigation, over half (59%) of respondents have experienced difficulty in recruiting apprentices or expect to do so in the next three years.

The main change that would boost business confidence in the Apprenticeship Levy is allowing use of Levy funds to cover a wider range of costs for training (59%), greater flexibility in spending the funds including their transfer and pooling (51%), and less bureaucracy to make the system more responsive and more user-friendly (47%)

Alongside the apprenticeships, the T-level reforms are the single largest skills reform currently taking place. At this very early stage in the development of T-levels, two in five employers (41%) think the T-level reforms are necessary as part of developing technical qualifications fit for future needs while a similar number are uncertain of the merits of the reform. Given the reform's infancy, it is unsurprising four in ten employers (42%) were unaware of T-levels, demonstrating the importance of better communicating T-Levels to employers. This is especially the case in relation to the 45-day work placement element of T-levels, with two thirds (64%) of businesses largely or wholly unaware.

...developing the higher education & skills system for meet future skills needs is critical for UK competitiveness...

A successful higher education system must be one which prepares all our young people, regardless of background, for the changing world of work. It must also provide the opportunity for those already in work to retrain and upskill so that they can continue to develop their skills.

The value of university graduates to business remains clear, with graduates continuing to have higher levels of employment, lower levels of economic inactivity and higher earnings on average, compared to non-graduates. The evidence to support this is clear in the survey, with close to nine in ten businesses that employ graduates (87%) reporting they have maintained or increased their levels of graduate recruitment over the past year.

Indeed, an overwhelming majority of businesses (79%) regard a 2:1 undergraduate degree (or above) as a good measure of academic ability, despite increasing numbers of 2:1 and above classifications being awarded.

...there is fresh impetus & urgency to re-skill existing workforces and instil a culture of lifelong learning...

Technological advances and automation are increasingly changing the nature of work. In response, businesses across all sectors and of all sizes must think differently about how they develop their workforces. There is clear evidence in the survey findings that support the value of training, with more than four in five businesses (85%) planning to maintain or increase their investment in training in the year ahead.

Evidence for the pace of change in the labour market is demonstrated by nearly two thirds of firms (62%) expecting to retrain at least some employees to take up new roles in the year ahead, with over half of those businesses identifying new technologies or new services driving the need to retrain.

The survey offers important evidence on the barriers to growing a culture of lifelong learning. Half of those surveyed point to lack of funds and the costs of training (53%) followed by a lack of appropriate training or qualifications available (39%). There are also practical barriers within businesses themselves: more than a third (38%) point to the difficulty of releasing employees from their day-to-day activities so they can take part in training, and a similar number of businesses (37%) face a problem finding a provider who can deliver when and where training is needed.



Business demand and expectation for skills is continuing to change

As technology and customer demands change, businesses need enhanced skills among their workforce at every level. But the results from our survey show firms expect to find it increasingly difficult to recruit people with the right levels and mix of skills to fill vacancies in the years ahead. These worries are reported by firms of all sizes right across the UK's nations, and are exacerbated by uncertainty over visa arrangements post-Brexit. This makes it all the more important for government and business to help people develop the skills they need to succeed in a more productive, high-value economy.

Key findings:

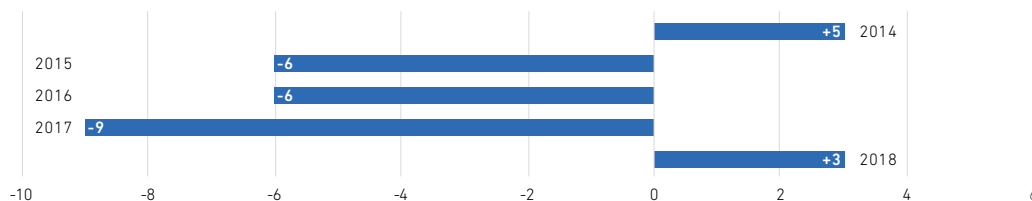
- Businesses expect to have more job openings for people at every skill level over the next three to five years
- For the first time in recent years slightly more businesses expect to increase their number of low skilled workers than expect to reduce them (by a margin of +3%)
- They also expect to need more people with intermediate-level skills over the coming years (with a positive balance of +48%)
- The biggest anticipated area of growth is at the higher end of the skills spectrum, with a positive balance of +79% of businesses expecting to grow their number of higher-skilled employees and a balance of +73% anticipating needing more people with leadership and management skills
- But businesses are increasingly concerned that they may not be able to fill all these new jobs: over half of businesses (52%) are not confident about accessing sufficient intermediate skilled talent in future, a switch from a net positive balance in 2017 (+16%) to a negative one (-10%) in 2018
- Two thirds of businesses (66%) are not confident there will be enough people available in the future with the necessary skills to fill their high-skilled jobs, compared with just 28% confident (giving a significant negative balance of -38%)

- These worries about the prospects of filling future high-skilled roles are shared by businesses across the UK (with the net balance of firms reporting they are confident minus those reporting not confident ranging from -32% in Scotland to -55% in Northern Ireland)
- While a majority of businesses are still confident that there will be enough suitable people available to fill their future low-skilled roles, the positive balance of confidence is in steep decline among small and medium-sized enterprises (SME's), as well as across businesses as a whole (down from a balance of +47% of SMEs in 2017 to +20% in 2018).

Business demand for skills is set to grow at all levels...

Employer demand for people with skills at all levels is expected to grow across the economy in the years ahead. For the first time in time in recent years, slightly more businesses expect to increase their number of low-skilled workers over the next three to five years than expect to reduce low-skill openings (**Exhibit 1.1**). In all, a balance of +3% expect to grow their number of low-skill posts.

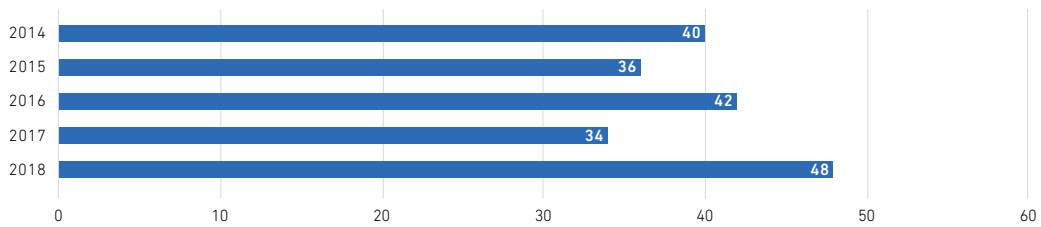
Exhibit 1.1 Business demand for lower skills over next 3-5 years (%)*



* Firms reporting increased demand minus those reporting decreased demand

But businesses expect the major growth in jobs in the medium term to be in jobs requiring at least intermediate skills (**Exhibit 1.2**). A balance of +48% of firms expect to need to fill more jobs requiring intermediate-level skills over the next three to five years (up from +34% in 2017).

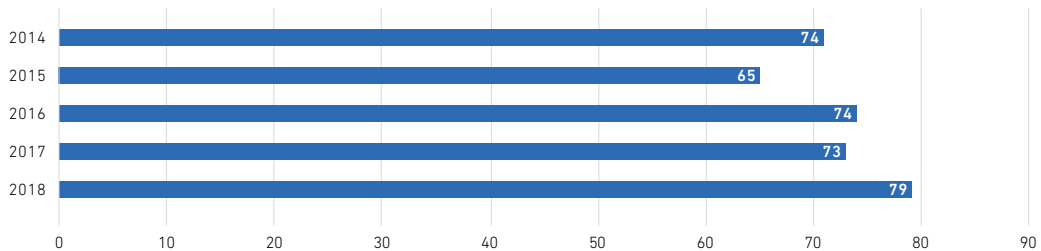
Exhibit 1.2 Business demand for intermediate skills over next 3-5 years (%)*



** Firms reporting increased demand minus those reporting decreased demand*

Growth is expected to be even stronger at the higher end of the skills spectrum. Four in five businesses (80%) expect to increase the number of employees using higher-level skills in their jobs, while just 1% expect to reduce the number. This gives a positive net balance of +79% of businesses expecting to grow their number of higher-skilled employees (**Exhibit 1.3**) – an even stronger positive balance than in previous years (+73 % in 2017).

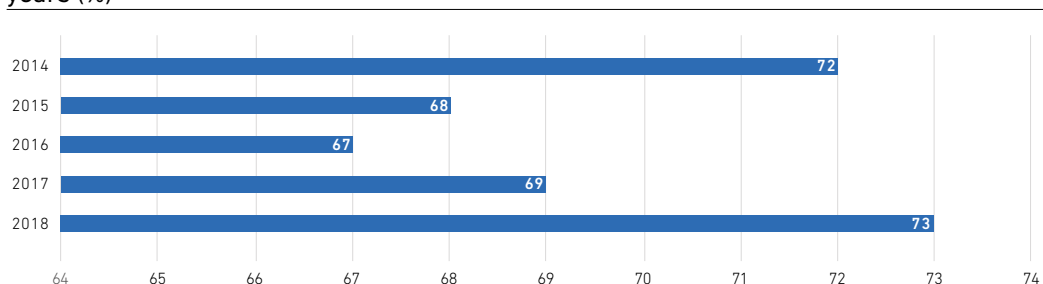
Exhibit 1.3 Business demand for higher skills over next 3-5 years (%)*



** Firms reporting increased demand minus those reporting decreased demand*

The positive balance of firms expecting to need more employees with leadership and management skills has been above +60% every year since 2010. The balance stands at +73% in 2018, with more than seven in ten respondents (74%) expecting to grow the number of people with leadership and management skills over the next three to five years and just 1% expecting a reduction (**Exhibit 1.4**).

Exhibit 1.4 Business demand for leadership and management skills levels over next 3-5 years (%)*



* Firms reporting increased demand minus those reporting decreased demand

The findings of our survey show the scale of the challenges and the opportunities ahead. Achieving sustained economic growth at a time when the UK will be pursuing new opportunities in global markets depends on the capacity to meet these future skill needs. This makes it essential both to keep updating the skills of those already in the workforce and to encourage young people to understand the importance of building skills throughout their working lives.

79%

Employers expect to need more staff with higher skills in the years ahead

...but businesses are concerned that they may not be able to fill all these new jobs

Many firms are concerned that there will not be people available with the right skills to fill these roles in the future. At every level of skill, business confidence has declined about being able to access people with the right skills in the years ahead.

Only just over half of firms (54%) are confident in their ability to fill low-skilled roles in the future – a sizeable drop from 2017 (69%). The percentage of firms not confident has more than doubled since 2017 – up from 18% to 37% (**Exhibit 1.5 & Exhibit 1.6**).

Exhibit 1.5 Employer confidence about accessing low-skilled employees in future (%)

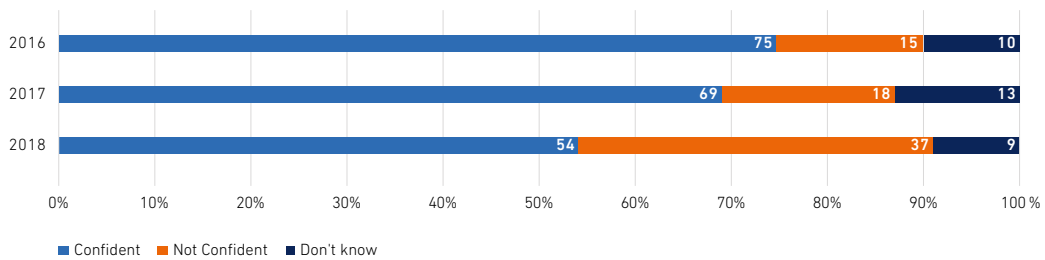
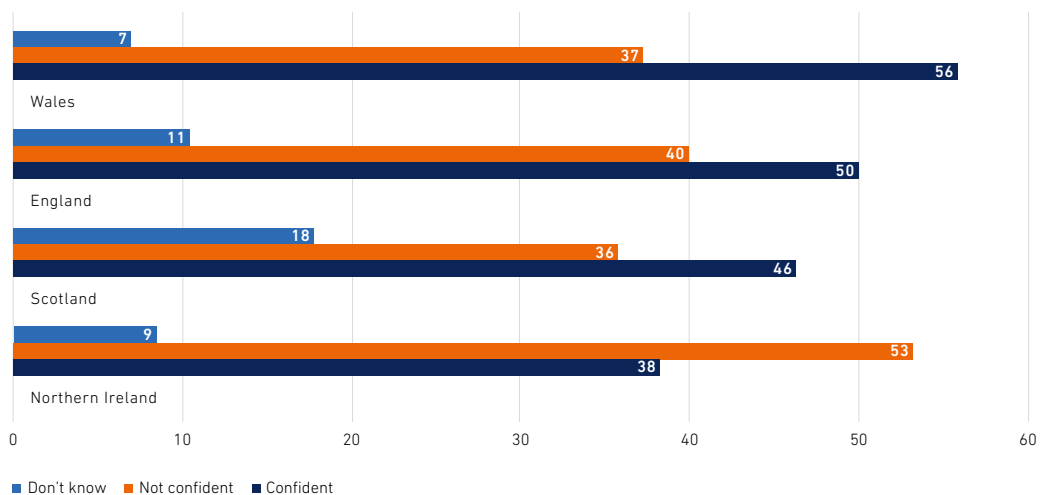


Exhibit 1.6 Employer confidence about accessing low-skilled employees in future by nation (%)



Meanwhile, the proportion of firms who are confident about the supply of candidates with the intermediate skills they need has fallen from over half (54%) in 2017 to 42% this year (**Exhibit 1.7 & Exhibit 1.8**), giving the first negative confidence balance.

Exhibit 1.7 Employer confidence about accessing intermediate-skilled employees in future (%)

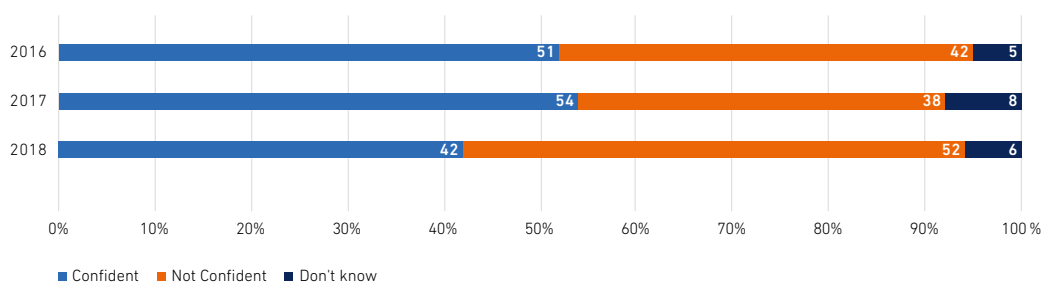
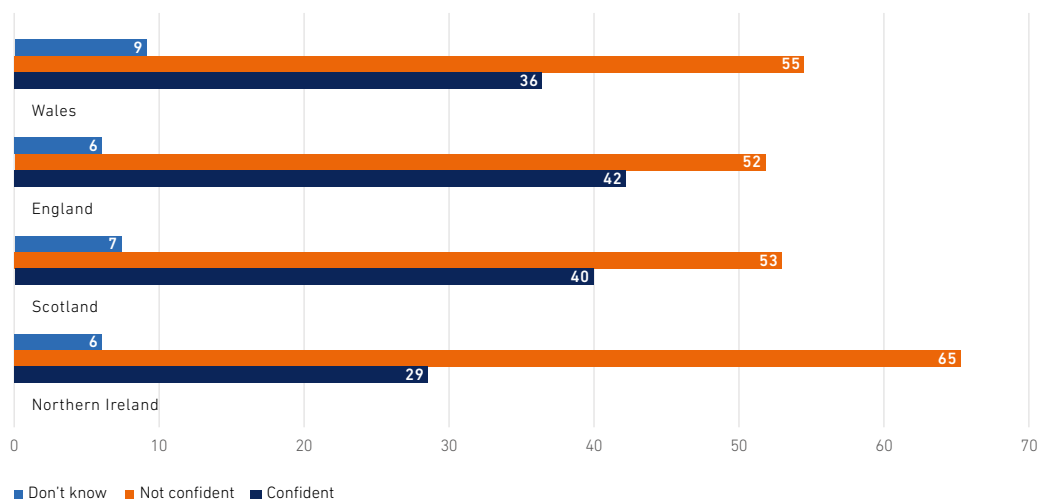


Exhibit 1.8 Employer confidence about accessing intermediate-skilled employees in future by nation (%)



When it comes to filling high-skilled jobs in future, there are widespread concerns (**Exhibit 1.9 & Exhibit 1.10**) More than twice as many businesses are not confident they will be able to recruit enough high-skill employees as are confident, giving a negative confidence balance of -38%

Exhibit 1.9 Employer confidence about accessing high-skilled employees in future (%)

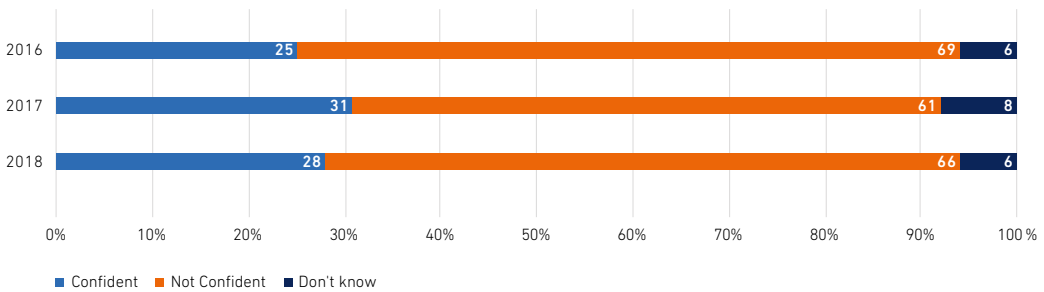
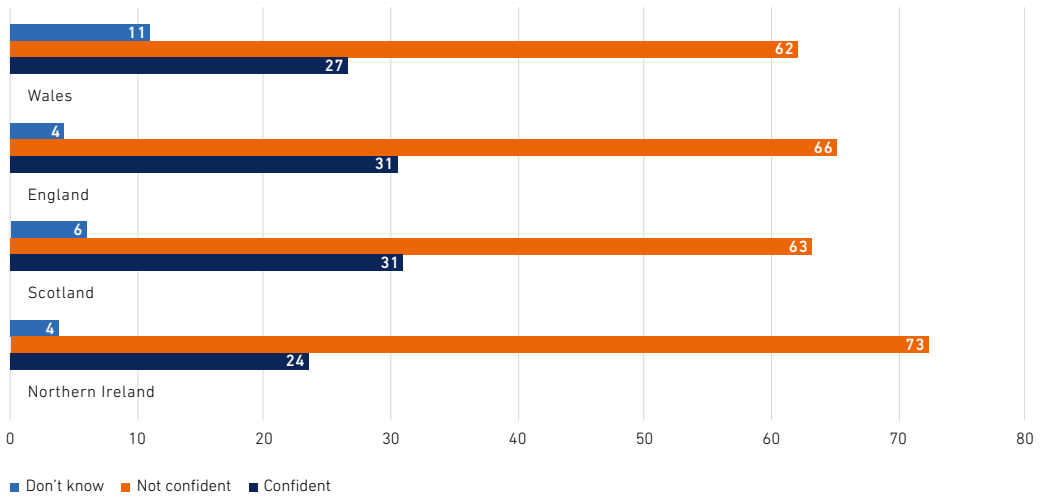


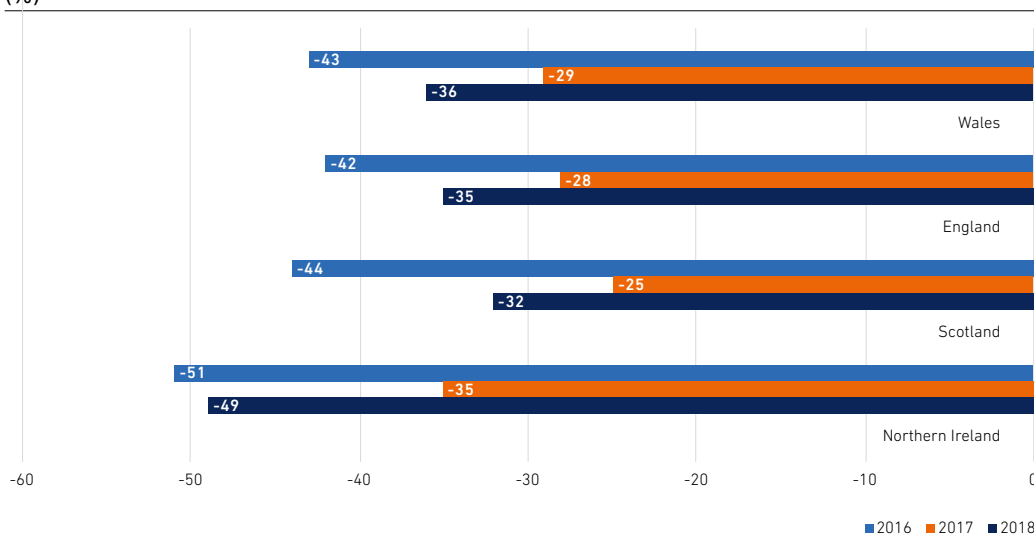
Exhibit 1.10 Employer confidence about accessing high-skilled employees in future by nation (%)



Fears over filling high-skilled posts apply across the UK...

Levels of confidence about being able to access sufficient high-skilled employees in future are negative across all parts of the UK (**Exhibit 1.11**). The biggest shortfall in confidence is among those businesses with employees in Northern Ireland (a heavily negative -55%), but negative balances of confidence stand at more than -30% in every nation of the UK.

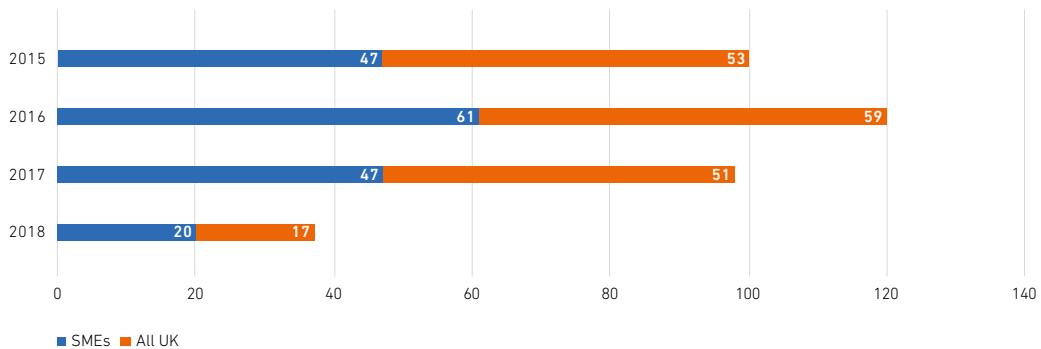
Exhibit 1.11 Employer confidence in accessing high-skilled employees in future by nation (%)*



* Net balance of firms reporting 'confident' minus those reporting 'not confident'

...and confidence about access to enough people to fill low-skilled roles is eroding

Although a majority of businesses are still confident that there will be enough suitable people available to fill their future low-skilled roles, the positive balance of confidence is in steep decline (**Exhibit 1.12**). And that decline applies to small and medium-sized enterprises (SMEs) as well as larger firms. Since our 2017 survey, the positive balance among SMEs confident about their future access to sufficient low skilled employees has dropped by more than half (from +47% to +20% in 2018).

Exhibit 1.12 Confidence among SMEs about accessing low-skilled employees in future (%)*

* Net balance of firms reporting 'confident' minus those reporting 'not confident'

Those with broader skill sets open themselves up to greater working opportunities...

The findings reported in this chapter highlight the scale of the opportunities and the challenges ahead. For new entrants to the workforce and those looking to progress their careers, our results show the growing opportunities likely to be open to those who develop the right skill sets. But the results also highlight the urgent need for more action to bolster the UK's skills mix.

In the face of low and declining levels of employer confidence about the future availability of people with the right skills, there is an emerging risk that investment plans may be put on hold, and some operations could be transferred overseas to jurisdictions with a more reliable skills supply.

To ensure future prosperity, businesses must be able to access global talent and skills at varied levels – not only 'the brightest and best'. In the CBI's recent report *Open and Controlled: a new approach to immigration after Brexit*, the CBI calls on government to drop the net migration target, and reform the Tier 2 visa route so that employers can access a range of skills, not only graduates earning over £30,000.²

Achieving economic growth and raising productivity depend on the capacity to meet skill needs. And if we are to achieve faster growth than in recent years, that capacity will have to be all the greater. This makes it essential both to keep developing the skills of those already in the workforce, and to encourage young people to understand the opportunities open to them – so they can focus on developing the skills required for a successful working life.



“Achieving sustained economic growth at a time when the UK will be pursuing new opportunities in global markets depends on the capacity to meet these future skill needs.”

Alongside qualifications, businesses highly value work readiness and broader skills

The personal qualities and knowledge that young people develop during their time at school lay the foundations for the rest of their lives. Qualifications are valued by employers as indicators of achievement and ability, but developing the right attitudes and behaviours for success in all aspects of life is vital. It is essential that every child, from every background, in every part of the UK gets a world-class education. Schools and colleges, with support and engagement from business, should prioritise a curriculum rich in knowledge and develop behaviours that will equip young people to lead successful lives.

Key findings:

- Over two-thirds of employers (70%), rate Literacy and Numeracy skills as one of their three most important considerations when recruiting school and college leavers, but almost half (45%) of businesses ranked aptitude and readiness for work as the single most important factor.
- Broader skills such as resilience, communication and problem-solving are also highly important when recruiting, with over half (60%) rating these skills as among their top three priorities.
- While half of businesses (51%) view the qualifications secured by young people as among the top three considerations when recruiting, a large proportion (40%) also value the importance of digital and IT skills.
- Qualifications are important to business as indicators of effort and capability, but the type of qualification matters much less: nearly three-quarters (74%) of the businesses surveyed say they prefer a mixture of academic and technical qualifications, or that they view all qualifications equally.
- The majority of businesses reported that they are satisfied with the academic results and/or qualifications of young people who have applied for jobs during the past 12 months, with fewer than one in ten (9%) reporting dissatisfaction.

- Standards of literacy and numeracy are a cause for concern, with one in four employers (25%) not satisfied, while around two in five businesses are not satisfied with the aptitude and readiness for work of young applicants (44%) and/or broader skills such as communicating and problem-solving (38%)
- In the primary school phase of education, up to age 11, the majority of businesses want to see schools developing pupils' STEM skills (82% rank this among the top three most important areas for action), together with digital and IT skills and broader skills such as teamwork, creativity and listening (72% and 70% respectively).
- Businesses continue to see these subjects and skills as of central importance during secondary education, but more than half (55%) see raising awareness of career options as among the leading priorities.
- To achieve the government's ambition for a 'Global Britain', we have to get language teaching in our schools right, with the major European languages of French (54%), German (51%) and Spanish (50%) most commonly in demand among businesses.

Young people need skills and qualities that go beyond formal qualifications...

For employers, formal qualifications are valuable indicators of application, achievement and ability. But businesses are clear that key drivers of success for young people in their working lives are attitudes and attributes such as resilience, enthusiasm, creativity and communication skills.

Year after year, our survey results show how important young people's aptitude and readiness for work is in determining their job prospects and future success (**Exhibit 2.1**). Around four in ten (43%) rate readiness for work as one of their three most important considerations. Indeed, it ranks as the single most important factor for almost half (45%) of businesses when recruiting school and college leavers.

The CBI has long pointed to the central importance of a positive attitude and broader skills such as resilience, communication, problem-solving and aiming high both at work and in life. Our findings show over half of businesses (60%) rate these skills as among their top three considerations when recruiting; one in five businesses (21%) see it as the single most important factor. The SkillsBuilder Framework, developed by Enabling Enterprise, has raised the bar in this area (**Exhibit 2.2**), and the CBI is committed to supporting employers in developing these skills among young people.

While half of businesses (51%) view the qualifications secured by young people as among the three top considerations when recruiting, an even larger proportion (70%) focus on their basic practical literacy and numeracy. Again, this finding highlights the importance of behaviours and the capacity to apply learning in practice. Reflecting the growing importance of technology in almost every aspect of working life, over a third of respondents cite digital and IT skills as one of the three most important factors when recruiting school and college leavers when recruiting school and college leavers, though only 3% rate it as the most important factor.

Exhibit 2.1 Most important factors in recruiting school/college leavers (%)

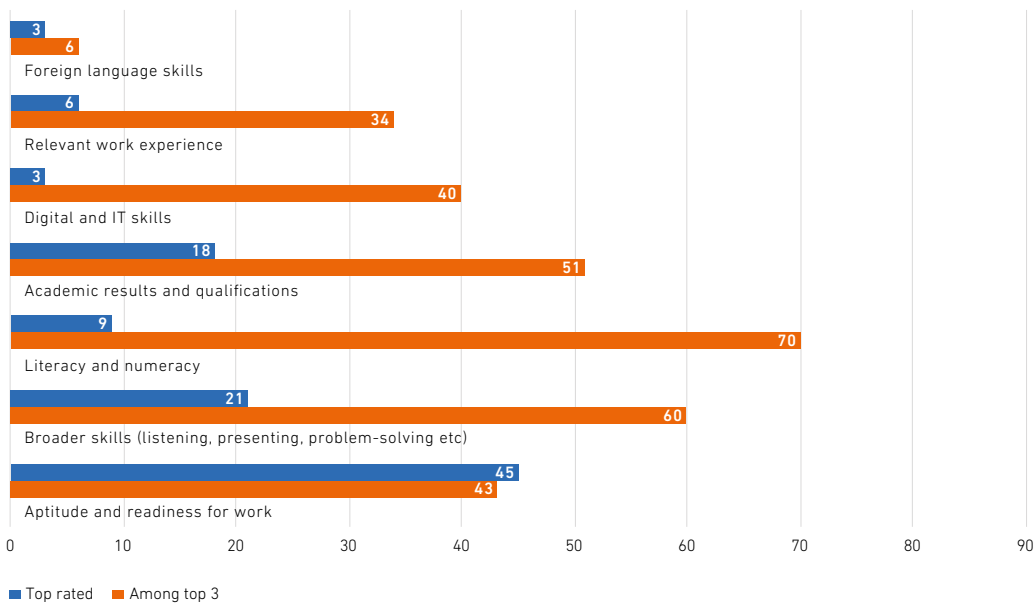


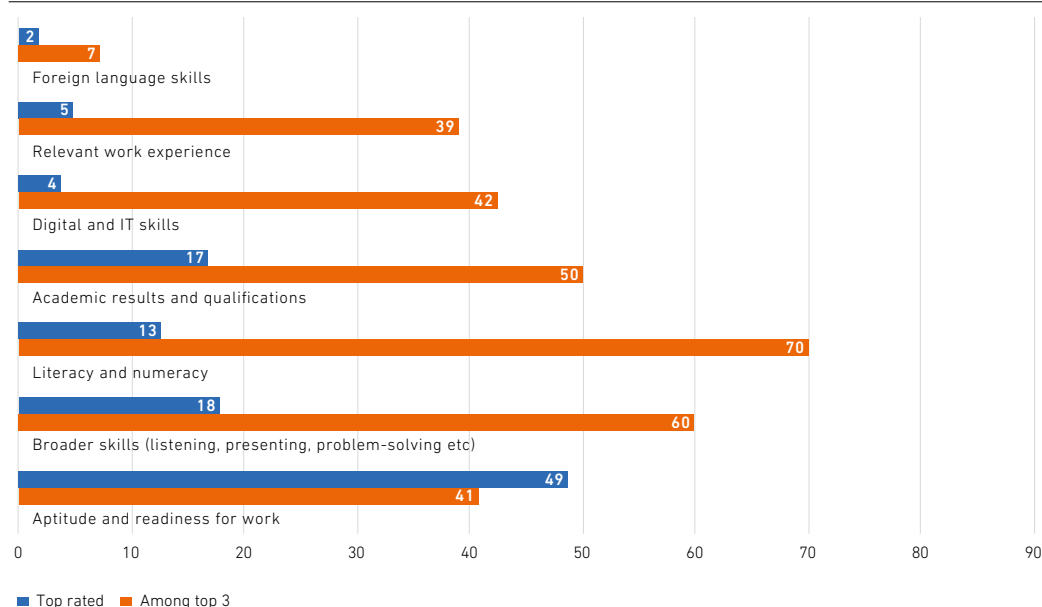
Exhibit 2.2

The SkillsBuilder Framework identifies 8 key skills needed for success in work and life. The Framework breaks these skills down into tangible behaviours and milestones, so teachers and other education practitioners can measure success for each student against these. Their employer framework can be used by any external organisation to support the development of programmes in schools with young people.

...and that view is held even more strongly among SMEs

Among SMEs, an even greater emphasis in recruitment of young people is put on those qualities and capabilities that are not necessarily reflected in formal qualifications. **(Exhibit 2.3)**. Factors rated as among the three most important overall are Literacy & Numeracy (70%), broader skills such as communication and problem solving (60%), and academic results & qualifications (50%).

Exhibit 2.3 Most important factors for SMEs in recruiting school/college leavers (%)



Employers' value qualifications primarily as indicators of achievement and ability

Although businesses attach greatest weight to wider attitudes and aptitudes when recruiting school and college leavers, qualifications remain important. By working towards, and securing, qualifications young people demonstrate the effort, capability and readiness to learn that businesses want to see in their employees. The likelihood of a young person becoming unemployed is higher if they have poor GCSEs, even among affluent households.³ And higher levels of qualification generally enable people to progress up the career ladder. The exact nature of qualifications matters much less to businesses when recruiting young people than the fact of their having applied themselves and shown the capacity to learn effectively **(Exhibit 2.4)**.

Nearly three quarters (74%) of the businesses we surveyed say they prefer a mixture of academic and technical qualifications or that they view all qualifications equally. Only one in eight (12%) prefers traditional academic qualifications such as GCSEs and A-levels. So there are many different routes into quality careers for young people. A similar pattern applies across SMEs, with only a small minority (12%) preferring to recruit young people with wholly academic qualifications (**Exhibit 2.5**).

Moreover, changes to GCSEs and the upcoming T-Levels programme will also add to the range of opportunities. GCSEs reform have already seen an increased uptake in STEM subject entries, particularly science. And the T-levels agenda (discussed in Chapter 5) looks set to renew prestige to a technical pathway post-16.

Exhibit 2.4 Qualifications preferred by businesses when recruiting school/college leavers (%)

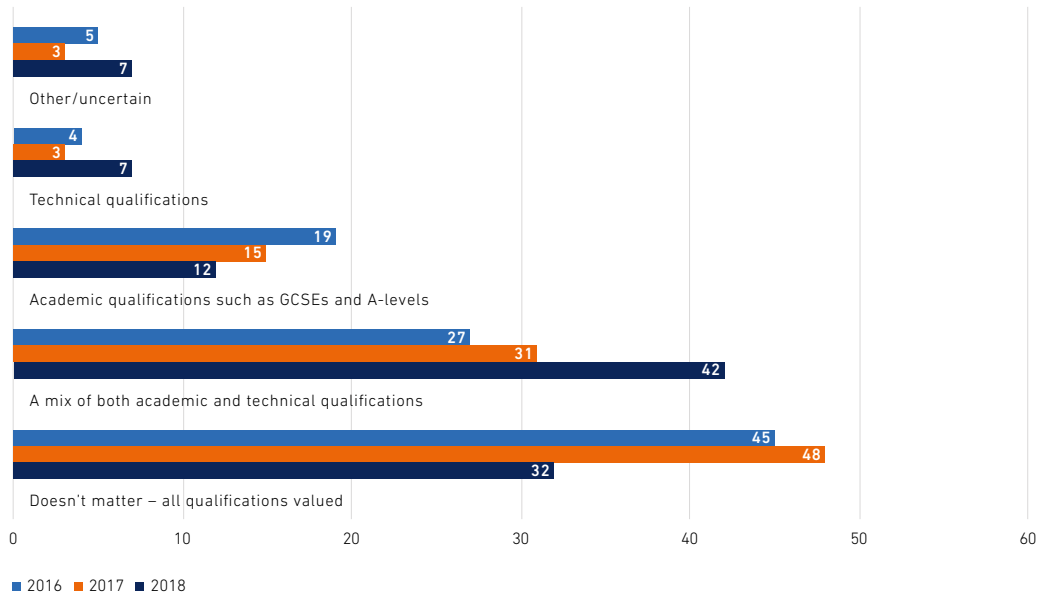
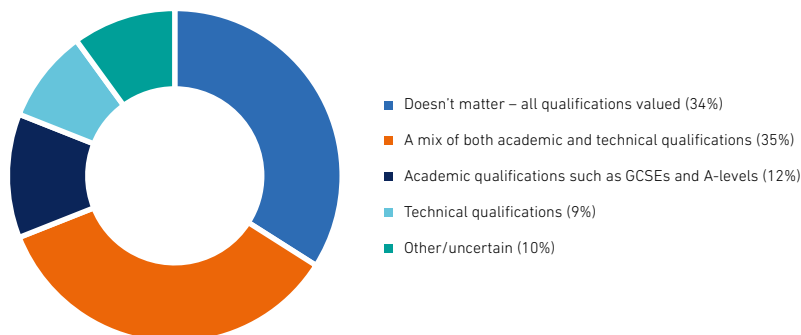


Exhibit 2.5 Qualifications preferred by SMEs when recruiting school/college leavers (%)



With employers most valuing readiness for work and broader skills, these are areas in need of improvement

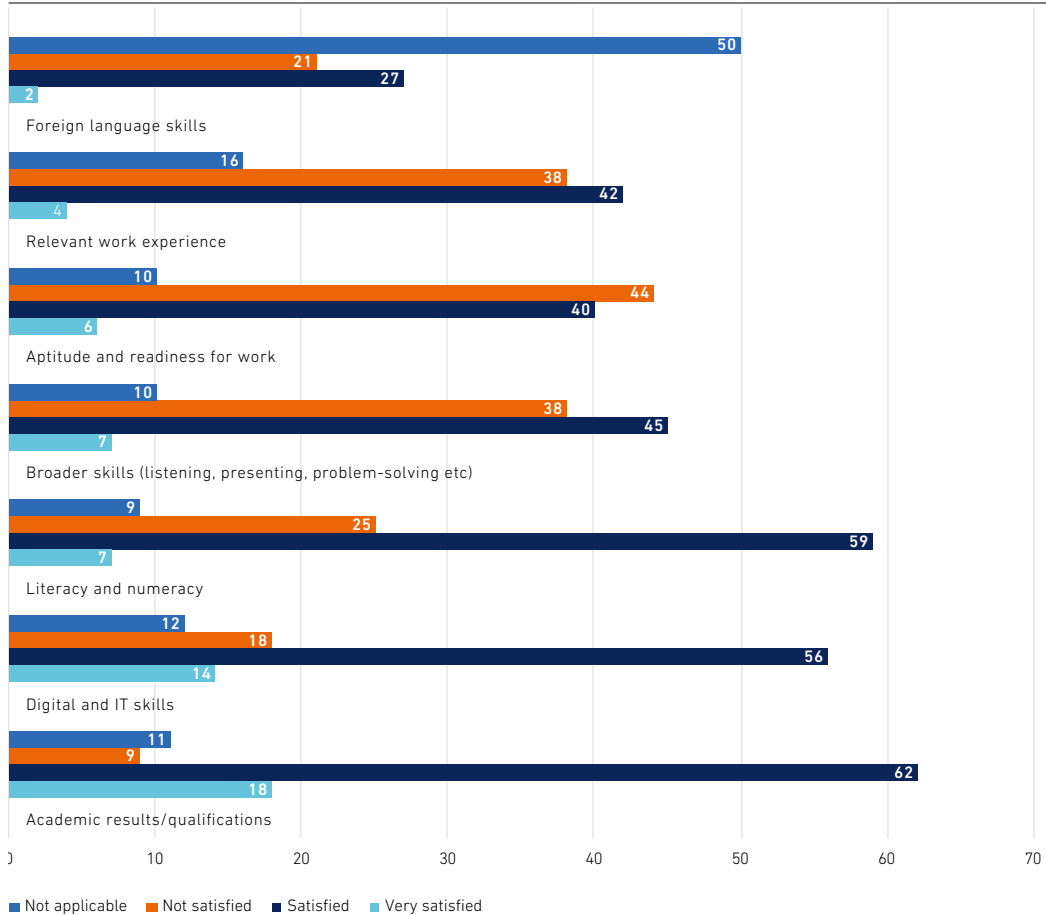
The great majority of businesses report that they are satisfied with the academic results and/or qualifications of young people who have applied for jobs during the past 12 months (**Exhibit 2.6**). Fewer than one in ten (9%) report dissatisfaction. This is an encouraging result. It is one that reflects the efforts of schools, colleges and other educational institutions as well those of young people themselves.

Levels of satisfaction with the digital and IT skills of young people are also at high levels, with 70% businesses citing satisfied or very satisfied.

Perhaps the biggest concern is that around two in five businesses are not satisfied with the aptitude/readiness for work of applicants (44%) and broader skills such as communicating and problem-solving (38%). Standards of literacy and numeracy are also a cause for concern, with one in four employers (25%) not satisfied.

Given that these are among the most important capabilities businesses look for when recruiting young people (**Exhibit 2.1**) action is urgently needed to drive up levels of attainment in these areas. Experience of the workplace can play an important part in the development of these qualities. But too many businesses are not satisfied (38%) with levels of relevant work experience among the young people applying to them for jobs.

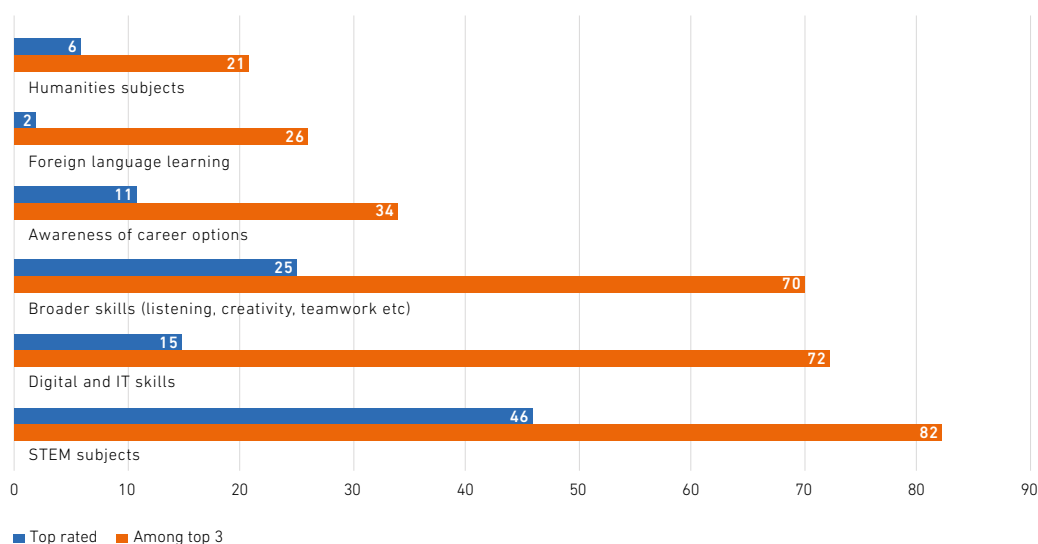


Exhibit 2.6 Employer satisfaction with school/college/university leavers' skills (%)

Businesses want to see a focus on STEM subjects and broader skills up to the age of 11...

While it is for schools and colleges to determine the best methods of teaching, the curriculum taught must equip young people to thrive in our future economy.

In the primary phase of education, up to age 11, most businesses want to see schools developing pupils' skills relating to science, maths and technology (**Exhibit 2.7**). More than four in five (82%) rank this among the three most important areas for action in primary schools, with almost half (46%) citing it their number one priority. Digital and IT skills together with broader skills such as teamwork, creativity and listening are also widely viewed across businesses as highly important, with seven in ten seeing these as among the three leading priorities (72% and 70% respectively).

Exhibit 2.7 Priority areas for action in primary schools (ages 5-11) (%)

...and the focus on STEM learning is mirrored in education priorities after age 11

For young people after the age of 11, businesses want to see a continued focus on STEM subjects and digital and IT skills (with 82% and 66% respectively rating these as among their top three priority areas for action in secondary schooling) (**Exhibit 2.8 & Exhibit 2.9**).

In particular, exposure to the hands-on application of STEM knowledge can help foster greater appreciation of its importance. And many young people would welcome a change of this type: even though many 15-year-olds are undecided about their future, 29% of students in the UK report that they expect to work in an occupation that requires further science training beyond compulsory education (higher than the OECD average of 24%).⁴

Broader skills also seen as a high priority. Well over half of businesses (61%) see these skills as one of the three most important areas in which schools and colleges should help young people develop. But almost equally important in this phase is raising awareness of career options (cited as among three most important areas for action by 55%). The shortcomings of careers advice arrangements are only too well known, so action to improve guidance, advice and inspiration is critically important.

Exhibit 2.8 Priority areas for action in secondary schools (ages 11-18) (%)

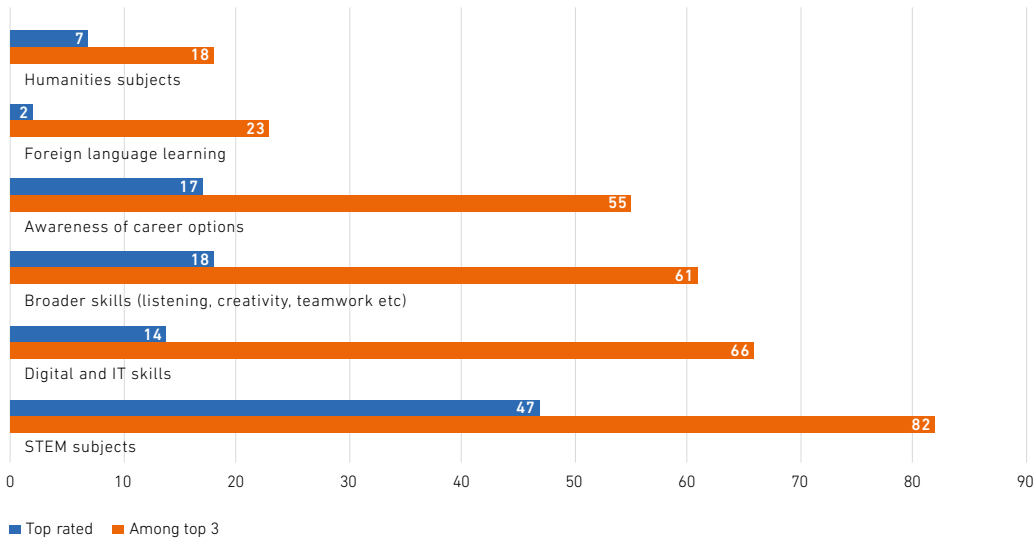
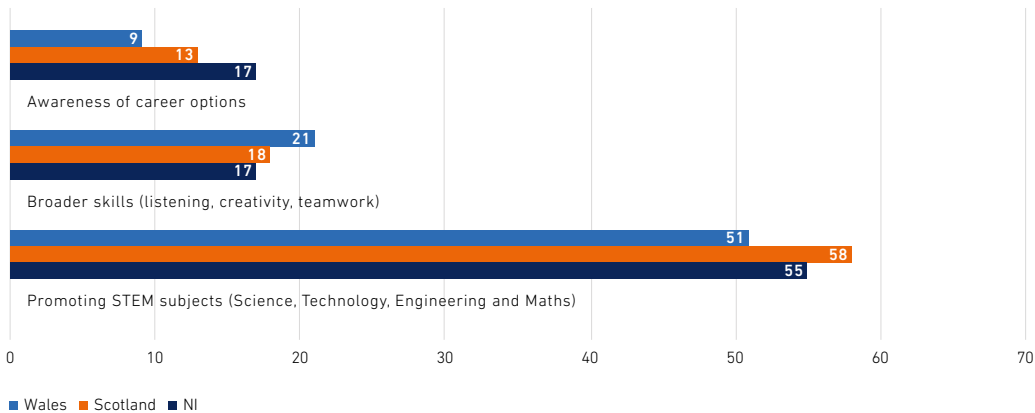


Exhibit 2.9 Areas for action cited as among the three top priorities in secondary schools (ages 11-18) in the devolved nations (%)



Brexit demands a new focus on foreign language skills...

Learning a foreign language can greatly benefit young people by providing exposure to other cultures, fostering pupils' curiosity and deepening their understanding of the world. There is much to be gained from being able to express thoughts in another language, including 'the language of business'.

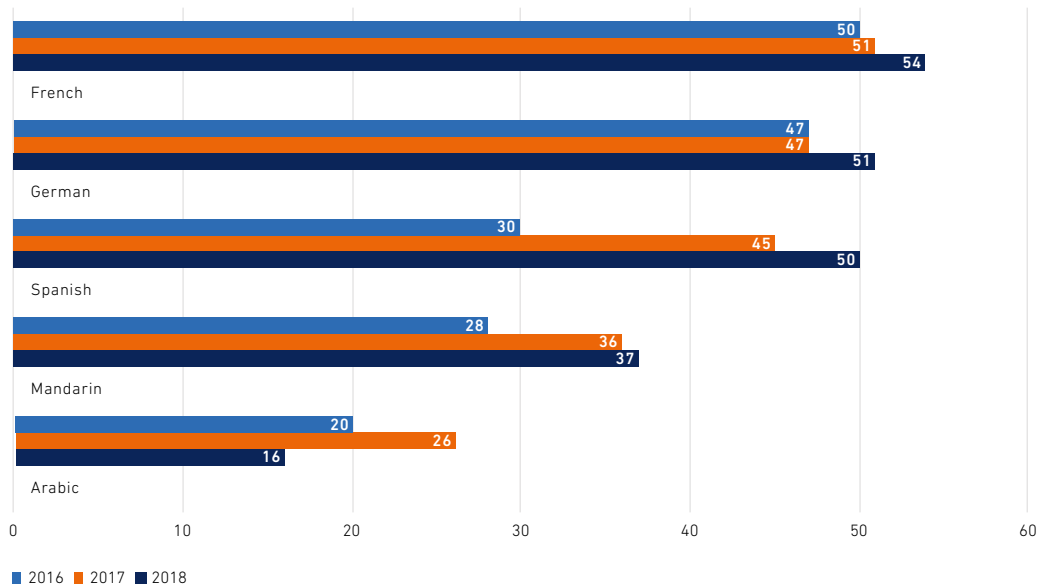
The need for languages has been heightened by the UK's departure from the European Union. To achieve the government's ambition for a 'Global Britain', we have to get language teaching in our schools right. The British Council predicts that the top five languages needed for the UK to remain competitive globally are French, German, Spanish, Mandarin and Arabic. If there is a lack of wider provision of foreign languages for children, UK business will suffer and will be unable to seize global opportunities effectively.

The building blocks of an effective language system are in place – languages are compulsory in schools at Key Stage 2 and 3, and study of a language is included in the English Baccalaureate (EBacc) which the Department for Education aims to have 75% of all pupils participating in by September 2022.⁵ Furthermore, the Department for Education have recently announced the creation of a national language centre and nine hubs, to drive improvement in the teaching of Spanish, French and German.⁶

However, this ambition rests on having teachers in place to deliver this ambition. Whether it's 75% by 2022 or 90% by 2025, finding the trained teaching workforce to deliver this remains a challenge.

...and the major EU languages remain in greatest demand

Our survey shows the major European languages are those most commonly mentioned as being in demand (**Exhibit 2.10**), remain led by French (54%) and German (51%), and Spanish (50%). The major European economies are still the largest export markets for British goods and are likely to remain so after Brexit. The growing demand for Spanish reflects its use both in Europe and Latin America.

Exhibit 2.10 Foreign languages most widely cited as useful to the business 2016-18 (%) *

* Based on businesses citing at least one foreign language as useful



The CBI has long pointed to the central importance of a positive attitude and broader skills such as resilience, communication, problem-solving and aiming high both at work and in life.



Recommendations

1. The government should set up an independent commission or taskforce to engage educators, industry and government in creating a vision for UK education, that would equip learners with the knowledge and skills required for success in work and life.
2. The Department for Education should place greater emphasis on “work readiness” behaviours and attributes both in and outside the classroom.
3. The Careers and Enterprise Company, in partnership with business organisations, should deliver a high-profile campaign to increase the number of employers engaging in both primary and secondary schools and colleges.
4. Education for pupils aged between 14 and 16 should be broad and balanced and provide students with the opportunity to study quality vocational options, as well as gaining core academic knowledge through formal assessment. This should be reflected through the KS4 (non-GCSE) qualification review. This will ensure that young people are able to make better informed decisions at 16, about whether to continue in education, take up an apprenticeship, or go in to full time meaningful employment.
5. School accountability measures should reflect the wider benefits to young people of a rich curriculum, and the development of broader behaviours and skills; these should be fully aligned to the new Ofsted Inspection Framework from September 2019.

Links between business & education remain strong, but progress has stalled

Effective school and college partnerships with businesses have a key role to play in raising levels of attainment and smoothing the transition to work. There is already a strong track record of co-operation, but it is essential that the momentum to expand and deepen links is not lost. There is plenty of scope to expand initiatives, but if these are to deliver their full potential it is important for both sides of the partnership to develop shared language and understanding. The establishment of careers hubs across England will support this but awareness of the range of ways firms can help is still too low, and the provision of careers advice needs urgent improvement.

Key findings:

- Links between businesses and schools and colleges are widespread, reported by close to three quarters of participants (72%)
- But our results this year suggest the previous upward trend in business partnerships with schools and colleges may have stalled and even edged backwards
- Those schools and businesses with established links are strengthening them as they gain more experience of their value: the balance of firms increasing their links with primary schools over those reducing them stands at +24%, rising to +43% for those linked with secondary schools and sixth-form colleges and +44% for those linked with FE colleges
- All our respondents with links to schools have ties with state-funded schools of various types
- The leading areas of activity by businesses are providing work experience/site visits (83%), offering information about apprenticeships and traineeships (70%), and giving careers advice and talks (68%)

- Gaps in understanding can act as obstacles to maximising the benefits of partnership. For example, less than half of businesses (46%) are fully aware of the new GCSE system and understand the grading arrangements
- Two thirds of respondents (65%) are willing to play a greater role in supporting schools and/or colleges, but they report barriers. These include inadequate guidance on how to make work experience and other encounters worthwhile for young people (48%) and the difficult, time-consuming processes involved around for example health and safety and DBS checks (47%).

While many businesses are connected with schools and colleges, there are signs of a drop in levels of engagement...

Businesses can help schools raise levels of ambition among young people and inspire them about opportunities available to them. They can also support their learning and show the value of specific subjects. Through their direct involvement, businesses can spread the message about the value of personal development for every young person alongside academic attainment. In colleges, businesses can play a particularly valuable role to help ensure the work-related nature of much of the learning the Further Education sector offers is geared to workplace demands.

Our previous surveys have shown high and rising levels of engagement by business with schools and colleges. But our results this year suggest the upward trend in business partnerships with schools and colleges may have stalled and even edged backwards (**Exhibit 3.1 & Exhibit 3.2**). While close to three quarters of participants (72%) in this year's survey report they have links of some kind with schools and/or colleges, this is lower than in 2017 (81%).

Among SMEs levels of engagement with schools and colleges has increased in the last 12 months (**Exhibit 3.3**). Well over half of SME businesses (59%) report having some links to schools/colleges – encouraging in itself – however this is lower than in previous years (2015 & 2016).

Exhibit 3.1 Employers linked with schools/colleges 2015-18 (%)

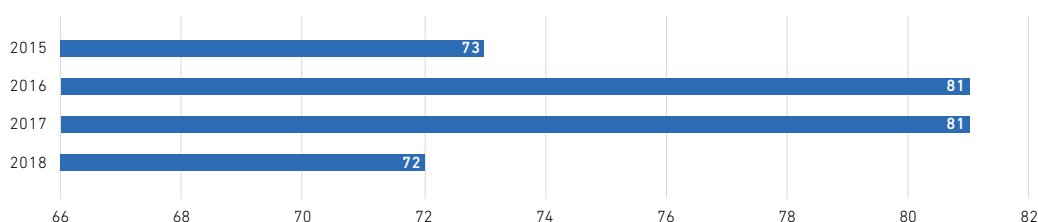


Exhibit 3.2 Employers linked with schools/colleges 2015-18 by nation (%)

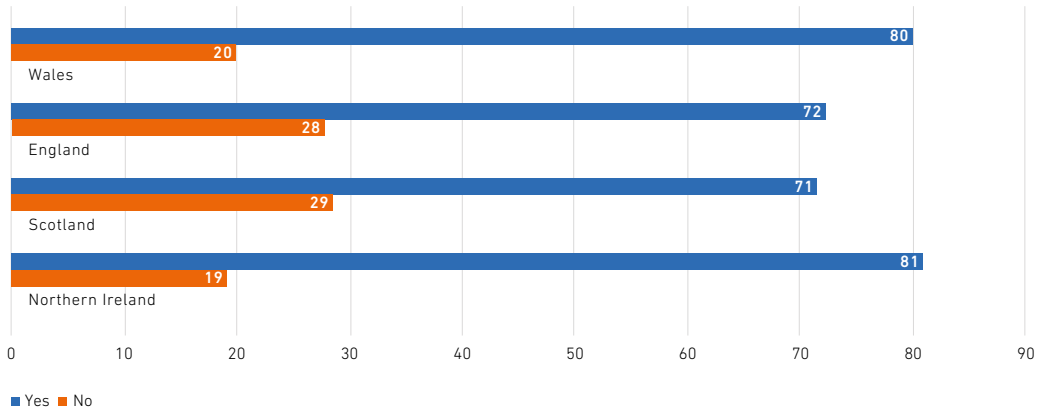
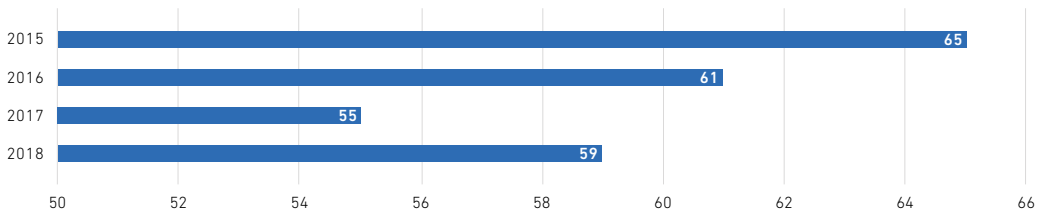


Exhibit 3.3 SMEs* linked with schools/colleges 2015-18 (%)



** Under 200 employees*

...and it is essential that the momentum for more and deeper engagement is not lost

The CBI has long argued that the value of engagement between business and schools and colleges is to their mutual advantage. Such engagement is above all important for young people themselves. Given this, all parties should be looking to resume the expansion and deepening of links that we have seen over recent years. There is no room for complacency

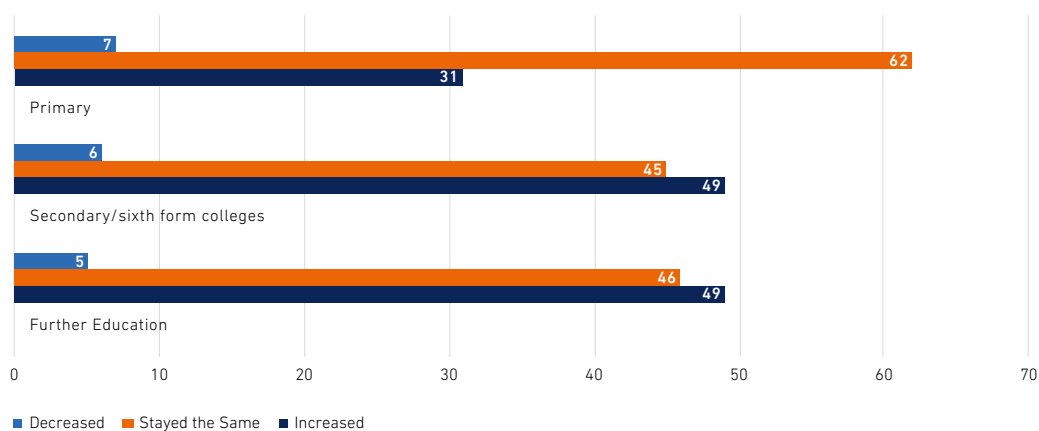
Existing links are being strengthened...

Those schools and businesses with established links are strengthening them as they gain more experience of their value (**Exhibit 3.4**). Nearly a third of employers (31%) with links at primary school level report they have increased their engagement over the past year, while just 7% have cut back. This means the balance of firms increasing their links over those reducing them stands at +24%.

The expansion of ties between businesses on the one hand and secondary schools and sixth-form colleges on the other is even more marked: a positive balance of +43% of businesses with links report increasing the scale of engagement over the past year. The scale of links with FE colleges has been stepped up on a similar scale (by a balance of +44% of those with links).

These are encouraging results. But they highlight the importance of ensuring that initial contacts between a business and a school or college receive the right backing on both sides to ensure the links become solidly established.

Exhibit 3.4 Change in scale of links with schools/colleges over past year (%)

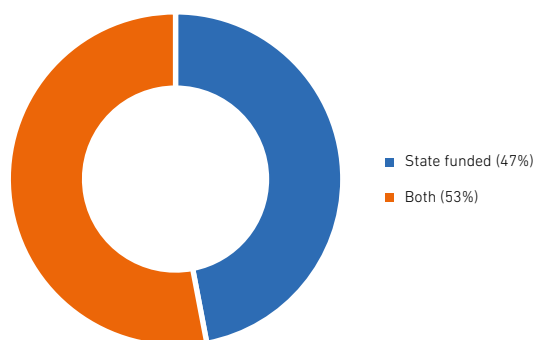


...and businesses are working with a wide variety of educational establishments

One of the challenges of social mobility is ensuring that young people attending schools in areas of deprivation do not miss out on experiences that can fire ambition and open their eyes to potential opportunities. Business ties with schools are a vital element in that process.

It is therefore encouraging that all our respondents with links to schools have ties with state-funded schools of various types (**Exhibit 3.5**). Close to half (47%) have links only with state-funded schools while just over half (53%) have some links to independent schools as well.

Exhibit 3.5 Type of schools businesses are linked with (%)

**Businesses are delivering a range of interventions in schools and colleges...**

Responses from our survey showed that business support for secondary schools and FE colleges is primarily focused on providing information on apprenticeships/traineeships for young people (70%) and providing work experience placements (83%) (**Exhibit 3.6**). This was closely followed by broader careers advice and talks (68%). These types of business involvement are essential if young people are to have a sound grasp of options and opportunities available, and of the skills and qualities that employers' value.

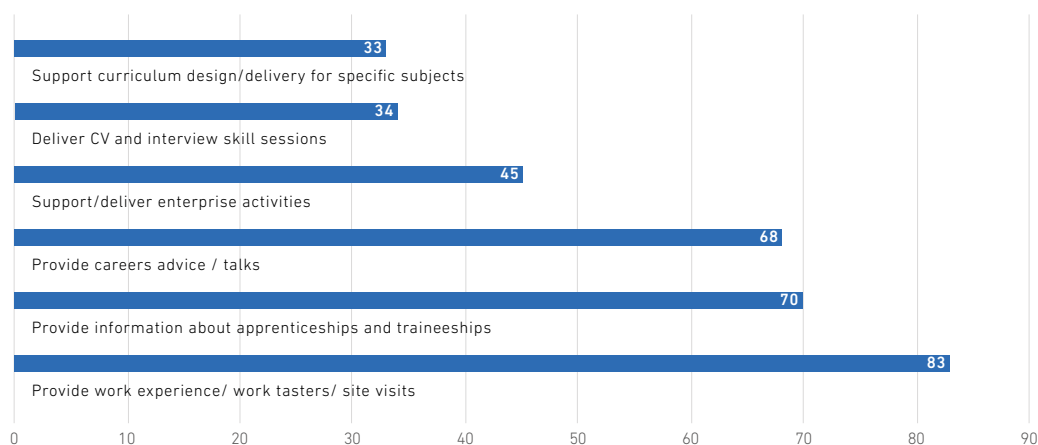
... but businesses also give other types of practical support to secondary schools

Supporting curriculum, development, and promoting study of particular subjects is an area of activity that has seen substantial growth in terms of business involvement with schools, with 33% of respondents citing their involvement. It also offers a real opportunity to bring the curriculum to life, particularly in STEM subjects.

This type of involvement is important to ensure that the content of programmes is aligned to the needs of employers and equips young people with the skills that will enable them to succeed.

School governance is another area where business involvement can have a real impact. Close to half of businesses (31%) report being involved in governance, for example, employees sitting as governors on school boards. Building a world-class school system depends on excellence in its leaders, backed and challenged by confident, supportive and capable governing bodies. This contribution is an important one as many schools find the recruitment and retention of highly capable governors is a serious challenge, particularly in some of the poorest areas of the country.⁷

Exhibit 3.6 Nature of employers' work with schools/colleges (%)

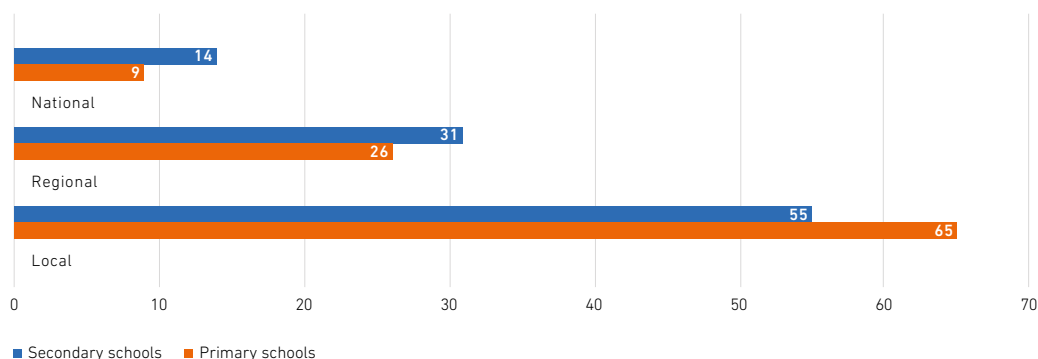


Most links to schools and colleges are forged at local level...

The links businesses build with schools and colleges are mostly forged at local level (**Exhibit 3.7**). This is particularly true for links to primary schools (65%) and secondary schools (55%). A local link can be particularly valuable in that there is a shared understanding of local issues and priorities. But it can place schools in the most deprived neighbourhoods – where pupils often have the most to gain from the type of inspiration and guidance businesses can offer – at a disadvantage if there fewer potential business partners available.

Business links with Further Education colleges are less focused on the local level (35%). Almost two in three firms with links to colleges build them at regional (39%) or national level (26%). This in part reflects that the links at FE level are often related to particular types of vocational programmes linked to different sectors.

Exhibit 3.7 Level of links to schools and colleges (%)*



* Based on those businesses with links

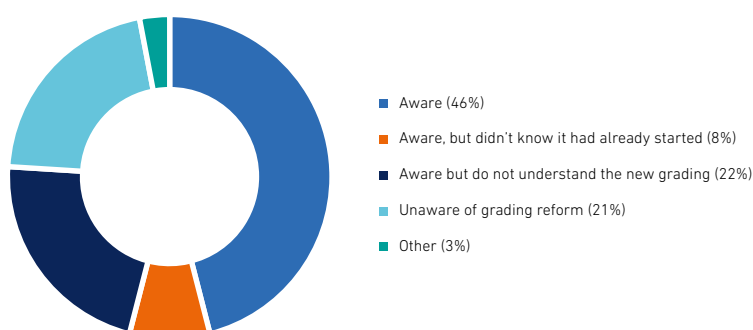
...but it is essential that businesses and schools share a common understanding of issues

For business partnerships with schools and colleges to work effectively, they must both share a common understanding of the issues and a shared language. All too often, jargon terms or gaps in understanding can act as obstacles to maximising the benefits of partnership.

A prime example is the change in GCSE grading in England (**Exhibit 3.8**). The new qualifications are graded 9-1 instead of A*-G, with 9 the highest grade. The new grading scale is intended to better recognise the achievements of high-attaining pupils and to give greater clarity over how young people perform in their exams.

Our results show less than half of businesses (46%) are fully aware of the new system and understand the grading arrangements. More than a fifth (22%) are aware that reforms are under way but do not understand the new grading structure, while a similar number (21%) report that they are unaware of the GCSE grading reform.

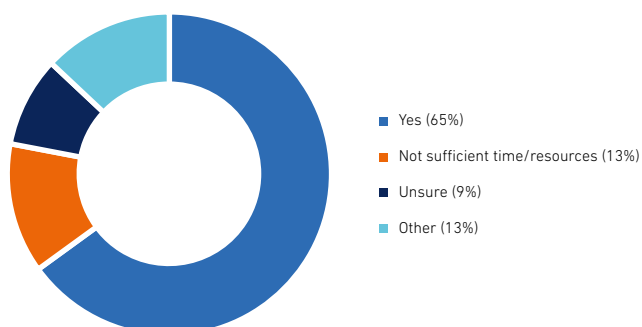
Exhibit 3.8 Awareness of new GCSE grading structure (%)



There are still substantial obstacles impeding growth in business links with education

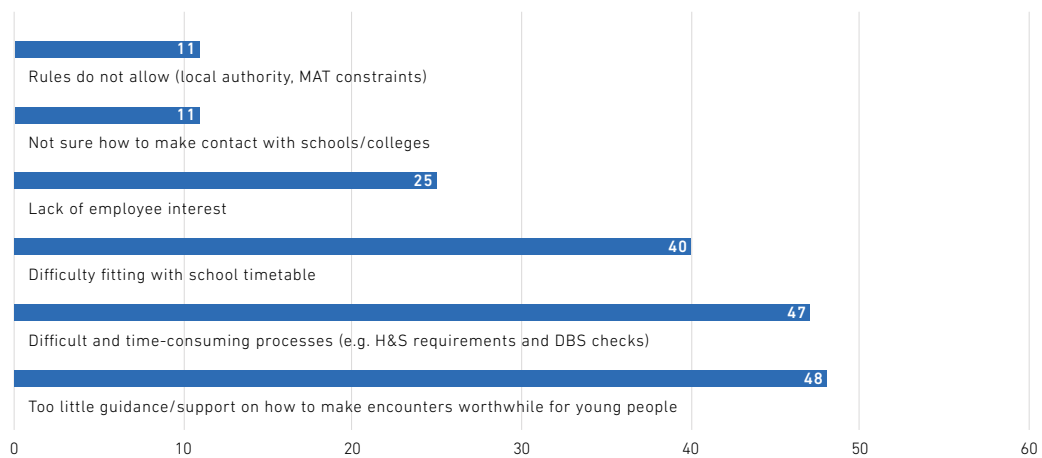
Two thirds of our respondents (65%) are willing to play a greater role in supporting schools and/or colleges (**Exhibit 3.9**). This applies among SMEs just as much as among larger firms (66% of SMEs would be willing to play a larger role).

Exhibit 3.9 Employers willing to play a greater role in supporting schools/colleges (%)



If this readiness to increase support is to be realised in practice, however, we must tackle the barriers holding back the development of links (**Exhibit 3.10**). The two leading obstacles – identified by almost half of businesses – are inadequate guidance on how to make work experience and other encounters worthwhile for young people (48%) and the difficult, time-consuming processes involved around for example health and safety and DBS checks (47%).

Exhibit 3.10 Barriers to building links with schools/colleges (%)



Both of these are areas where improvement is possible. The CBI has previously issued guidance⁸ to illustrate how work experience placements can be used to help develop employability skills among young people, but there is a need for more information and advice on business-school initiatives. Furthermore, the implementation of the work placements as part of the T-levels agenda will also require further thought if they are to reach their potential.

The third most commonly identified barrier is fitting work placements and other types of business involvement with the school timetable (40%). Given that a prime purpose of schooling is to prepare young people for life in the workplace beyond school, effective and varied links with business should support the process of learning rather than clashing with it. The implementation of T-levels will also require careful timetabling and coordination from schools.

Action to tackle these obstacles to the further extension of business ties with education should be a priority for the Careers and Enterprise Company (CEC). The CBI will continue to work closely with the CEC as it develops a regional infrastructure and increases employer engagement across the country (**Exhibit 3.11**).

Exhibit 3.11 Existing resources

The CBI and The Royal Society published a practical guide to support businesses in their STEM engagement with schools. The guide includes case studies of effective business-school engagement, to a register of brokerage organisations, Making Education Your Business establishes the building blocks to empower both business employees and teachers in developing effective, impactful business-school collaborations.

The CBI also published an employer practical guide with the Careers and Enterprise Company.

Recommendations

1. Business organisations, like the CBI, must produce more detailed guidance for employers to support their encounters with young people to ensure teachers and employers alike are aware of all the types of business support to schools.
2. Given that most business-school connections are made at a local level, government must ensure the Careers and Enterprise Company develops local networks and the infrastructure to support this.
3. Ofsted should recognise and reward schools which meet the Gatsby Benchmarks to improve career advice given to pupils.
4. The government should introduce dedicated careers leaders on the senior team in every school by 2020.
5. Make sure that young people have a better understanding of industry by ensuring they have at least one interaction each year with business as they progress through the education system.

Technical education is highly valued, but in urgent need of improvement

Businesses are keenly aware of the importance of investing in training and development. Firms of all sizes across all sectors are strongly committed to growing the apprenticeship brand. The Apprenticeship Levy was implemented to boost the high-quality training businesses and apprentices need, in practice however the outcome has been more nuanced. The Government has recognised the shortcomings of the policy, but the Levy remains in urgent need of reform for it to become effective.

Meanwhile, T-Levels present the opportunity to be a technical equivalent to A-Levels – a vital, missing link in our education system that employers have been calling for. But business, teachers, pupils and parents need to have confidence in T-Levels. The CBI will be working with the government and supporting the T-Level pilots in 2020 to help get this important reform working well.

Key findings:

- Businesses see apprenticeships as a valuable route to training and developing their future workforces, but many firms struggle to fill places: over half (59%) of respondents have experienced difficulty in recruiting apprentices or expect to do so in the next three years
- The number of firms operating apprenticeship programmes has shown a sharp fall since introduction of the Apprenticeship Levy (from 83% in 2017 to 70% in 2018)
- The Apprenticeship Levy has triggered widespread changes, with nearly three quarters of businesses (73%) reporting some impact
- While close to a third of firms have created new apprenticeship programmes (34%), increased apprentice places (32%), and/or reconfigured training into apprenticeships (31%), more than a quarter (26%) are simply absorbing the Levy as an added cost of doing business
- The biggest challenges posed by the Levy are the inflexibility of the funding rules (seen by 34% of businesses as the single biggest problem) and the lack of clear guidance and confusion about the rules and the system's operation (the biggest problem for 20%)

- The Levy offers opportunities to develop and upskill existing staff (seen by 30% as the biggest opportunity) and to extend apprenticeships into new areas of the business where these have not been traditional (19%), but radical change is needed to improve these opportunities
- The main changes that would boost business confidence in the Apprenticeship Levy are allowing use of Levy funds to cover a wider range of costs for training (59%), greater flexibility in spending the funds including their transfer and pooling (51%), and less bureaucracy to make the system more responsive and more user-friendly (47%)
- At this early stage in the development of T-levels, two in five employers (41%) think the T-level reforms are necessary as part of developing technical qualifications fit for future needs while a similar number (41%) are uncertain at this point
- Increasing employer understanding of and access to T-levels must be a key priority for government: our findings show that over four in ten employers (42%) were unaware of T-levels while under one in five (18%) reported being very aware of them
- Levels of awareness of the 45-day work placement element of T-levels are even lower, with two thirds (64%) of businesses largely or wholly unaware.

The Apprenticeship Levy is a major shift in skills funding

Since April 2017 businesses across all sectors have been paying a Levy at 0.5% of paybills above £3m a year to fund apprenticeship training, representing a major shift in skills funding. Our survey, conducted well over a year after the launch of the Levy, gives a clear picture of how employers are responding to the new system by adapting their training profiles. The results highlight the need for change if the new system is to yield the benefits it should.

Businesses are keen to support apprentices...

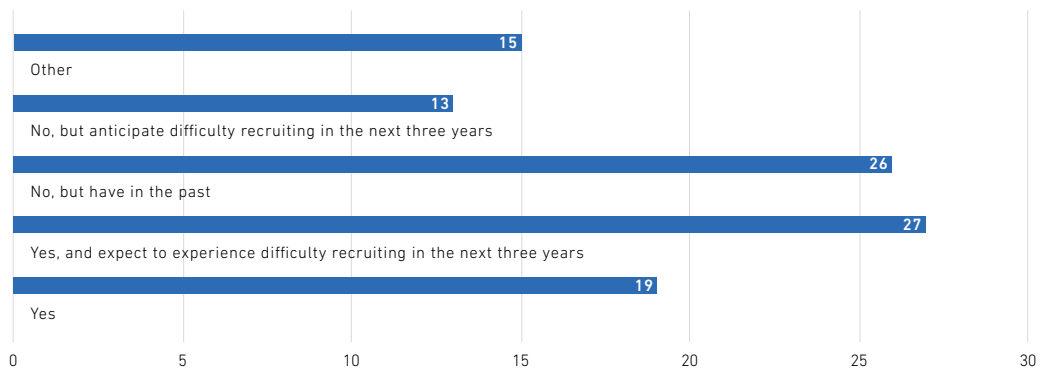
Apprenticeships offer an excellent route to great careers for people who want to work, learn and earn. Business has long been committed to apprenticeships, and this applies across firms of all sizes and across a variety of sectors. Given the rising demand for skills highlighted by our earlier findings (in Chapter 2), apprenticeships have an essential role to play in providing British businesses with the right combinations of people and skills they will need to succeed in the wake of Brexit.

...but apprentice recruitment is a challenge for many firms

When it comes to recruiting apprentices, our survey shows that many businesses struggle to fill places (**Exhibit 4.1**). Over half (59%) of respondents have experienced difficulty in recruiting apprentices or expect to do so in the next three years.

These are worrying findings. Work-based, relevant training apprenticeships can open up a huge range of opportunities for those who complete them. Unfortunately, many young people and their parents are still not aware of this when they make their choices, and teachers or career advisers may not encourage students to explore work-based learning routes. It is vital for young people to be signposted towards apprenticeships at appropriate stages of their education through good quality careers advice.

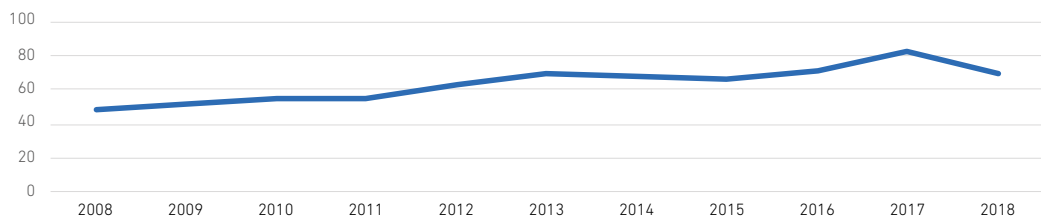
Exhibit 4.1 Organisations experiencing difficulty recruiting for apprenticeships (%)



The past 12 months have seen an alarming drop in apprenticeship starts

Our results show a marked decline in business engagement with apprenticeships amongst our respondents, with the biggest drop in a decade (**Exhibit 4.2**). In this year's survey 70% of organisations confirmed that they are involved in apprenticeship programmes, a fall of 13% from last year.

Exhibit 4.2 Employers involved in apprenticeships 2008-18 (%)



This result is broadly consistent with the macro picture painted by the government's own figures, with a downturn in intermediate apprenticeship starts in 2016/17 (**Exhibit 4.3**).

The fall in apprentice numbers can be attributed to business concerns about the Apprenticeship Levy. Committed apprenticeship employers, those with existing schemes and those looking to expand them, struggle to see how the Levy benefits their current training approach. Anecdotal evidence points to businesses withdrawing from apprenticeships or cutting back provision for a variety of reasons. These range from schemes being too time-consuming and bureaucratic to the right training not being available and/or concerns about its quality.

We are therefore some way from having a system that works to encourage companies to invest more in skills and training – and to deliver new opportunities for people to embark on their career or retrain. And to its credit, the Government has shown it is listening. The Government's recent commitments – to increase the amount of Levy that employers can transfer within their supply-chain to 25% and add extra capacity to the Institute for Apprenticeships to speed up the standards process – are what businesses have been calling for, and will help firms to scale up local provision.⁹

But more is needed. If the Levy is reconfigured in line with business needs, there could be big boost to skills development. The scope for growth is highlighted by our finding that even in the current climate, close to half of our respondents (48%) say they plan to expand their apprenticeship training programmes in the future (**Exhibit 4.4**).

Exhibit 4.3 Apprenticeship starts in England (000s) 2010/11 – 2016/17

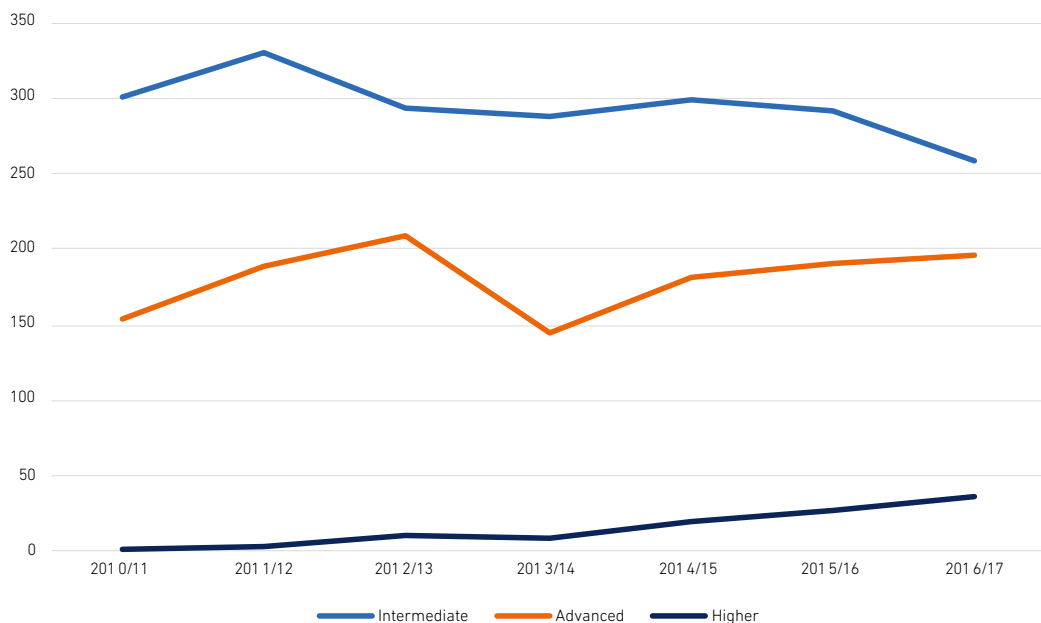
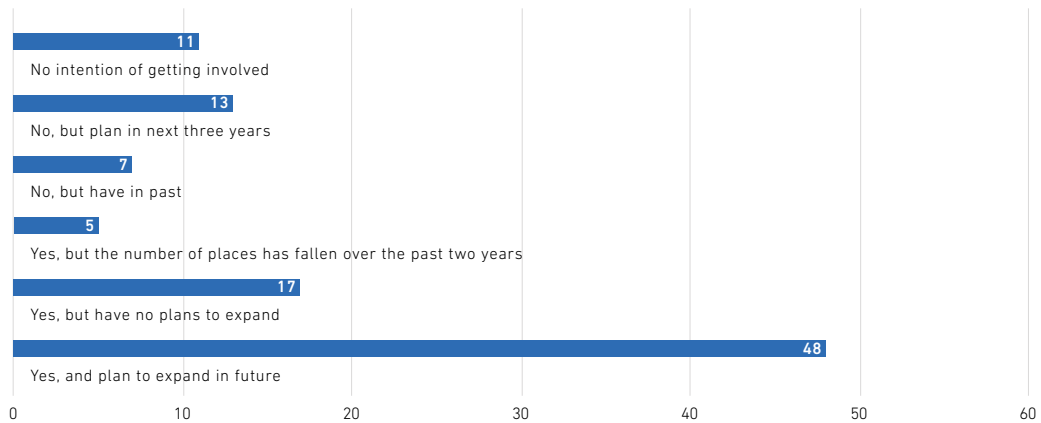
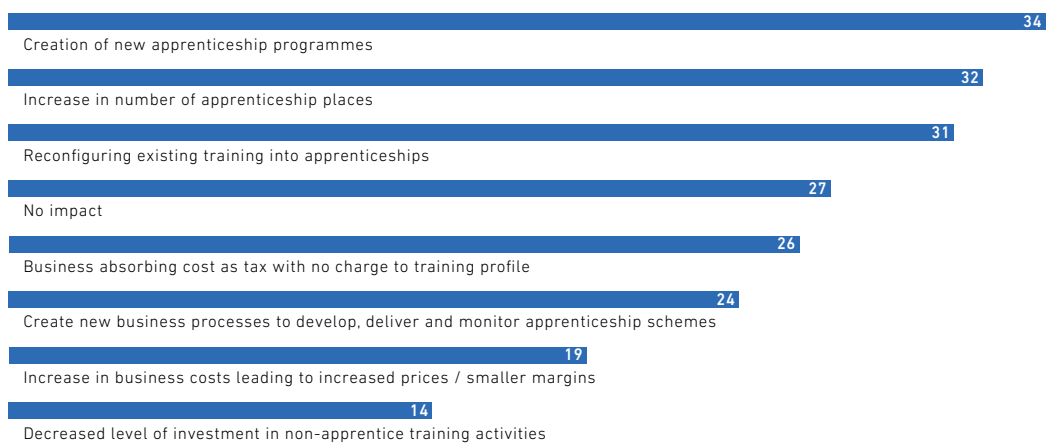


Exhibit 4.4 Employer involvement and plans for apprenticeship training schemes (%)


The Apprenticeship Levy is causing widespread concern among businesses...

The Levy has driven changes in behaviour as businesses look to maximise the value of their Levy funds. The policy has placed a focus on numbers rather than on the quality of programmes to meet existing skills gaps and future skills needs.

To build understanding of how the Levy is working in practice, we asked respondents about its impact on their business since its introduction. In all, nearly three quarters of businesses (73%) report at least some impact. Our findings show that many are struggling to make the best use of the Levy (**Exhibit 4.5**).

Exhibit 4.5 Impact of introduction of the apprenticeship Levy (%)


Responding to the narrow design of the Levy many employers are making changes to their training profiles. Three in ten businesses have created new apprenticeship programmes (34%) and/or increased apprenticeship places (32%), but these levels represent sharp falls from last year (in 2017, 58% and 46% respectively were making changes).

While close to one third of firms (31%) are reconfiguring at least some training programmes into apprenticeships, this again represents a steep drop from last year (63%). There have, rightly, been some concerns about the 'rebadging' of training as apprenticeships at the expense of other existing training, so giving a misleading impression of change in the scale of activity. Our results suggest there may now actually be less rebadging than expected. This may reflect the complexities and challenges posed by the Levy system.

Businesses are finding managing the Levy system and navigating its processes to be complex, given the impact it has on financial and people management. Nearly a quarter (24%) of respondents have created new business processes to develop, deliver and monitor apprenticeship schemes. More positively, the proportion of firms saying they are cutting back on non-apprenticeship training (14%) or reducing the number of graduates they recruit (9%) have both fallen sharply from last year.

More than a quarter of firms (26%), however, are simply absorbing the Levy as a cost with no change to their overall training profile. This is concerning, and it is consistent with the Open University's report which showed 92% of Levy funds (1.29bn) were not accessed in the first year.¹⁰

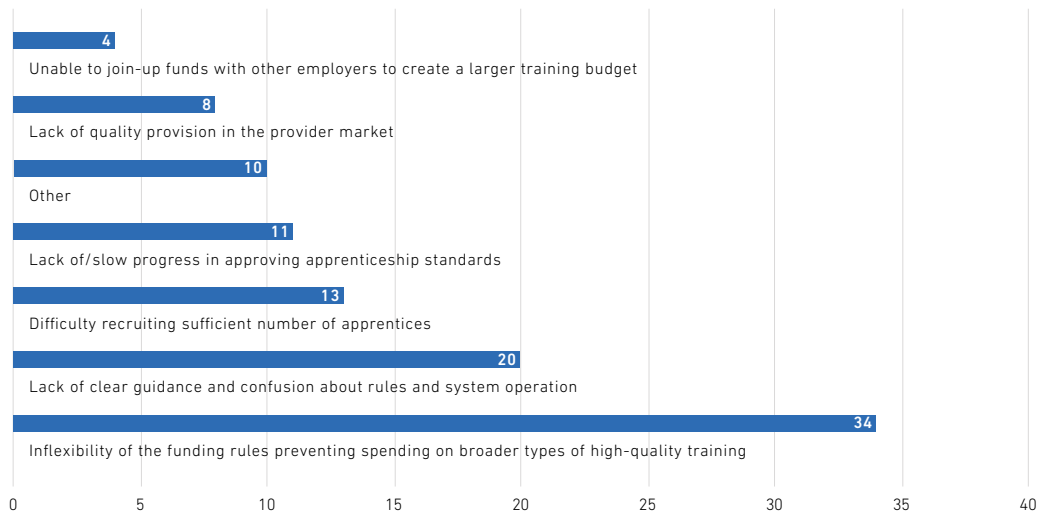
With the limited ability to recover their costs, many companies are being forced to fund the Levy from elsewhere in the business. There is also a clear risk to pay, with one in ten employers (10%) reporting downward pressure on wages as a result of the Levy. The Office for Budget Responsibility (OBR) estimates that the Levy will reduce aggregate wages by 0.3% by 2020–21.¹¹

These findings give a clear indication of how businesses are adapting. Revising the Levy so it becomes more flexible and responsive to employers' skills needs will be central to its success. To give the Levy the best chance of success it needs to build on what works and meet real business training demands – with skills outcomes as the primary goal.

...with the inflexibility of the system and lack of clear guidance being seen as key challenges

We asked respondents about the single biggest challenge they have faced since the Levy's introduction. The findings across all firms (**Exhibit 4.6**) underline issues the CBI has continually raised about the Levy system's design.

Exhibit 4.6 Biggest challenge for businesses in the first year of the Levy's operation (%)



Topping the list of concerns is the narrow definition of what the Levy can be spent on. More than a third of all respondents (34%) highlight the inflexibility of the funding rules as the single biggest challenge. More flexibility in the use of Levy funds, such as the ability for firms to pool their funds in their sector or region, and to use it for broader types of quality training, would help the system succeed.

Employers also struggle to understand the volume of complex information and rules underpinning the new apprenticeship system. One fifth (20%) of all businesses see the lack of clear guidance and confusion about the rules and the system's operation as their greatest challenge.

Many employers are now paying the Levy, but for more than one in ten the biggest problem is recruiting sufficient numbers of apprentices (13%) or the slow pace of progress in approving apprenticeship standards (11%). Some businesses (8%) also report their major headache is the lack of appropriate training provision in the market. For a more demand-led system to work providers – including FE and private training organisations – need to up their game. Effective provision that responds to demand, is focused on driving up quality, and that is linked closely with employers in the local area is vital to success.

A well-designed Apprenticeship Levy could have much to offer...

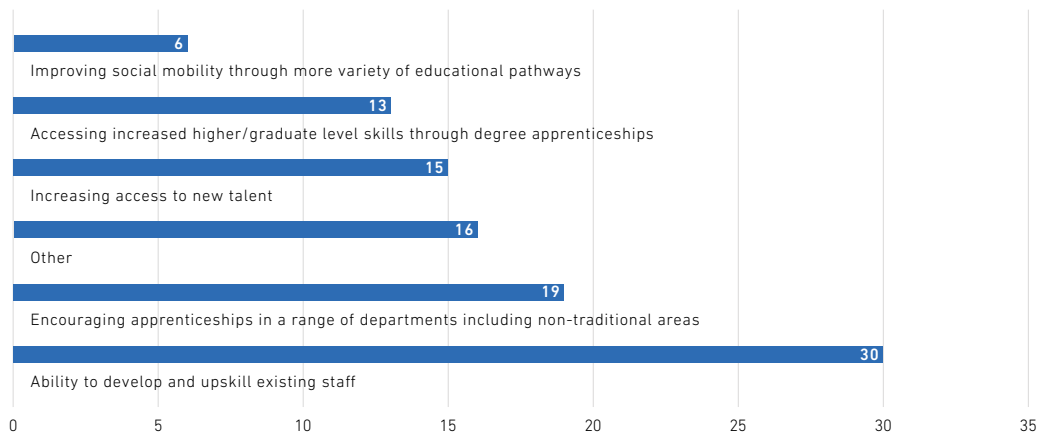
Employers have always said that they want to make a success of the Levy – despite the challenges of the current system. Our findings show that businesses as a whole do see some opportunities arising from the Levy (**Exhibit 4.7**).

Scope for upskilling is identified as the single biggest opportunity across all sizes of business, with three in ten (30%) identifying the chance to develop existing staff through new training. Many firms (19%) also welcome the opportunity to encourage apprenticeships in a range of departments across the business, including areas where apprenticeships have not been a traditional route.

Just 15% of employers identify increasing access to new talent through new apprenticeship schemes as the main opportunity, with almost as many (13%) pointing to the scope for degree apprenticeships to strengthen the supply of the higher and graduate skills needed for the future.

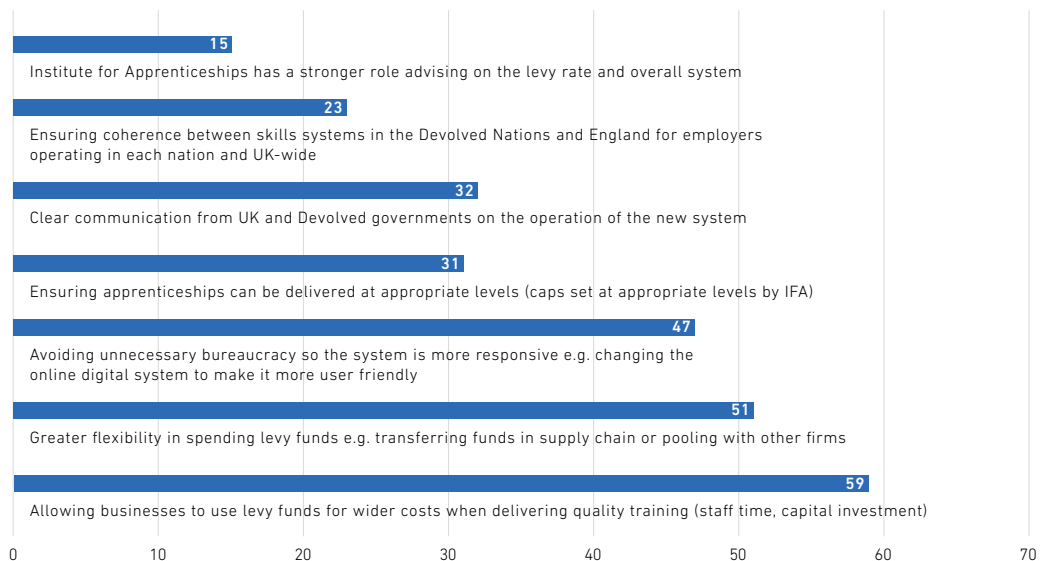
As the CBI's *In perfect harmony* report¹² highlighted, this shows the need for the Institute for Apprenticeships (IfA) to work with business to develop a set of success measures focused on improving quality provision alongside the ambition of growing apprenticeship numbers, with the body taking on a more strategic role as a market regulator with real teeth in the system.

Exhibit 4.7 Biggest opportunity for businesses in the first year of the Levy's operation (%)



...but the current system needs urgent reform

Tackling skills shortages is essential for the UK's future success and prosperity. Business wants to see an increase in quality apprenticeships and stands ready to work with the government to achieve this. We asked respondents about what changes would increase their confidence in the Apprenticeship Levy system (**Exhibit 4.8**).

Exhibit 4.8 Actions to increase confidence in the Apprenticeship Levy system (%)

Greater flexibility in the use of funds and cutting down on the bureaucracy around the Levy emerge as the key areas for change. Allowing businesses to use Levy funds for wider costs when delivering training (such as staff time or capital investment) is identified as the single biggest priority for businesses (59%). The narrow design of the current Levy – which only allows spending on off-the-job, externally delivered training – does not encourage greater investment from employers in skills training.

Allowing firms greater flexibility in spending Levy funds (such as transferring funds within their supply chain) is also high up the list of priorities, cited by over half (51%). Firms will therefore welcome the Government's announcement that firms will be able to transfer up to 25% of their funds from April 2019. The CBI has also proposed that firms should be allowed to pool and share their Levy funds with other firms.

Changes to develop a more user-friendly, responsive system which avoids unnecessary bureaucracy would also help to increase confidence in the Levy system (47% of respondents want to see this happen). This could include revamping the online digital accounts system to make it more user-friendly.

One in three (31%) employers highlighted the need for greater coherence between the skills systems in the devolved nations and England for the Levy to work properly. While the Levy applies to all employers in the UK, how the Levy money is spent in the devolved nations is the responsibility of the devolved governments.

The CBI repeated its call for urgent reform of the Levy in its Autumn Budget submission, prioritising quality, flexibility and ease-of-use. Changes of the type outlined above would greatly help increase business confidence in the Apprenticeship Levy system in the short-term. In the longer term, against the backdrop of Brexit, the Government should set out a clear long-term vision to introduce a flexible 'Skills Levy' post-2020. This should include life-long learning, and ensure business has ample opportunity to shape the system.

Launch of T-levels offers an opportunity for targeted, technical training post-16...

The CBI has long called for a high-quality technical route to sit alongside A-levels at age 18. The T-levels reforms currently underway present the opportunity to deliver this (**Exhibit 4.9**).

This is the first time the CBI/Pearson Education and Skills Survey has asked employers about T-levels.

Exhibit 4.9 What are T-Levels?

Applied generals currently provide a route to careers and often lead to Higher Education - either through a combined path with A-levels, or over time.

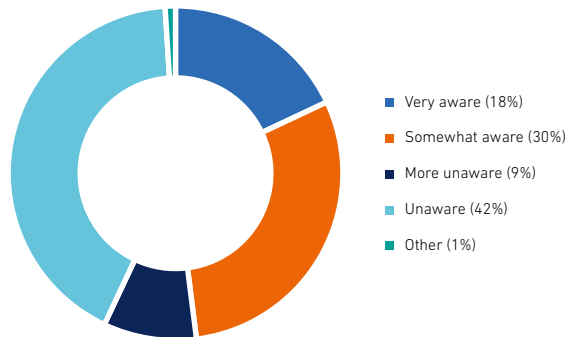
T-levels are to prepare a smaller group of students for a specific job in a specific occupation, and it is not yet clear how these will work alongside academic qualifications.

Under the reforms, there will be 15 T-level 'pathways', each linked to a group of professions. Students will study a two-year programme, including a substantial work placement and resulting in a high-quality qualification that sets learners up for further study, an apprenticeship, or employment.

...but employer awareness – both of the programme and the crucial work placement element – is a big challenge at this early stage

Making a success of T-Levels requires genuine employer engagement and co-design, so we asked respondents about their awareness of T-levels (**Exhibit 4.10**). While the first T-levels will not be delivered until 2020, it is worrying that over four in ten employers (42%) were unaware of T-levels. Increasing employer understanding of and access to T-levels, must be a key priority for government.

Exhibit 4.10 How aware businesses are of T-levels (%)

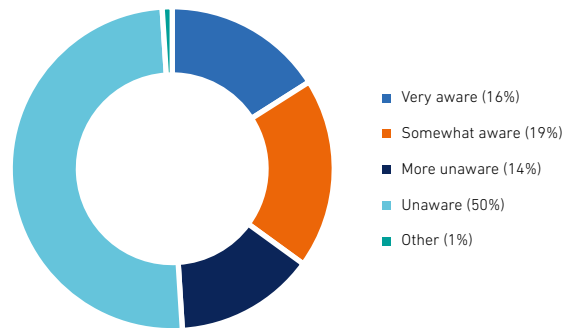


The T-level curriculum will include a 45-day work placement which students must complete with an employer. The CBI strongly supports these proposals for a structured quality work placement to form a core part of the T-level programme.



However, 64% of the employers we surveyed were unaware of the T-level work placement (**Exhibit 4.11**). We would want to see this number rise over the next few years as the full-roll out approaches.

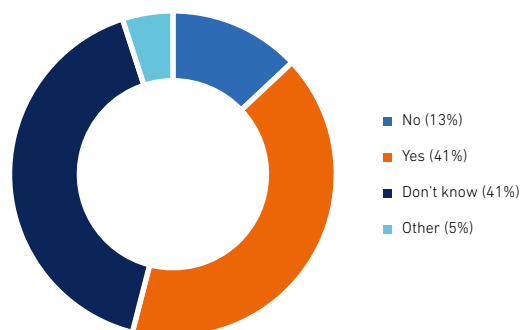
Exhibit 4.11 Business awareness of T-levels work experience element (%)



Employers stand ready to play their part in making this a success. But government must not underestimate the scale of the challenge ahead.

At this early stage, some two in five employers (41%) think the T-level reforms are necessary as part of developing technical qualifications fit for future needs (**Exhibit 4.12**). A similar number (41%) are uncertain at this point, but this reflects relatively low levels of awareness of the reforms (discussed below).

Exhibit 4.12 Views on the T-level framework for technical qualifications as a necessary reform (%)



The CBI will continue to work with the government as a member of the T-levels Stakeholder Implementation Panel to ease the programme's introduction. Establishing clear routes for employer engagement – particularly through the Institute for Apprenticeships – will be vital in making these reforms work for all and ensuring training is aligned to the needs of the economy.

The first three T-level pathways will be rolled out as pilots in September 2020, with all operating from 2023. The government has accepted the CBI's recommendations for smoother rollout in our Feb 2018 consultation response.

Furthermore, the review of level 4 & 5 education stated that any reform at these levels should follow implementation timeline of T-levels so that the first students on the programme will have a clear sense of progression after completion if they want to continue studying at the next level(s).

Additionally, delivery may be more problematic for specific sectors and businesses, such as small supply chain firms that may not necessarily be known to the Department or providers. Even for some more established sectors this is an issue. There are approximately 70,000 employers in the construction industry (those registered with the CITB), the majority of which are SMEs, and there is some concern about the sector's ability to satisfy the demand for placements. As it completes the pilot phase and moves into policy design, the Department should make a clear distinction between employers' and providers' responsibilities for providing placements.



Recommendations

1. The CBI would like to see urgent reform of the Levy based around three principles: increasing flexibility, ensuring quality and support SMEs. The Government should therefore:
 - Raise the transfer limit from 10% to 50% and pilot pooling to support supply chain training.
 - Make it easier for small business to access Levy funds by reducing the cap for SMEs from 10% to 5% or consider another way to reduce the burden on SMEs.
 - Ensure the Institute for Apprenticeships has the capacity to be a market regulator of the skills system, get in place all necessary apprenticeship standards within a year, and address pinch points in the system.
2. Set out a clear long-term vision to introduce a more flexible 'Skills Levy' post-2020, which encourages life-long learning.
3. Continue to work with businesses on the design and delivery of T-levels, including work placements, which will require new ways of working between businesses and schools.
4. Ensure T-levels are coherent with the existing education and skills system to ensure the right outcomes for learners, businesses, and the economy.
5. The 16-19 phase should offer young people a range of options allowing them to follow a purely academic curriculum (A Level), a broad career-focussed route, and more specialised options that allow students to prepare for a particular occupation (T Level).
6. Maintaining three quality pathways will allow sufficient choice for young people at 16, creating a range of options to enable them to go on to university, a higher or degree apprenticeship, or in to skilled employment. The Government should make sure these three quality pathways are maintained as part of the DfE's Level 3 review and the review of 16-19 funding.

Developing the higher education & skills system to meet future skills needs is critical for UK competitiveness

Education and skills are at the heart of economic prosperity and a fair society. A successful post-18 education system must be one which prepares all our young people, regardless of background, for the changing world of work. It must also provide the opportunity for those already in work to retrain and upskill so that they can continue to develop their skills. Shaping a world-leading education system that delivers the higher-level skills our economy needs must be founded on an effective partnership between business and our institutions of higher education and further education.

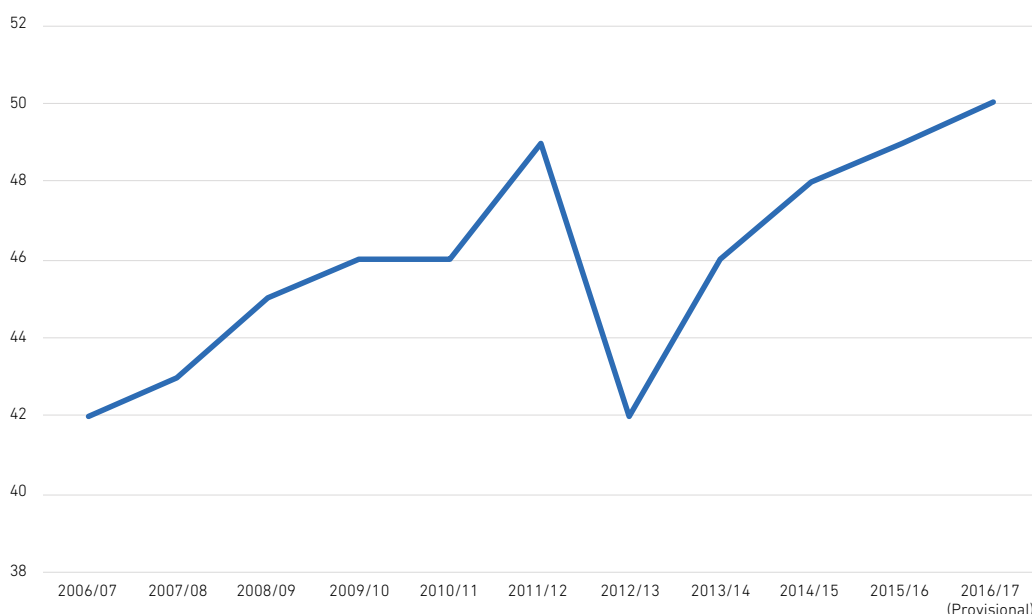
Key findings:

- The value of graduates to business is clear, with graduates having higher levels of employment, lower levels of economic inactivity, and higher levels of earnings on average compared to non-graduates
- Close to nine in ten (87%) of businesses that employ graduates have maintained or increased their levels of graduate recruitment over the past year
- For the sixth consecutive year, more businesses have expanded their graduate intakes than have cut back on graduate recruitment, cumulatively raising the number of graduate openings
- An overwhelming majority of businesses (79%) regard a 2:1 undergraduate degree (or above) as a good measure of academic ability, but it is important to recognise that the attitudes and aptitudes that enable graduates to be effective in the workplace are the most important factor for employers when recruiting
- More than half (54%) of those firms with ties to higher education have increased their engagement over the past year, with just 6% cutting back
- The upward-shift in skills demand, with increasing demand for higher skills, means there is more to do to ensure levels 4 and 5 qualifications are developed on the scale and in flexible forms that fit with business demand as well as open progression routes for individuals.

The high demand for graduates reflects the value of their skills

The proportion of young people in higher education has climbed to record levels (**Exhibit 5.1**).¹³ In 2016–17, there were 2.3 million students studying at UK higher education institutions, an increase of 2% on the previous year.¹⁴ In the context of fewer young people, the 241,500 18-year olds who were accepted onto full time undergraduate higher education courses in 2017 represents the highest proportion of 18-year olds on record (50%).¹⁵

Exhibit 5.1 The Higher Education Initial Participation Rate (HEIPR) for the academic years 2006/2007 – 2016/2017

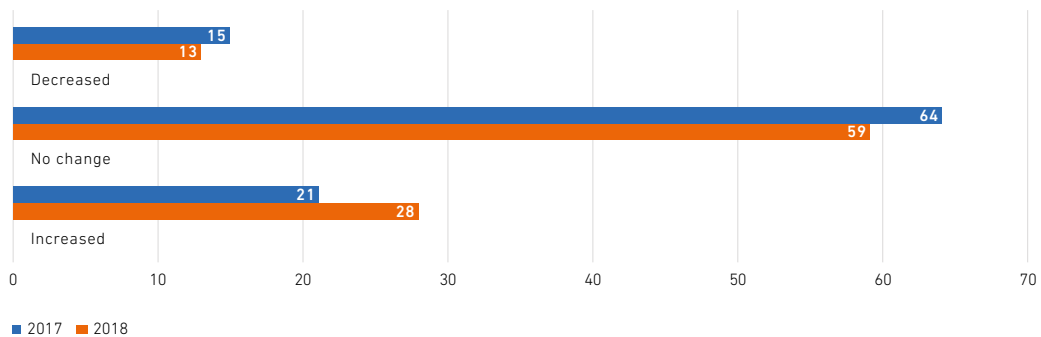


The growth in numbers in higher education is welcome. The value of graduates and postgraduates to business is shown by their consistently high employment rates, well above those of non-graduates. In 2017, over 87% of working-age graduates and postgraduates were in employment compared with 71% of non-graduates.¹⁶ Graduates and postgraduates also enjoy large earnings premiums compared to non-graduates, even when the costs of fees, loans and taxes are considered. On average, working age graduates in 2017 earned £10,000 a year more than non-graduates, while postgraduates earned £6,000 more on average than graduates.¹⁷ These higher levels of average earnings reflect the value-added impacts generated by those holding higher education qualifications and help demonstrate that a good degree is a worthwhile investment, both on the part of the government and students. Provided they are equipped with the right attitudes, skills and knowledge, there are excellent career prospects for graduates.

More graduate job opportunities are opening up...

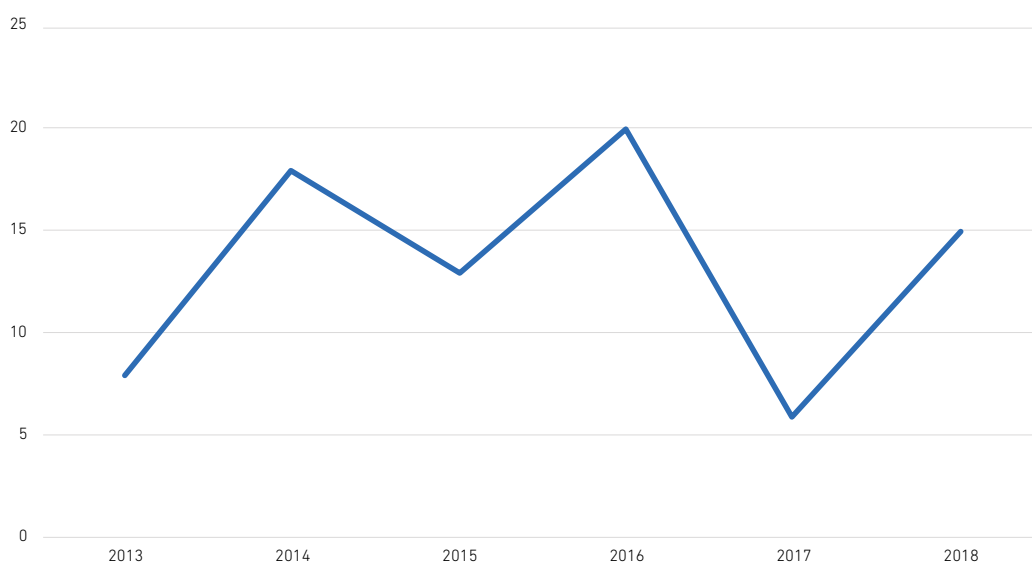
Our survey results show that graduate recruitment has continued to run at high levels over the past 12 months (**Exhibit 5.2**). Close to nine in ten (87%) of businesses that employ graduates have maintained or increased their levels of graduate recruitment over the past year. Only 13% of businesses have cut back on graduate recruitment while more than one in five (28%) increased their graduate intakes, giving a positive balance of +15% increasing graduate recruitment. This represents a marked rise in the positive balance of greater graduate recruitment compared with 2017, when the balance stood at +6%.

Exhibit 5.2 Changes in levels of graduate recruitment (%)



...building on the expansion of recent years

The expansion in graduate openings in the past 12 months builds on an established pattern of sustained growth in graduate recruitment year by year (**Exhibit 5.3**). Our surveys have consistently found more businesses expanding their graduate intakes than cutting back, cumulatively raising the number of graduate openings. This year's positive balance of those growing their graduate recruitment over those reducing represents a significant increase from last year's low of +6% showing that, despite the higher education sector facing questions over value for money and graduate outcomes, there are plenty of openings for those coming out of higher education.

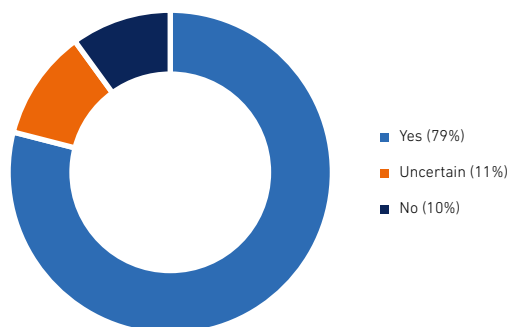
Exhibit 5.3 Positive balance of businesses increasing graduate recruitment* (%)

** Firms reporting increased recruitment minus those reporting decreased recruitment*

Businesses still see a 2:1 degree as a good measure of ability...

Since 1995, the proportion of students awarded either a First or 2:1 degree has increased from 47% to 75%, leading to worries about 'grade inflation'.¹⁸ It is certainly important that qualifications should be a consistent measure of effort and ability. But our findings show that at present the great majority of employers retain confidence in the grades awarded (**Exhibit 5.4**).

We asked respondents whether they still consider a 2:1 undergraduate degree to be a good measure of academic ability. Nearly four in five businesses (79%) gave a positive reply, with just one in ten (10%) considering a 2:1 is no longer a good measure of academic ability.

Exhibit 5.4 Views on a 2:1 undergraduate degree as a good measure of academic ability (%)

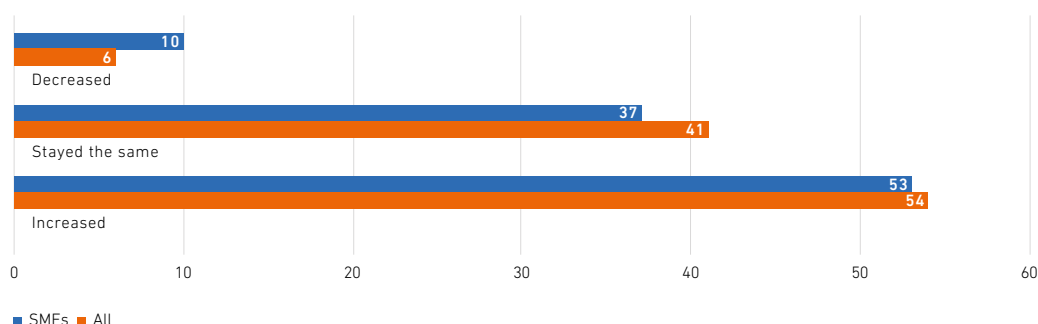
...but employers are also looking for the right attitudes and aptitudes

The emphasis on degree class and worries about changes in benchmark standards should not obscure the importance of other considerations when businesses are recruiting graduates. Over the years, our research has consistently shown that the attitudes and aptitudes that will enable graduates to be effective in the workplace rank ahead of formal qualifications.¹⁹ Students and higher education institutions must not lose sight of the importance of all-round development.

Business engagement with universities is important for both parties

If higher education is to produce a steady supply of graduates and postgraduates with the skills, knowledge and qualities to fill the high-skill roles of the future, businesses need to be closely engaged. Partnerships between universities and business are already well established in many fields and they are essential for an economy founded on skills and innovation.²⁰

Encouragingly, our survey shows that the vast majority of those businesses with existing links to universities have maintained or increased the scale of those ties over the past year (**Exhibit 5.5**). In all, more than half (54%) of those firms with ties to higher education have increased their engagement, with just 6% cutting back. Among SMEs there is a broadly similar pattern, with over half (53%) reporting increased engagement and just one in ten (10%) decreasing it.

Exhibit 5.5 Change in scale of engagement with universities over past year (%)*

* Based on those with some established links

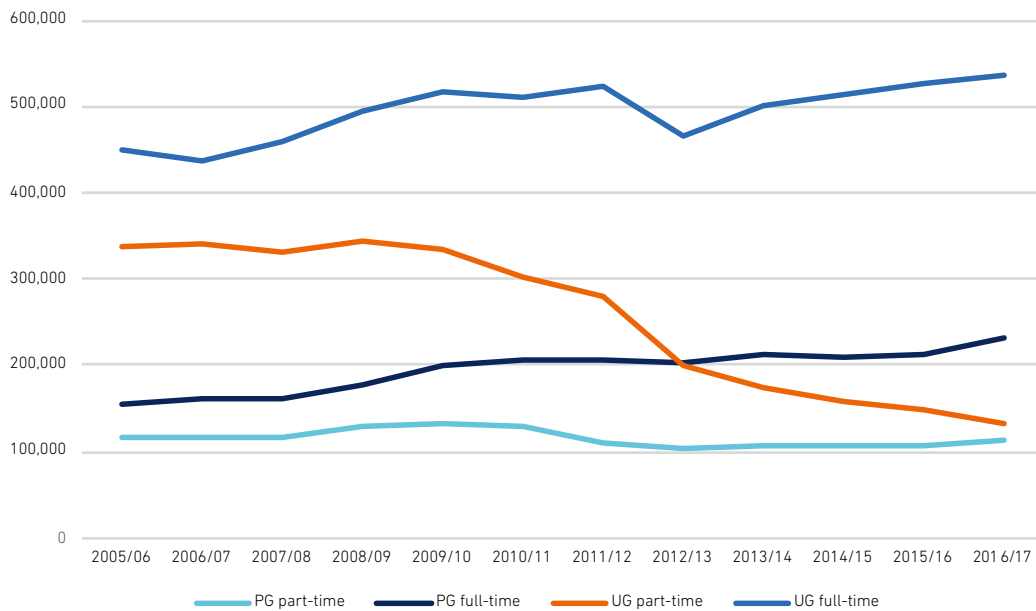
Alongside our world-class higher education system, we need to create additional routes to higher skills...

The changing occupational structure means that by 2024 almost half of all jobs will require workers who have completed some form of higher education (level 4 and higher, though not necessarily at level 6).²¹ This could take many forms, such as a foundation degree, a higher apprenticeship, a Higher National Certificate (HNC), or a Higher National Diploma (HND) in a college or university.

The expansion of higher and degree apprenticeships is part of the solution, but there is more to do to ensure higher technical skills at levels 4 and 5 are developed on the scale needed by business and in flexible forms to open up progression ladders for individuals. Business is deeply committed to working with government on this critical but underdeveloped part of the system. Fixing the market in part-time study should help with the recovery in 'sub-degree' provision as most of this type of learning is designed to be studied whilst in employment.

and the decline in part-time students demonstrates the need for flexible learning opportunities

As our economy develops, and the world of work changes, providing additional routes to high skills is of increasing importance. Yet, over recent years, there has been a substantial decline in the number of part-time students and growing recognition that the higher education sector needs to provide more flexible routes into higher skills (**Exhibit 5.6**).²²

Exhibit 5.6 First year students by level and mode of study between 2005/06 and 2016/17

As research by the Sutton Trust has shown, part-time study in England has collapsed over recent years, with numbers falling by 51% between 2010-2015.²³ This matters not just for businesses who require people with a higher-level education to raise productivity or adapt to economic change, but also for the individual, for whom studying in later life is often an important chance for personal development or to change careers.

That is why the CBI has been supporting Universities UK (UUK) on a project looking at how the UK's productivity could be improved through greater flexible learning opportunities in higher education. The findings of this project are clear. We need to raise overall levels of education and skills in the workforce and meeting the future needs of our economy will rest on our ability to widen access to higher level education. Central to this will be the role of our universities and reforming the Apprenticeship Levy so that it can be evolved into a more flexible 'Skills Levy' so that it can cover a wider range of training, including more flexible study.

The Post-18 Education and Funding Review is an opportunity to look at the entire tertiary system

With the government currently undertaking a review of the post-18 education and funding system, the higher and further education sector is facing a period of considerable uncertainty. With many of the building blocks for an effective system in place, the review must recognise and build on these successes.

Our universities are already at the heart of making the Industrial Strategy work through the skills, innovation and entrepreneurialism they drive. Maintaining this contribution – which is underpinned by a fair and sustainable funding system that balances the cost of higher education between graduates and taxpayers – must be an important priority for the review. Alongside this, it is also important to recognise that the relationship between further and higher education, and academic and vocational, is not as clear-cut as is often made out. With a significant amount of higher education delivered within colleges, and the best colleges and further education providers delivering technical and vocational education, the review must avoid driving an artificial divide between different parts of our post-18 system.

If the UK is to thrive post-Brexit and develop an effective industrial strategy, it is critically important that we are not starved of the high-level skills on which our future prosperity depends. Rather than holding back progression, we need to focus on unblocking the pipeline to higher level skills – regardless as to whether these are provided through colleges, universities, or on the job training.

Recommendations

1. Protect the social and economic contributions of our world-leading universities by preserving the income-contingent loan system.
2. Widen access to higher education by focusing any reforms to student finance on the provision of maintenance support to disadvantaged pupils.
3. Improve the provision of higher technical education by developing a nationally stable, locally-led system.
4. Through the post-18 education and funding review, the government should ensure funding is sufficiently flexible to enable people to study throughout their life at whatever time, pace and location suits them, while improving information about different routes, both academic and technical, to help learners make an informed choice.
5. Build on the existing partnerships between the further and higher education sector to create a more joined up tertiary education sector.
6. With the post-18 review of education and funding and the Level 4&5 review reporting next year, we call on the Government to promote greater awareness of all higher education options. To support this funding must be allocated and targeted effectively so that it meets the needs of all learners at all stages.

There is an increasing urgency to re-skill the existing workforce and instil a culture of lifelong learning

Technological advances and automation are increasingly changing the nature of work. In response, businesses across all sectors and of all sizes have to think differently about how they develop their workforces. While it has been common practice to encourage employees to continue learning and developing throughout their careers, it is now becoming a necessity to upskill and retrain employees to stay competitive. Technology will bring new jobs but displace others. Businesses will need to incorporate a culture of lifelong learning to provide training and development opportunities that meet the demands of the future.

Key findings:

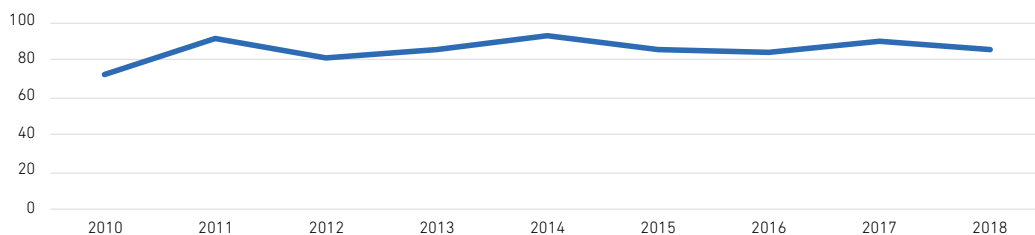
- More than four in five businesses (85%) will be maintaining or increasing their investment in the year ahead while only (15%) plan to cut back
- Nearly two thirds of firms (62%) expect to retrain at least some employees to take up new roles in the year ahead: well over half of those businesses identifying a driver for the retraining (60%) report that the introduction of new technologies or new services lies behind the need to retrain and the same proportion (60%) highlight development of new products and services
- Even more businesses expect to upskill employees in their current posts, with nearly nine in ten (87%) anticipating upskilling employees in their current roles during next 12 months
- The single most common driver behind upskilling is the need for employees to acquire new skills/knowledge to raise productivity (reported by 74%) followed by the introduction of new technologies or services (63%)
- Most training is delivered by business itself (39% of all training), but over two-thirds of businesses (71%) make at least some use of an external training provider

- Among businesses using FE colleges, the balance of firms satisfied with their performance stands above +50% in relation to the quality of the trainers/assessors (+61%) and the relevance of course content (+57%), but is markedly lower in relation to costs (+40%) and responsiveness to the firm's training requirements (+43%)
- On most measures of satisfaction universities are rated as surpassing FE colleges by those organisations that use them to deliver training programmes, but the main area of dissatisfaction among businesses using universities is the cost of programmes (with a balance of only +33% satisfied)
- A balance of more than +85% of those businesses using private providers view the relevance of the programme content as satisfactory and on the measure of overall responsiveness to the organisation's training requirements, private providers are rated as satisfactory or better by a balance of +81%
- Among respondent firms identifying specific factors holding back investment in training, more than half point to lack of funds and the costs of training (53%) followed by the lack of appropriate training or qualifications (39%)
- There are also practical barriers within businesses themselves: more than a third (38%) point to the difficulty of releasing employees from their day-to-day activities so they can take part in training and a similar number of businesses (37%) face a problem finding a provider who can deliver when and where training is needed.

Businesses recognise the ongoing need to develop and upskill their workforces

We asked respondents what impact the current economic climate will have on their plans to invest in the training and development of staff over the coming year. Encouragingly, more than four in five businesses (85%) will be maintaining or increasing their investment in the year ahead (**Exhibit 6.1**). This has been the pattern every year since 2011.

Exhibit 6.1 Employers planning to maintain or increase training and development investment (%)



Overall our results show nearly a third of firms (32%) plan to increase their level of investment, while only one in six (15%) plans to cut back, giving a positive balance of +17% intending to increase their training and development investment (**Exhibit 6.2 & Exhibit 6.3**). This investment in adding to skills is not just because businesses have always done this.

Exhibit 6.2 Employers' intentions for training and development of staff (%)

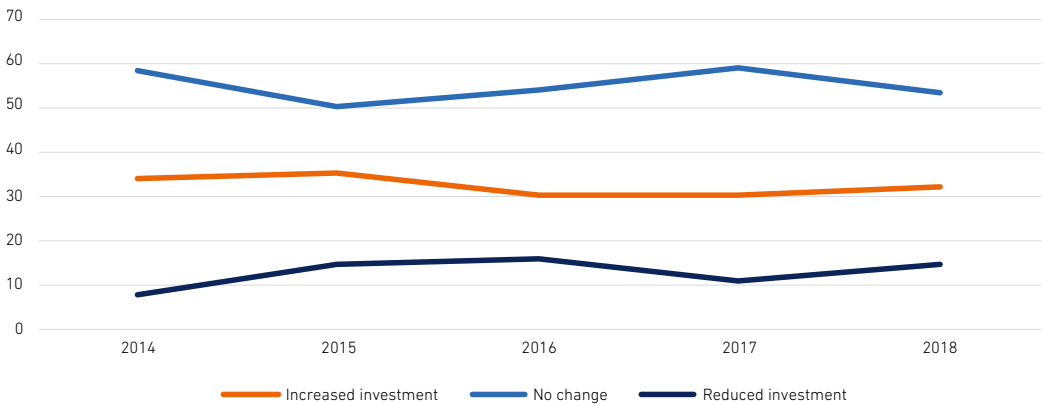
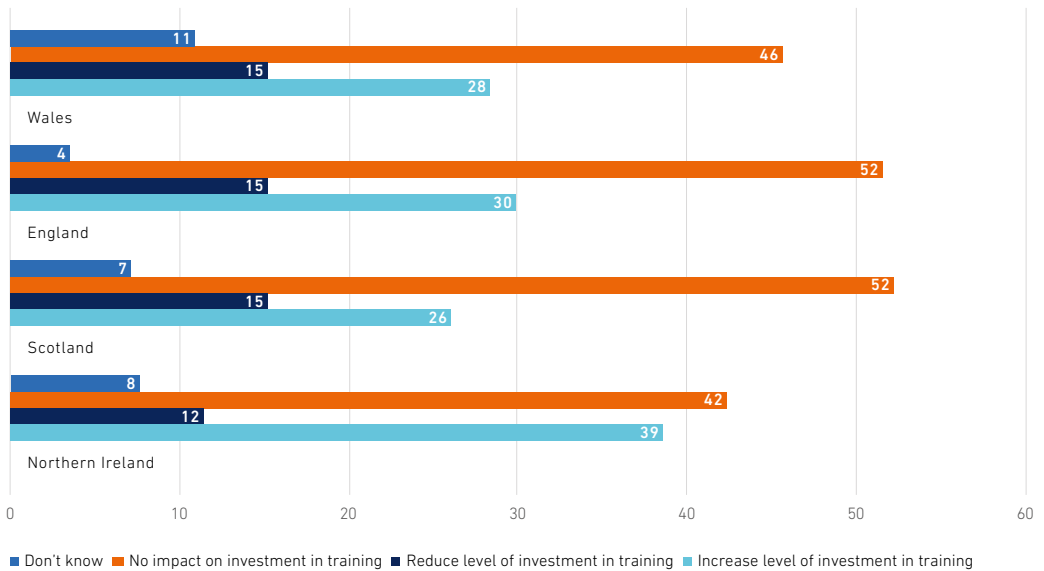


Exhibit 6.3 Employers' intentions for training and development of staff by country (%)



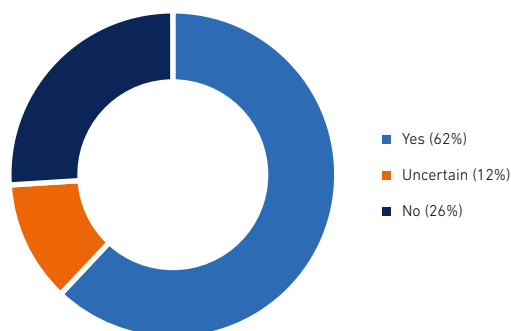
...with support from Government

The Government has recognised the urgency of change and has taken steps to support this. The CBI is pleased to be a strategic partner in the National Retraining Partnership, which was announced in the Spring Budget last year, alongside the TUC, HM Treasury, and the Department for Education. The Partnership has supported the Government to start designing a scheme aimed at supporting vulnerable parts of the labour market and offering support and guidance for retraining. The National Retraining Scheme (NRS) represents an opportunity to make a significant contribution to the futures needs of the economy and labour market, but it cannot be the only offer for adult learners. The scheme should build upon and complement existing careers guidance and provision.

Most businesses expect to retrain employees to take up new roles in the coming year...

Nearly two thirds of businesses (62%) expect to retrain at least some employees to take up new roles in the year ahead (**Exhibit 6.4**). For many, these new roles and jobs will represent career progression. For others, retraining for new posts will safeguard their employment by adapting to technological and market changes.

Exhibit 6.4 Businesses expecting to retrain employees for new roles in next 12 months (%)

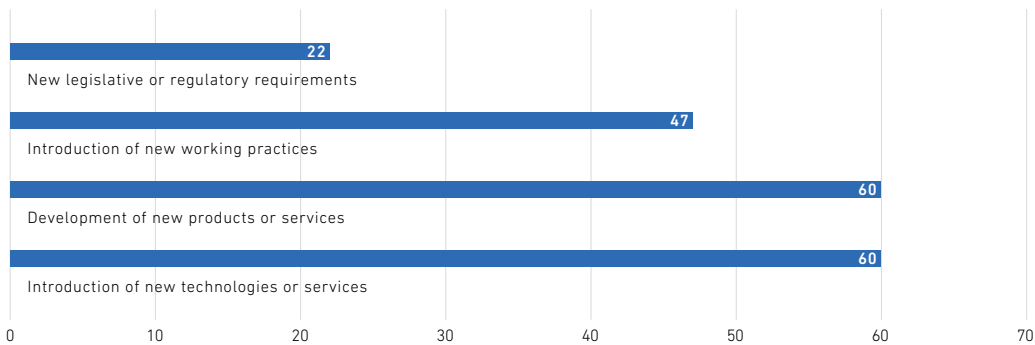


...with the push coming from introducing or developing new technologies or services

Well over half of businesses report that the introduction of new technologies or services is behind the need to retrain employees to take up new posts (60%) (**Exhibit 6.5**). The same proportion (60%) highlight the development of new products and services as a driver, with close to half also reporting the introduction of new working practices (47%). All of these rank far ahead of legislative or regulatory requirements (22%) as a factor in driving retraining.

These results show how fast the jobs and workforce structures of established businesses are changing. And the pace of change is likely to accelerate in the years ahead. These changes will open up new opportunities for progress, but it will be essential that businesses maintain their commitment to investing in the development of the skills of individual employees, so they can move into these new roles.

Exhibit 6.5 Factors driving retraining of employees (%)*

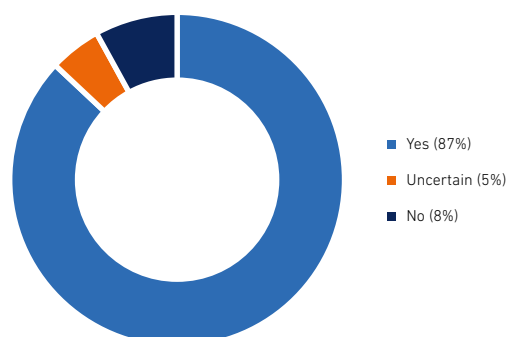


** Based on those identifying one or more factors*

Even more businesses expect to upskill employees in their current posts

Businesses see potential in their workforces to adapt with the times and develop in their roles by learning additional skills or supplementing existing ones. This type of upskilling is essential if businesses are to respond to competitive pressures and to safeguard jobs.

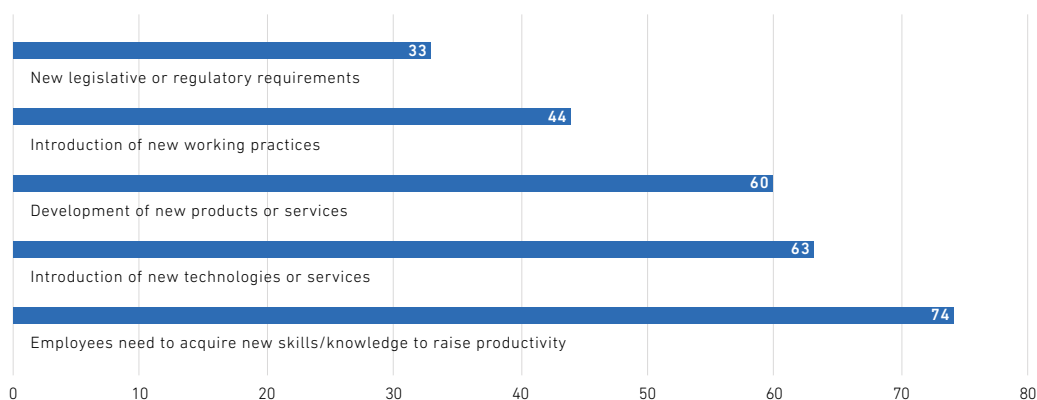
Our results show nearly nine in ten businesses (87%) expect to upskill employees in their current roles during next 12 months (**Exhibit 6.6**). And the push for upskilling is just as strong among SMEs, with 85% anticipating that at least some employees will need to upskill in their current role. While there is a responsibility on employers to help people keep their skills up to date and relevant to their evolving jobs, there is a corresponding responsibility on individual employees to be ready to learn. An organisational culture and an individual mindset of continual learning and growth are both essential to success.

Exhibit 6.6 Businesses expecting to upskill employees in current roles in next 12 months (%)

Raising productivity and adopting new technologies and services are lead drivers of upskilling

The single most common driver behind upskilling (**Exhibit 6.7**) is the need for employees to acquire new skills/knowledge to raise productivity (reported by 74% of those businesses identifying a factor). This is an encouraging finding given the stagnation in productivity over recent years. It shows business is well aware of the challenge and acting in response to it.

More than half of businesses reporting on the factors driving upskilling point to the introduction of new technologies or services (63%) or the development of new products or services (60%). Innovation in these forms is essential if businesses and their employees are to gain and maintain a competitive edge. Developing the skills of employees in their current roles so new working practices can be introduced (cited as a driver of upskilling by 44%) also plays an essential part in raising productivity and improving services.

Exhibit 6.7 Factors driving upskilling of employees (%)*

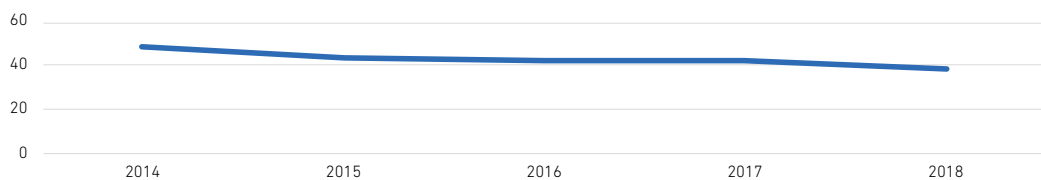
* Based on those identifying one or more factors

Business itself is the biggest provider of training

Most training is delivered by business itself (**Exhibit 6.8**). In only one in ten firms (10%) is three quarters or more of their training and development activity delivered by external providers.

Training by the business itself has the great benefit that it can be tailored to exactly the needs of both the organisation and the individuals concerned. This is likely to make it more than effective than a standard or adapted programme of training not originally designed for the specific business concerned. On the other hand, designing and delivering training makes substantial demands in terms of time, resources and skills that most businesses do not have readily available to meet all their workforce needs. This is where external providers come into their own, delivering 39% of training overall across our respondents.

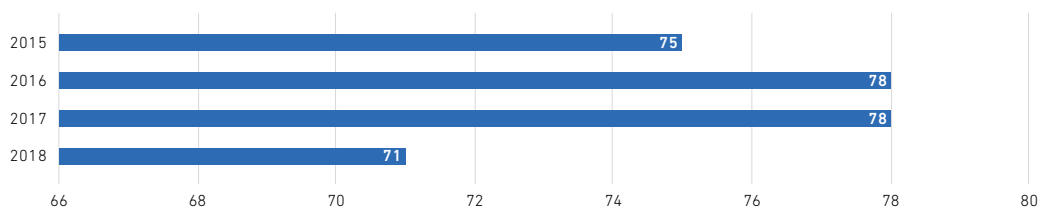
Exhibit 6.8 Proportion of training delivered by external providers (mean %)



Businesses draw on varied sources of expertise for skills development...

The great majority of businesses (71%) draw on external providers to provide at least some training and development support (**Exhibit 6.9**). These can bring experience, expertise and resources to the delivery of training programmes that are not readily available within the business.

Exhibit 6.9 Businesses making use of external training providers (%)



Providers vary from private and specialised firms, to further education colleges and universities. Where there is a good relationship between a business and a training provider the employer is able to influence the course content and delivery of the programme so that it stays as job-relevant as possible. Business relationships with universities are becoming more prevalent, particularly due to the expansion of degree apprenticeships. Recent apprenticeship reforms have ensured even greater employer engagement through trailblazers, putting them at the heart of the process of create quality apprenticeship standards.

...and this is a time of particularly rapid change

Alongside apprenticeship reforms to standards, the Apprenticeship Levy has created a new market for firms to buy training. As new standards are created, providers across the country will need to respond to local employer demands and deliver the training that employers need. Employers also have to adapt to the new market and adjust to negotiating differently. It may be that some existing relationships between employers and providers will naturally end, particularly if the provider does not offer the specific training that a firm needs, but many more new relationships will be formed.

Another consequence of the recent changes is that more firms will look to deliver training, particularly apprenticeships, in-house rather than use an external provider, as shown by the decline in firms using external training providers (from 78% in 2017 to 71% in 2018). As the demand for skills rapidly changes, this allows a firm to maintain control of the training programmes and means they don't come unstuck if a local provider does not deliver a particular programme. It also has the potential to lower the cost of training in the long run, although the administrative process of getting this set up and the regulatory compliance involved act as significant hurdles.

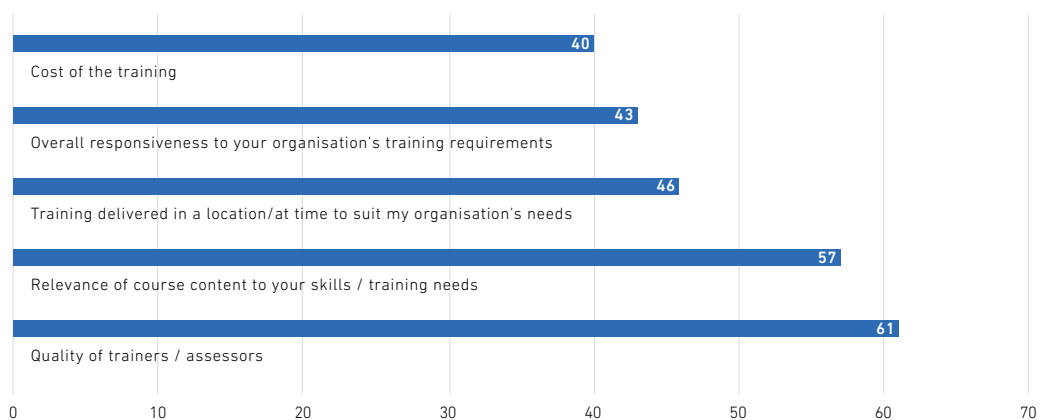


There is clear scope to improve aspects of performance among training providers...

Across businesses using external training providers, far more rate their providers' performance as satisfactory on a range of measures than as unsatisfactory. But that does not mean there is no scope for improvement.

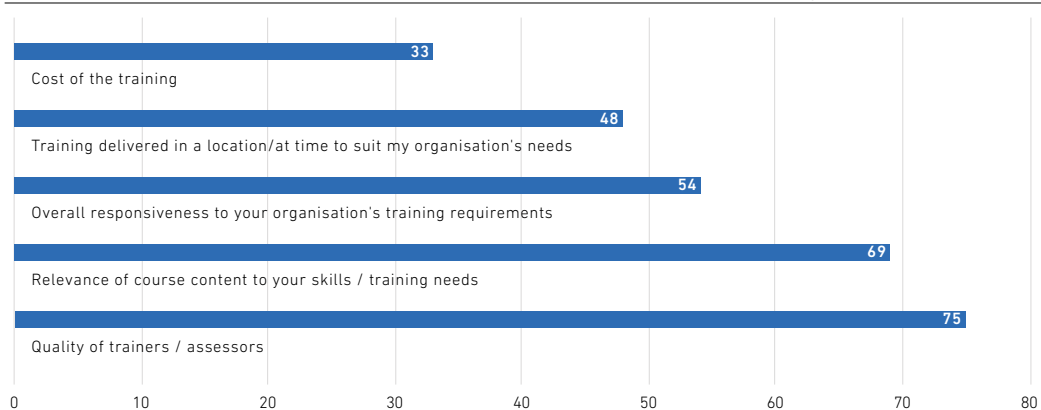
Among businesses using FE colleges, for example, the balance of firms satisfied with their performance stands above +50% only in relation to the quality of the trainers/assessors (+61%) and the relevance of course content (+57%) (**Exhibit 6.10**). Satisfaction is markedly lower in relation to the cost of training programmes (+40%) and responsiveness to the firm's training requirements (+43%). Among SMEs, satisfaction with the responsiveness of FE colleges sinks to +35%.

Exhibit 6.10 Balance of employer satisfaction with FE colleges as training providers (%)*



* Net balance of employers satisfied or very satisfied minus those dissatisfied or very dissatisfied

On almost every measure of satisfaction, universities are rated as surpassing FE colleges by those organisations that use them to deliver training and development programmes (**Exhibit 6.11**). Universities secure much higher positive balances of satisfaction for the quality of their trainers (+75%) and the relevance of the content to skill and training needs (+69%) for example. The main area of dissatisfaction among businesses using universities is the cost of programmes (+33%). On this measure, businesses are less satisfied with universities than with FE colleges.

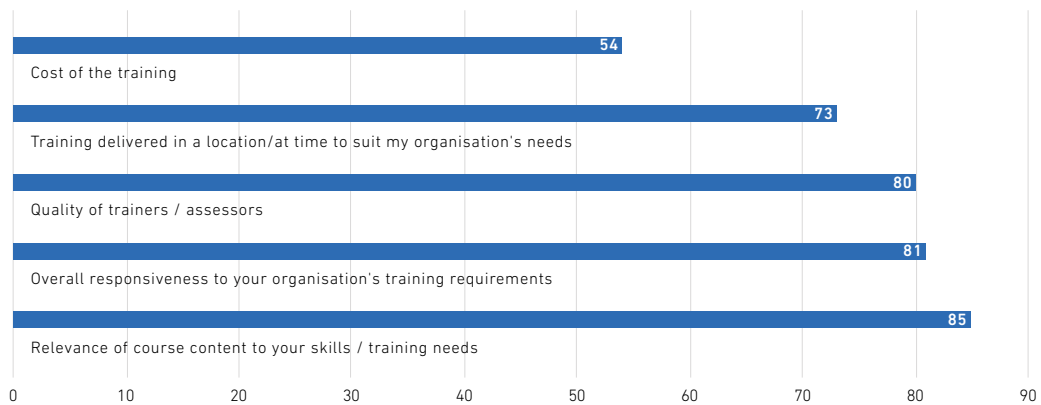
Exhibit 6.11 Balance of employer satisfaction with universities as training providers (%)*

** Net balance of employers satisfied or very satisfied minus those dissatisfied or very dissatisfied*

...with private providers rated highest on relevance of course content

The relevance of course content to the client organisation's skill and training needs is of central importance – and it is an area in which private providers are rated well ahead of FE colleges and universities (**Exhibit 6.12**). In all, a balance of more than +85% of those businesses using private providers view the relevance of the programme content as satisfactory. Responsiveness is another area in which private training providers stand out. On the measure of overall responsiveness to the organisation's training requirements, private providers are rated as satisfactory or better by a balance of +81%.

As with FE colleges and universities, the measure of private training provision securing the lowest balance of satisfaction relates to the cost of programmes, with the satisfied balance of businesses standing at +54%.

Exhibit 6.12 Balance of employer satisfaction with private providers as training providers (%)*

** Net balance of employers satisfied or very satisfied minus those dissatisfied or very dissatisfied*

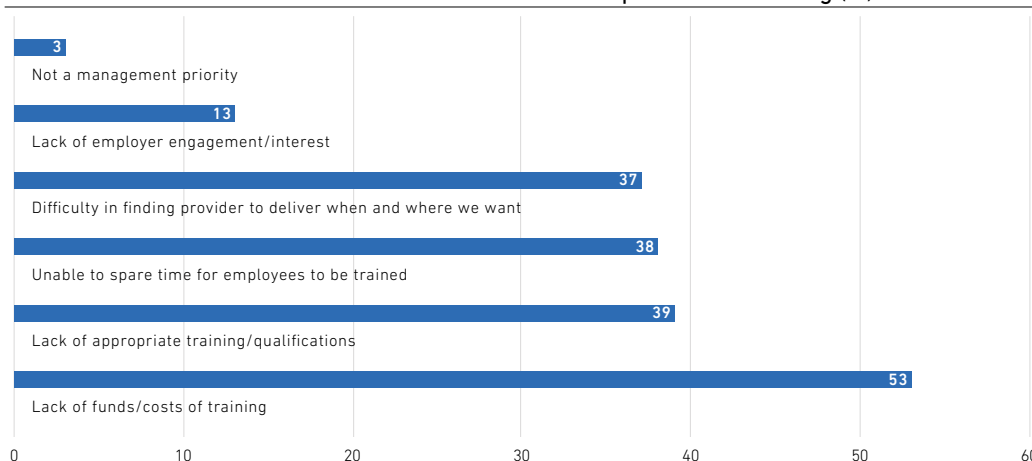
The cost of programmes is the biggest barrier to training and development

Given that cost is the aspect of training provision that businesses are least satisfied with, it comes as no surprise that funding is the major barrier to investment in workforce development and training (**Exhibit 6.13**).

Among those respondents identifying specific factors holding back investment in training, more than half point to lack of funds and the costs of training (53%). This is the biggest barrier by a considerable margin and emphasises the need for firms to be able to deploy funds from the Apprenticeship Levy to best effect.

Another barrier is the lack of appropriate training or qualifications (39%). Not every part of the UK has equally easy access to high-quality training provision in all skills and technologies. And as technology evolves, the content of programmes and qualifications must be updated to keep pace.

There are also practical barriers within businesses themselves. More than a third (38%) point to the difficulty of releasing employees from their day-to-day activities so they can take part in training. As firms become leaner in terms of staffing, we have to find ways of combining this with scope for the training needed to boost productivity and to enable people to progress. A similar number of businesses (37%) point to the problem of finding a provider who can deliver when and where training is needed. As our earlier findings show, responsiveness among training providers is an important issue for business and one on which too many providers fall down.

Exhibit 6.13 Barriers to investment in workforce development and training (%)*

* Based on those identifying a specific barrier

Recommendations

1. Ensure the Government continues to work closely with employers in the creation of a National Retraining Scheme, building on the engagement which has already started.
2. The Government should continue to invest in the Scheme, throughout the various development phases, linking it to the Comprehensive Spending Review in 2019. When the final Scheme is launched, it should be adequately funded to ensure the greatest possible impact.
3. The Department for Education (DfE) should evolve the Apprenticeship Levy into a flexible 'Skills Levy' that allows firms to invest in other forms of training that can help support workers upskill and retrain, alongside apprenticeships.
4. The National Careers Service should ensure that learners have access to quality and industry specific careers advice which continues learning throughout their working life.
5. Business leaders should work to foster a culture of lifelong learning in their organisations, exemplified by incorporating upskilling into their training and development strategies.
6. As the Department for Education's Level 4&5 review has identified, there is a gap in understanding of the range of options at these levels, where students most often jump straight from L3 (e.g. A Level/BTEC) to a full L6 degree. The traditional 3 year undergraduate degree isn't the only option, and the Government should promote and raise awareness of all higher education options so that the full range of choices are understood by young people.

Business demand and expectation for skills is continuing to change

- Businesses expect to have more job openings for people at every skill level over the next three to five years
- For the first time in recent years slightly more businesses expect to increase their number of low skilled workers than expect to reduce them (by a margin of +3%)
- They also expect to need more people with intermediate-level skills over the coming years (with a positive balance of +48%)
- The biggest anticipated area of growth is at the higher end of the skills spectrum, with a positive balance of +79% of businesses expecting to grow their number of higher-skilled employees and a balance of +73% anticipating needing more people with leadership and management skills
- But businesses are increasingly concerned that they may not be able to fill all these new jobs: over half of businesses (52%) are not confident about accessing sufficient intermediate skilled talent in future, a switch from a net positive balance in 2017 (+16%) to a negative one (-10%) in 2018
- Two thirds of businesses (66%) are not confident there will be enough people available in the future with the necessary skills to fill their high-skilled jobs, compared with just 28% confident (giving a significant negative balance of -38%)
- These worries about the prospects of filling future high-skilled roles are shared by businesses across the UK (with the net balance of firms reporting they are confident minus those reporting not confident ranging from -32% in Scotland to -55% in Northern Ireland)
- While a majority of businesses are still confident that there will be enough suitable people available to fill their future low-skilled roles, the positive balance of confidence is in steep decline among small and medium-sized enterprises (SMEs) as well as across businesses as a whole (down from a balance of +47% of SMEs in 2017 to +20% in 2018).

The skills and qualities that businesses most value are readiness for work and broader skills

- Over two-thirds of employers (70%), rate Literacy and numeracy skills as one of their three most important considerations when recruiting school and college leavers, but almost half (45%) of businesses ranked aptitude and readiness for work as the single most important factor.
- Broader skills such as resilience, communication and problem-solving are also highly important when recruiting, with over half (60%) rating these skills as among their top three priorities.

- While half of businesses (51%) view the qualifications secured by young people as among the top three considerations when recruiting, a large proportion (40%) also value the importance of digital and IT skills.
- Qualifications are important to business as indicators of effort and capability, but the type of qualification matters much less: nearly three-quarters (74%) of the businesses surveyed say they prefer a mixture of academic and technical qualifications, or that they view all qualifications equally.
- The majority of businesses reported that they are satisfied with the academic results and/or qualifications of young people who have applied for jobs during the past 12 months, with fewer than one in ten (9%) reporting dissatisfaction.
- Standards of literacy and numeracy are a cause for concern, with one in four employers (25%) not satisfied, while around two in five businesses are not satisfied with the aptitude and readiness for work of young applicants (44%) and/or broader skills such as communicating and problem-solving (38%)
- In the primary school phase of education, up to age 11, the majority of businesses want to see schools developing pupils' STEM skills (82% rank this among the top three most important areas for action), together with digital and IT skills and broader skills such as teamwork, creativity and listening (72% and 70% respectively).
- Businesses continue to see these subjects and skills as of central importance during secondary education, but more than half (55%) see raising awareness of career options as among the leading priorities.
- To achieve the government's ambition for a 'Global Britain', we have to get language teaching in our schools right, with the major European languages of French (54%), German (51%) and Spanish (50%) most commonly in demand among businesses.

Links between business & education remain strong, but progress has stalled

- Links between businesses and schools and colleges are widespread, reported by close to three quarters of participants (72%)
- But our results this year suggest the previous upward trend in business partnerships with schools and colleges may have stalled and even edged backwards
- Those schools and businesses with established links are strengthening them as they gain more experience of their value: the balance of firms increasing their links with primary schools over those reducing them stands at +24%, rising to +43% for those linked with secondary schools and sixth-form colleges and +44% for those linked with FE colleges
- All our respondents with links to schools have ties with state-funded schools of various types

- The leading areas of activity by businesses are providing work experience/site visits (83%), offering information about apprenticeships and traineeships (70%), and giving careers advice and talks (68%)
- Gaps in understanding can act as obstacles to maximising the benefits of partnership. For example, less than half of businesses (46%) are fully aware of the new GCSE system and understand the grading arrangements
- Two thirds of respondents (65%) are willing to play a greater role in supporting schools and/or colleges, but they report barriers including inadequate guidance on how to make work experience and other encounters worthwhile for young people (48%) and the difficult, time-consuming processes involved around for example health and safety and DBS checks (47%).

Technical education is highly valued, but in urgent need of improvement

- Businesses see apprenticeships as a valuable route to training and developing their future workforces, but many firms struggle to fill places: over half (59%) of respondents have experienced difficulty in recruiting apprentices or expect to do so in the next three years
- The number of firms operating apprenticeship programmes has shown a sharp fall since introduction of the Apprenticeship Levy (from 83% in 2017 to 70% in 2018)
- The Apprenticeship Levy has triggered widespread changes, with nearly three quarters of businesses (73%) reporting some impact
- While close to a third of firms have created new apprenticeship programmes (34%), increased apprentice places (32%), and/or reconfigured training into apprenticeships (31%), more than a quarter (26%) are simply absorbing the Levy as an added cost of doing business
- The biggest challenges posed by the Levy are the inflexibility of the funding rules (seen by 34% of businesses as the single biggest problem) and the lack of clear guidance and confusion about the rules and the system's operation (the biggest problem for 20%)
- The Levy offers opportunities to develop and upskill existing staff (seen by 30% as the biggest opportunity) and to extend apprenticeships into new areas of the business where these have not been traditional (19%), but radical change is needed to improve these opportunities
- The main changes that would boost business confidence in the Apprenticeship Levy are allowing use of Levy funds to cover a wider range of costs for training (59%), greater flexibility in spending the funds including their transfer and pooling (51%), and less bureaucracy to make the system more responsive and more user-friendly (47%)
- At this early stage in the development of T-levels, two in five employers (41%) think the T-level reforms are necessary as part of developing technical qualifications fit for future needs while a similar number (41%) are uncertain at this point

- Increasing employer understanding of and access to T-levels must be a key priority for government: our findings show that over four in ten employers (42%) were unaware of T-levels while under one in five (18%) reported being very aware of them
- Levels of awareness of the 45-day work placement element of T-levels are even lower, with two thirds (64%) of businesses largely or wholly unaware.

Developing a post-18 education & skills system for meet future skills needs is critical for UK competitiveness

- The value of graduates to business is clear, with graduates having higher levels of employment, lower levels of economic inactivity, and higher levels of earnings on average compared to non-graduates
- Close to nine in ten (87%) of businesses that employ graduates have maintained or increased their levels of graduate recruitment over the past year
- For the sixth consecutive year, more businesses have expanded their graduate intakes than have cut back on graduate recruitment, cumulatively raising the number of graduate openings
- An overwhelming majority of businesses (79%) regard a 2:1 undergraduate degree (or above) as a good measure of academic ability, but it is important to recognise that the attitudes and aptitudes that enable graduates to be effective in the workplace are the most important factor for employers when recruiting
- More than half (54%) of those firms with ties to higher education have increased their engagement over the past year, with just 6% cutting back
- The upward-shift in skills demand, with increasing demand for higher skills, means there is more to do to ensure levels 4 and 5 qualifications are developed on the scale and in flexible forms that fit with business demand as well as open progression routes for individuals.
- In training and a similar number of businesses (37%) face a problem finding a provider who can deliver when and where training is needed.

There is fresh impetus & urgency to re-skill existing workforces and instil a culture of lifelong learning

- More than four in five businesses (85%) will be maintaining or increasing their investment in the year ahead while only (15%) plan to cut back
- Nearly two thirds of firms (62%) expect to retrain at least some employees to take up new roles in the year ahead: well over half of those businesses identifying a driver (60%) report the introduction of new technologies or new services lies behind the need to retrain and the same proportion (60%) highlight development of new products and services

- Even more businesses expect to upskill employees in their current posts, with nearly nine in ten (87%) anticipating upskilling employees in their current roles during next 12 months
- The single most common driver behind upskilling is the need for employees to acquire new skills/knowledge to raise productivity (reported by 74%) followed by the introduction of new technologies or services (63%)
- Most training is delivered by business itself (39% of all training), but over two-thirds of businesses (71%) make at least some use of an external training provider
- Among businesses using FE colleges, the balance of firms satisfied with their performance stands above +50% in relation to the quality of the trainers/assessors (+61%) and the relevance of course content (+57%), but is markedly lower in relation to costs (+40%) and responsiveness to the firm's training requirements (+43%)
- On most measures of satisfaction universities are rated as surpassing FE colleges by those organisations that use them to deliver training programmes, but the main area of dissatisfaction among businesses using universities is the cost of programmes (with a balance of only +33% satisfied)
- A balance of more than +85% of those businesses using private providers view the relevance of the programme content as satisfactory and on the measure of overall responsiveness to the organisation's training requirements, private providers are rated as satisfactory or better by a balance of +81%
- Among respondent firms identifying specific factors holding back investment in training, more than half point to lack of funds and the costs of training (53%) followed by the lack of appropriate training or qualifications (39%)
- There are also practical barriers within businesses themselves: more than a third (38%) point to the difficulty of releasing employees from their day-to-day activities so they can take part in training and a similar number of businesses (37%) face a problem finding a provider who can deliver when and where training is needed.



“Business leaders should work to foster a culture of lifelong learning in their organisations, exemplified by incorporating upskilling into their training and development strategies.”

Alongside qualifications, businesses highly value work readiness and broader skills

1. The government should set up an independent commission or taskforce to engage educators, industry and government in creating a vision for UK education, that would equip learners with the knowledge and skills required for success in work and life.
2. The Department for Education should place greater emphasis on “work readiness” behaviours and attributes both in and outside the classroom.
3. The Careers and Enterprise Company, in partnership with business organisations, should deliver a high-profile campaign to increase the number of employers engaging in both primary and secondary schools and colleges.
4. Education for pupils aged between 14 and 16 should be broad and balanced and provide students with the opportunity to study quality vocational options, as well as gaining core academic knowledge through formal assessment. This should be reflected through the KS4 (non-GCSE) qualification review. This will ensure that young people are able to make better informed decisions at 16, about whether to continue in education, take up an apprenticeship, or go in to full time meaningful employment.
5. School accountability measures should reflect the wider benefits to young people of a rich curriculum, and the development of broader behaviours and skills; these should be fully aligned to the new Ofsted Inspection Framework from September 2019.

Links between business & education remain strong, but progress has stalled

6. Business organisations, like the CBI, must produce more detailed guidance for employers to support their encounters with young people to ensure teachers and employers alike are aware of all the types of business support to schools.
7. Given that most business-school connections are made at a local level, government must ensure the Careers and Enterprise Company develops local networks and the infrastructure to support this.
8. Ofsted should recognise and reward schools which meet the Gatsby Benchmarks to improve career advice given to pupils.
9. The government should introduce dedicated careers leaders on the senior team in every school by 2020.
10. Make sure that young people have a better understanding of industry by ensuring they have at least one interaction each year with business as they progress through the education system.

Technical Education is highly valued, but in urgent need of improvement

11. The CBI would like to see urgent reform of the Levy based around three principles: increasing flexibility, ensuring quality and support SMEs. The Government should therefore:
 - Raise the transfer limit from 10% to 50% and pilot pooling to support supply chain training.
 - Make it easier for small business to access Levy funds by reducing the cap for SMEs from 10% to 5% or consider another way to reduce the burden on SMEs.
 - Ensure the Institute for Apprenticeships has the capacity to be a market regulator of the skills system, get in place all necessary apprenticeship standards within a year, and address pinch points in the system.
12. Set out a clear long-term vision to introduce a more flexible 'skills Levy' post-2020, which includes life-long learning.
13. Continue to work with businesses on the design and delivery of T-levels, including work placements, which will require new ways of working between businesses and schools.
14. Ensure T-levels are coherent with the existing education and skills systems to ensure the right outcomes for learners, businesses, and the economy.
15. The 16-19 phase should offer young people a range of options allowing them to follow a purely academic curriculum (A Level), a broad career-focussed route (Applied Generals), and more specialised options that allow students to prepare for a particular occupation (T Level).
16. Maintaining three quality pathways will allow sufficient choice for young people at 16, creating a range of options to enable them to go on to university, a higher or degree apprenticeship, or in to skilled employment. The Government should make sure these three quality pathways are maintained as part of the DfE's Level 3 review and the review of 16-19 funding.

Developing the higher education & skills system to meet future skills needs is critical for UK competitiveness

17. Protect the social and economic contributions of our world-leading universities by preserving the income-contingent loan system.
18. Widen access to higher education by focusing any reforms to student finance on the provision of maintenance support to disadvantaged pupils.
19. Improve the provision of higher technical education by developing a nationally stable, locally-led system.
20. Through the post-18 education and funding review, the government should ensure funding is sufficiently flexible to enable people to study throughout their life at whatever time, pace and location suits them, while improving information about different routes, both academic and technical, to help learners make an informed choice.
21. Build on the existing partnerships between the further and higher education sector to create a more joined up tertiary education sector.
22. With the post-18 review of education and funding and the Level 4&5 review reporting next year, we call on the Government to promote greater awareness of all Higher Education options. To support this funding must be allocated and targeted effectively so that it meets the needs of all learners at all stages.

There is an increasing urgency to re-skill the existing workforce and instil a culture of lifelong learning

23. Ensure the Government continues to work closely with employers in the creation of a National Retraining Scheme, building on the engagement which has already started.
24. The Government should continue to invest in the Scheme, throughout the various development phases, linking it to the Comprehensive Spending Review in 2019. When the final Scheme is launched, it should be adequately funded to ensure the greatest possible impact.
25. The Department for Education (DfE) should evolve the Apprenticeship Levy into a flexible 'Skills Levy' that allows firms to invest in other forms of training that can help support workers upskill and retrain, alongside apprenticeships.
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27. Business leaders should work to foster a culture of lifelong learning in their organisations, exemplified by incorporating upskilling into their training and development strategies.
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Shaping a world-leading education system that delivers the higher-level skills our economy needs must be founded on an effective partnership between business and our institutions of higher education and further education. ””

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November 2018

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