

CBI



Education and learning for the modern world:

CBI/Pearson Education and Skills Survey report 2019

November 2019
People and Skills

In partnership with



Pearson



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Foreword CBI

The power and impact of education go well beyond the workplace but understanding how employers perceive how our education system is working or not working is vital. Into its second decade, the CBI's annual education and skills survey improves our understanding by bringing together a huge amount of evidence, data, and insight from the 190,000 employers the CBI represents.

The United Kingdom and countries around the world face major challenges throughout the 21st century. Whether it's an aging population and globalisation, or technological change and creating a fairer society, education has an almost unique role to play.

In the previous century, for every four hours that passed, life expectancy increased by one hour. As a result, people will typically work five, ten, even twenty years longer than their parents, well into their 70s, meaning investing in education is more important than ever, especially for adults and those looking to retrain. It also means we must forget the idea, if it were ever the case, that teachers can equip young people with all the knowledge they need at the start of their career.

Globalisation means where competitors and supply chains were often just down the road in a nearby town or city, they are now just as likely to be in a different continent. Where products and services were once tangible, they are now more conceptual, innovative, and digital than ever before. This demands a much broader knowledge-base and skillset, as well as greater level of cultural awareness than ever before.

The third challenge is the impact of automation, AI, and technology. This means that what we consider to be core education has shifted significantly. Digital literacy is now as essential as numeracy and literacy.

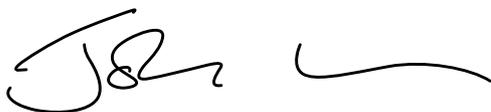
Finally, and absolutely central to education, is the need to improve social justice through universal access to the high-quality education many take for granted. While talent is distributed equally, opportunity can be a post code lottery. If we are to meet these challenges, we will meet them through investing in education and employers playing their part in our education system.

Our survey this year finds the majority of employers expect to maintain or increase investment in training in their workforce over the coming year, and continue to value wider character, behaviours and attributes when recruiting young people. In addition, many firms continue to offer apprenticeship programmes, yet they remain concerned by the Levy, with over a quarter simply absorbing this as an additional cost of doing business.

How we react to these findings is important. Politicians, policy makers, the education sector, and business all have 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.

Thank you to the CBI education and skills team for bringing together these findings and evidence. Thank you also to our partner Pearson without whom this survey wouldn't be possible.



John Cope
Head of Education & Skills, CBI



Foreword Pearson

The 2019 CBI-Pearson Education Skills Survey is published at a momentous point for the UK politically and economically. Whatever the outcome of the election and Brexit, there must be no complacency on the part of government, the education sector and UK businesses; ONS figures show that labour productivity in the second quarter of 2019 fell by 0.5% compared with the same quarter in the previous year, and this followed two previous quarters of zero growth. Education and skills will therefore play a vital role in our future relationship with the European Union.

Employers in the UK are well aware of the value of education and skills to their businesses and UKPLC. In the current climate of ongoing turmoil and uncertainty, it is heartening that the CBI-Pearson Education & Skills survey once again shows that British employers remain profoundly engaged in this area. They are keen, for example, to offer careers guidance and information at all levels of education and participate in the delivery of the new T Level qualifications.

Employers are also very clear about what they need from the education and skills systems: skills, behaviours and attributes that ensure school and college leavers, as well as graduates, are ready for the world of work. This finding from this year's survey reflects the conclusions drawn from Pearson's own work with learners. Earlier this year, our inaugural annual Global Learner Survey found that learners believe soft skills will give them the advantage over automation.¹ Both employers and learners understand that those skills that make us uniquely human, such as creativity, originality, problem-solving and the ability to learn, give people the advantage over machines. They may be the hardest to teach and learn, but it is vital that the education and skill system develops ways for people to master these skills.

A skilled workforce can only be achieved with high quality and meaningful qualifications. Nearly half of the employers surveyed stated that they value all qualifications available. Interestingly, in the context of employability skills and behaviours, one third of employers told us they value a mix of academic and vocational qualifications, such as the Pearson BTEC. Employers hold in high regard the combination of knowledge with the useful hands-on skills such as time management, communication, problem solving and planning, that are developed through BTEC qualifications. It is vital that more is done to promote to young people and parents the benefits of career-focused routes to the workplace, as well as the traditional academic and new occupational pathways.

Furthermore, our Global Learning Survey finds that both young people, and adults already in employment, are keenly aware that the 40-year career is gone, replaced by diverse career paths and the talent economy. They are steering their own lifelong learning, patched together from a menu of options and believe that self-service education will become even more commonplace as people seek access to learning across their lives. This is in turn driven by the fact that the labour market, and the way businesses operate, is changing. Self-employment is rising, as are innovative forms of working. The disruption from changes in demographics, technology and business models has created an exciting but challenging picture of declining and new industries, new infrastructure, and new job roles. Our skills system needs to adapt to this.

The UK finds itself at an historic crossroad, and the decisions made will shape our economy and way of life for decades to come. Education and skills are a key part of the solution to any outcome. It is vital for the new government to note and act upon the recommendations within this report, not only so that the UK economy can thrive, but also so that individuals can achieve their full potential.



Rod Bristow

President, Pearson UK & Global Online Learning



Executive summary

Education remains key to adapting to a rapidly changing world...

- Higher level education is more in demand than ever, with only half of respondents confident there will be enough people available to fill jobs needing more than entry-level qualifications.
- Business confidence in accessing people with entry-level skills has increased to nearly seven in ten (69%), up from just over half last year (54%).

...with new evidence on what are Employers looking for from the education system...

- Wider character, behaviours and attributes are considered to be the most important consideration when recruiting school and college leavers.
- Close to three-quarters (74%) of employers are satisfied with the academic knowledge of young people who have applied for jobs during the past 12 months.
- Being 'work ready' remains a priority, with two in five (40%) reporting that they are dissatisfied or very dissatisfied with wider character, behaviours, and attributes.
- One third (33%) are either dissatisfied or very dissatisfied by the amount of relevant work experience young people have.
- Firms value all forms of qualification with almost a third (29%) looking for a mix of academic and technical.
- For firms that need employees with languages other than English, major European languages continue to be those most in demand, led by German (37%), Spanish (35%) and French (32%).



Recommendations

- To improve productivity, school curricula must encourage the development of the skills required to support future economic needs and be agile enough to allow for a changing workplace.
- The government should promote the three post-16 qualification routes: academic (A level); career-focused (such as BTEC); and occupational (T levels). For employers and the economy to enjoy the benefits of post-16 education there must be greater awareness of all three routes amongst students, parents and employers.
- Over the next five to ten years, the government should reconsider the role of GCSEs given young people now stay in education or training until 18.
- The government should broaden the EBacc to better include creative subjects.
- The government should work with the education sector and business to develop a framework and shared approach for essential attributes to sit alongside the Gatsby Benchmarks.
- The government's Youth Charter and Careers Strategy should be integrated.

...employers playing their part in the education system more than ever...

- Links between business and schools, colleges and universities are extensive, and reported by over nine in ten participants (94%).
- The majority of businesses have links to secondary schools (95%), but a high proportion also engage with universities (93%) and further education colleges (91%).
- Businesses are strengthening their engagement with education with over half increasing their presence in secondary schools (+56%) and further education colleges (+51%).
- Careers advice continues as the most popular form of support provided by employers (82%), following by information on apprenticeships/traineeships (73%), as well as work experience placements (69%).
- Awareness of GCSE reforms has increased with close to three quarters (74%) fully aware of the new system, compared to less than half (47%) last year.
- Employers continue to provide a range of support to the education system including careers and talks, involvement in school governance and hosting work placements.
- The biggest barrier identified by businesses engaging with the education sector is a lack of capacity within the school or college (40%), as well as difficulties in fitting in with school timetable/curriculum (30%) and a lack of capacity within the business (28%).

Recommendations

- All employers should consider how they play their part in making sure every young person has an experience of the workplace and world of work while they're in education.
- The Gatsby Benchmarks of high-quality careers advice, currently established in secondary schools and colleges, should be adapted so age-appropriate careers advice can be given in primary schools. In addition, a greater effort must be made to adapt the Gatsby Benchmarks when necessary, such as for those with special educational needs or a disability.
- The Government should expand the number of careers hubs from 40 in order to ensure full coverage. This is estimated to require 140 careers hubs in total.
- To support stronger partnerships the CBI must also play its part. This will be done through a new digital platform that provides best practice and signposts CBI members to the best way for them to make a difference. This is in partnership with the Careers and Enterprise Company.
- Schools and colleges should be supported to free up timetabling space and capacity that allows businesses to engage with them in the delivery of careers activities.

...improving technical and further education remains essential...

- More than four in five business respondents (86%) offer apprenticeship programmes.
- Six out of ten respondent firms (63%) say they plan to expand their apprenticeship training programmes in the future, with only 5% of firms having no plans to offer apprenticeships.
- External candidates remain by far the largest source of apprenticeship recruitment, with over four in five respondents stating that they hire in this way (85%).
- Due to the introduction of the apprenticeship levy, over half of respondents (54%) have created new apprenticeship programmes and/or increased apprenticeship places (32%).
- But businesses are still finding managing the Levy system and navigating its processes to be complex. Nearly three in ten (28%) firms have created new business processes to deliver apprenticeships, and more than a quarter of firms (26%) are simply absorbing the Levy as a cost.

- Scope for upskilling is identified as the single biggest opportunity from the Levy across all sizes of business, with four in ten (41%) identifying the chance to develop existing staff.
- One in four (25%) respondents see the lack of clear guidance and confusion about the rules and the system's operation as their greatest challenge with the Levy. Other issues include the slow pace of progress in approving apprenticeship standards (19%) and a lack of suitable provision (17%).
- Greater flexibility in the use of funds emerges as the key priority for change, with seven in ten (71%) firms that responded highlighting it as their biggest priority.
- Almost eight in ten respondents (78%) said they would be either dissatisfied or very dissatisfied if restrictions would be placed on how Levy funds can be used.
- Businesses are increasingly aware of the T level reforms, with 79% of respondents either very or somewhat aware of T levels and 77% aware of the work placement element.

Recommendations

- For Government to increase transparency for employers and improve the use of data to measure the effectiveness of the Apprenticeship Levy.
- Ensure that the apprenticeships system becomes more user-friendly and allows firms to access the right training.
- Encourage employers to recruit greater numbers of young people to apprenticeship programmes to nurture new talent.
- Deliver a sustainable financial plan for the apprenticeship budget that allows firms to continue to invest in apprentices of all ages and levels.
- Open-up conversations on the long-term, including a consultation on turning the Levy into a flexible 'Skills Levy'.
- Continue to work with businesses on the design and delivery of T levels, including embedding work placements, particularly among SMEs, to ensure that these are available to 16-19 year olds alongside the academic A levels, the career-focused pathway and apprenticeships, the other occupational route.

...the important role of our world-class institutions...

- Graduate openings have continued to grow with nearly nine in ten (85%) businesses either maintaining or increasing their graduate recruitment.
- The expansion in university graduate openings in the past 12 months builds on an established pattern of sustained growth in graduate recruitment over the past six years.
- When recruiting graduates, attitude and aptitudes for work ranks consistently higher than any other factor – far above factors such as degree classification or university attended.
- Acceptance rates for cheaper-to-teach-subjects within university appear to be rising relative to those which are more expensive to deliver.
- Awareness in Higher Technical Education appears high but not universal, with Higher National certificates and diplomas (HNCs and HNDs) the most popular qualification at this level.

Recommendations

- Greater collaboration between universities and employers in ensuring higher level programmes (level 4 and above) support graduate work readiness by developing attitudes and aptitudes required by employers.
- Government should publish a Ministerial Statement on the next stage of the Post-18 review of education funding.
- Government should protect per pupil funding in schools in real terms until 2022.
- Universities should do more to ensure courses on offer are aligned to the needs of the economy and focus on graduate outcomes over recruitment.
- Government should ensure reforms to Higher Technical Education are woven into wider education and skills reforms.
- Increased productivity can be achieved through addressing higher technical level skills gaps. To help achieve this, government and universities must work together to promote the value of HNCs and HNDs to employers and potential students.

...and the growing importance of adult education...

- More than four in five businesses (84%) plan to maintain or increase their investment in training in the year ahead.
- Over half of respondents (55%) plan to both upskill and retrain their current workforce, with only 2% of respondents reporting no requirements to boost skills over the next twelve months.
- The main driver for workforce training and development is business expectations of employees to continue developing their skills and knowledge, with over three quarters of respondents citing this option (78%). This may help to build cultures of continuous development.
- Other important factors include the introduction of new technologies (cited by 57% respondents), development of new products and services (54%) and employee demand for development opportunities (45%).
- Respondent firms identified leadership and management skills as the most critical area for the development of the business, followed by work readiness skills and planning and organising skills which were identified as the second and third most important priorities for workforce development over the coming year.
- The most common training method is on-the-job training, cited by over four in five (85%) survey respondents, but businesses are also using e-learning materials (79%) alongside shorter, more intensive learning courses (74%).
- The biggest barrier to training for businesses is lack of funds and the cost, identified by six in ten respondents (59%) pointing to a problem. Other factors include difficulties in sparing time for employees to train (52%), difficulty in finding the right provider (32%) and a lack of appropriate, subject-specific training (30%).



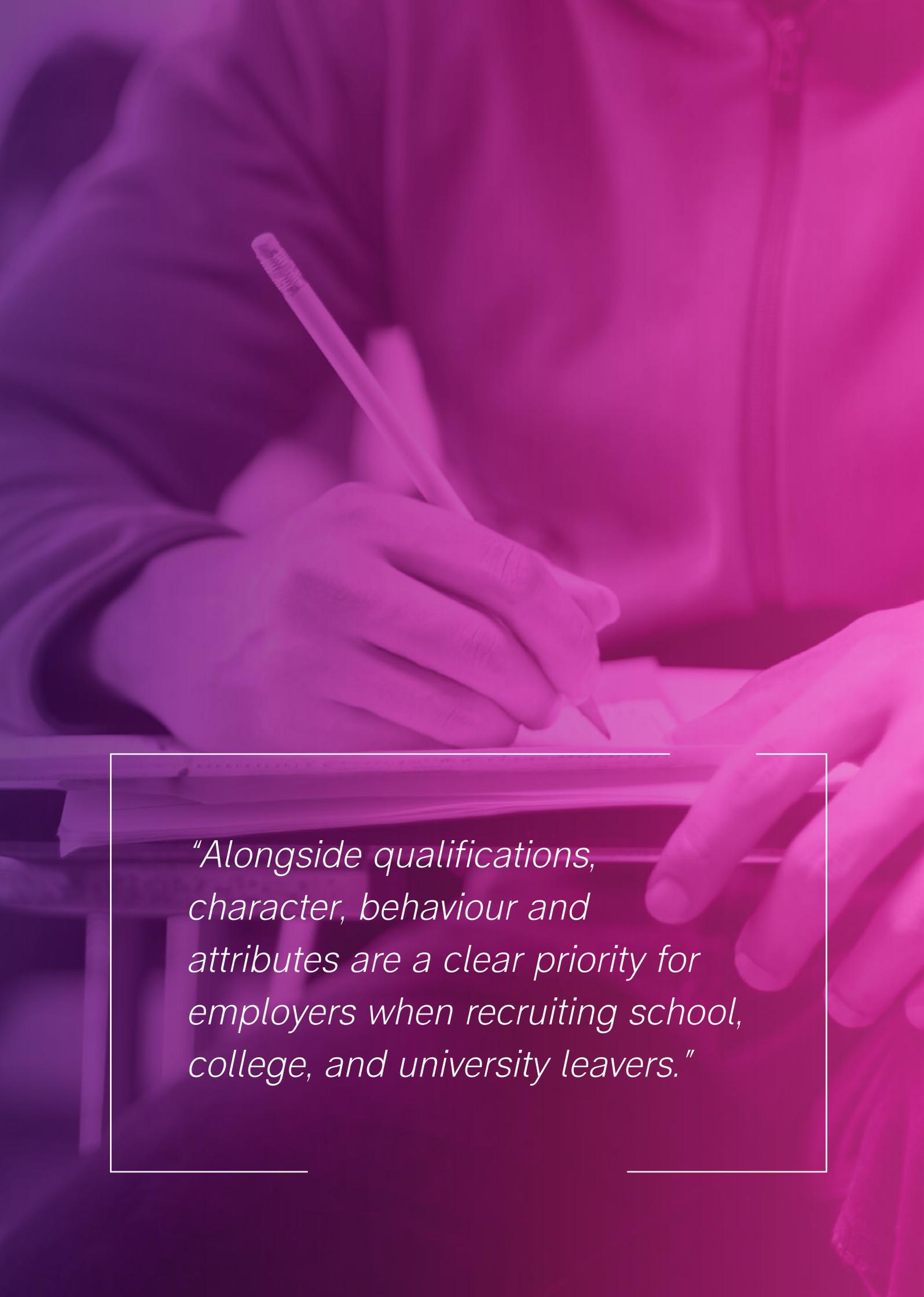
Recommendations

Employers should look to...

- Offer careers advice to all employees at regular check points throughout their careers.
- Improve the clarity on internal development routes, and default towards opening all new vacancies to internal applicant.
- Improve awareness and accessibility of training and development opportunities.

...with the Government needing to:

- Develop a nationally recognised skills 'passporting' tool as part of the National Retraining Scheme to help ensure informal training and skills are recognised in future employment.
- Ensure all parts of the government are aligned expanding the National Retraining Partnership to encompass all departments with a stake in the labour market, such as BEIS, MHCLG, and DCMS.
- The National Retraining Partnership should develop a new lifelong learning strategy to join up government policy and support upskilling and retraining.
- Be transparent about the Apprenticeship Levy budget to help develop a shared understanding of how the Levy can meet employer skills needs at all stages of somebody's career.
- Ensure funding for level 2 and 3 qualifications through the National Retraining Scheme is protected and enhanced following the Post-18 education review.
- Support opportunities to provide a lifetime of learning that is flexible, adaptable and ensures accessibility for all. Technology must be used to enable this to happen, for example through a greater provision of e-learning options.

A close-up photograph of a person's hands writing in a notebook with a pencil. The person is wearing a dark jacket. The image is overlaid with a semi-transparent purple/magenta filter. A white rectangular box is positioned in the lower half of the image, containing a quote in white italicized text.

"Alongside qualifications, character, behaviour and attributes are a clear priority for employers when recruiting school, college, and university leavers."

Education remains key to adapting to a rapidly changing world

The world of work is changing. Careers are now longer than ever and the roll-out of automation and artificial intelligence is challenging traditional ways of working and shifting many occupations. This means firms value education and skills more than ever, both for young people as well as adults.

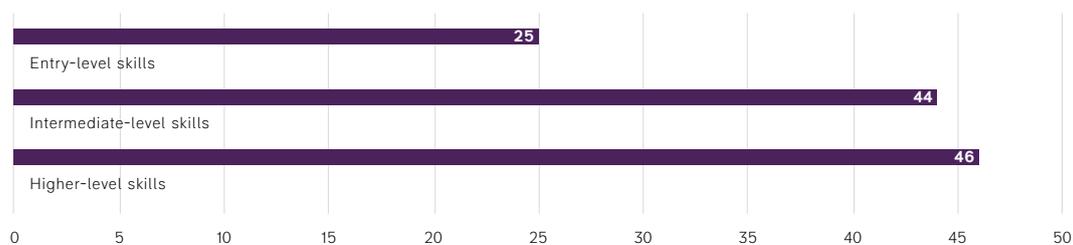
Highly skilled people expected to be more in demand across the economy...

Our survey this year finds employer demand for people with skills at all qualification levels is expected to increase over the years ahead (**Figure 1**).^{*} 38% of respondents stated that their need for employees with entry level qualifications (levels 2 & 3) – such as GCSEs, A Levels, applied general, or NVQ – is expected to increase over the next 3-5 years, compared with 13% that said it would decrease, giving a balance of +25%.

By comparison, the need for higher skilled qualifications is expected to grow at a faster pace over the coming years. Intermediate qualifications, such as a Higher National Diploma or Higher Apprenticeship, had a balance of +44%, while the balance for higher level qualifications, such as bachelor's degrees and degree-level apprenticeships, was +46%.

Addressing this growth will be absolutely critical given the evidence in the CBI's 2017 report *Unlocking Regional Growth* demonstrated that educational attainment of young people at 16 was the single most important driver of productivity differences across the UK.

Figure 1 Anticipated demand for skills over next 3-5 years (% balance)^{*}



^{*}Respondents excluding N/As reporting increased demand minus those reporting decreased demand

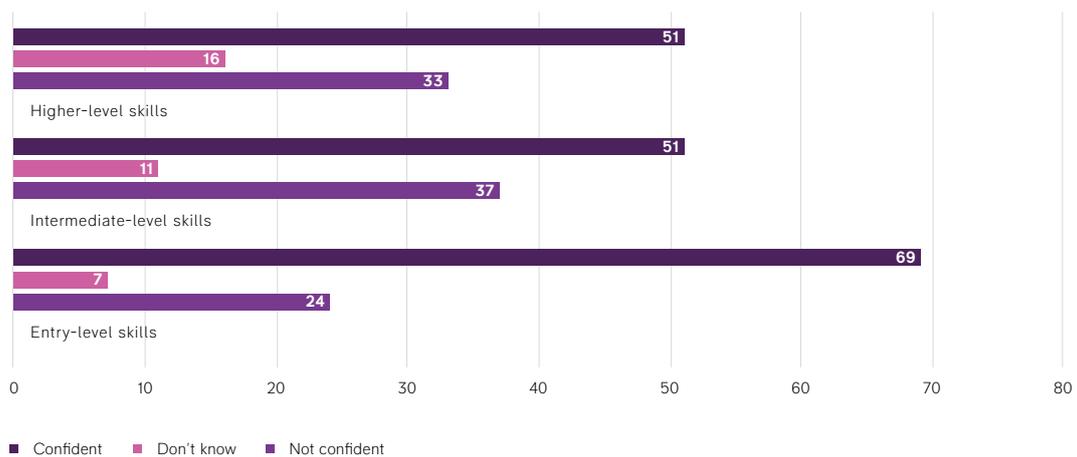
^{*}To note: the question was reworded this year to specifically refer to qualifications at each level in order to provide a more accurate reflection of anticipated business needs

...with firms worried about being able to recruit the right skills for their business...

Many firms are concerned that there will not be the people available with the right skills to meet business needs in the future (**Figure 2**). When it comes to intermediate skills and qualifications, close to two in five respondents (37%) reported that they are not confident in their ability to recruit at this level in the coming years. In addition, just over half (51%) are confident in their ability to recruit higher skills.

Promisingly however, business confidence in future access to people with entry-level skills has increased to nearly seven in ten (69%), up from just over half last year (54%). At a time when the workplace is rapidly changing and higher-level skills are in greater demand than ever, addressing this concern is essential.

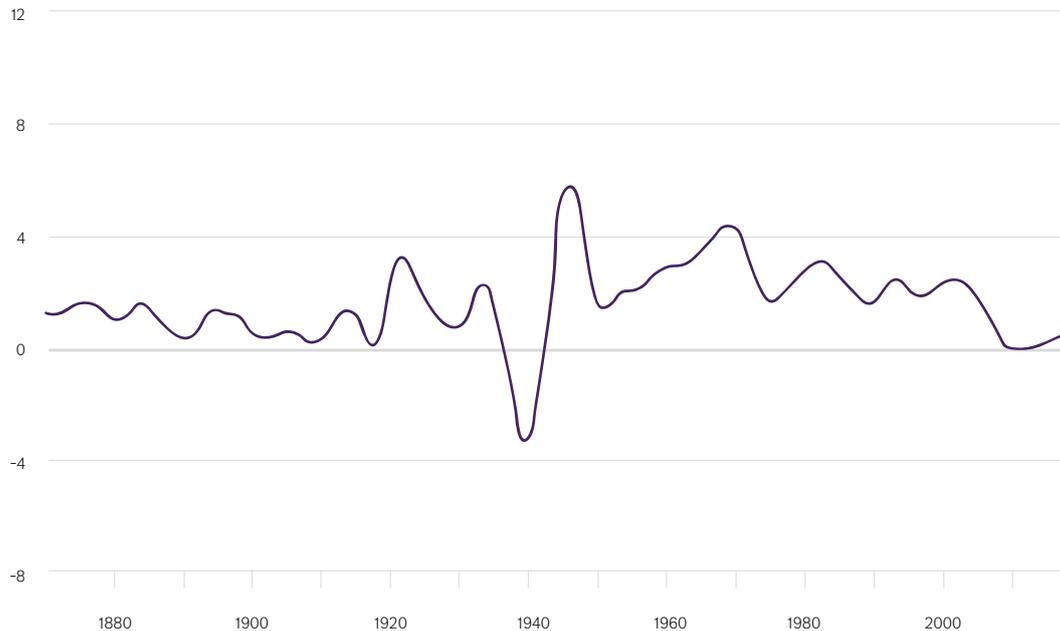
Figure 2 Confidence about future availability of people with the levels of skills needed (% , excluding N/As)*



...and productivity remains stagnant.

Alongside a rapidly changing workplace, between 2010 and 2014, the UK’s growth in productivity – how much is produced per hour of work - averaged just 0.2% a year (**Figure 3**). While this has improved since 2014 to an average of 0.9%, the UK lags behind many European countries and is far below the UK’s long-term average of 2.4 percent from 1970 to 2007.

* Some figures in the report may not add up to 100% due to rounding

Figure 3 UK productivity growth over time, 1871–2017, %²

Productivity defined as GDP per hour worked. Calculated using Hodrick Prescott filter. Drawn from similar analysis in Martin Neil Baily and Nicholas Montalbano, *Why is productivity growth so slow? Possible explanations and policy responses*, Brookings Institution, September 2016. Simple average of France, Germany, Italy, Spain, and Sweden.

Source: Antonin Bergeaud, Gilbert Cette, and Rémy Lecat, "Productivity trends in advanced countries between 1890 and 2012," *Review of Income and Wealth*, Volume 62, Number 3, 2016; The Conference Board, March 2018 release (for 2017 only); McKinsey Global Institute analysis

Young people share employer concerns about how well education prepares them for work...

Concerns around whether our education system prepares young people for the modern world and work are not unique to employers.

Research conducted by the CBI, Accenture, and Hays³ found that almost 1 in 4 young people aged 17-23 do not feel prepared by their education for the world of work. The survey also found:

- Over half (55%) of young people have undertaken a work placement at school or college and just over one-fifth (22%) had visits from businesses to their school;
- Almost half (49%) expect to hold three to five jobs in their lifetime, and;
- When asked about new technologies (e.g. artificial intelligence) 44% said they were intrigued but only 26% felt optimistic about how it will affect their future career.

Alongside this, the 2019 Youth Census found 50% young people are 'quite confident' or 'very confident' that they will move into meaningful work, but only 31% think employers are 'supportive' or 'very supportive' of hiring young people.⁴

Parents also share these concerns. According to a January 2019 Pearson-sponsored YouGov survey of 2,000 parents with children between the ages of 13 and 19, parents have a positive perception of the UK education system but are pessimistic about how their children will fare in an increasingly competitive jobs market. For example, half of parents are worried children aren't getting the skills they need for future employment. When asked about the attributes they want their children to acquire for the working world, aptitude and readiness for work was ranked as most important (84%), with numeracy and literacy coming in second (83%) and digital and IT skills third (79%).

...with teachers feeling unable to fully prepare their pupils for the modern world.

A recent teacher's survey carried out by Education and Employers⁵ found that 92% respondents felt that communication and problem-solving skills were developed mainly through class work. However, on average 47% teachers felt that there were fewer opportunities to develop employability skills and competencies.

Pearson's Future of Skills Projections: Employment in 2030

- Only one in five workers are in occupations that will shrink.
- One in ten workers are actually in occupations that are likely to grow.
- Seven in ten workers are in jobs with where there is greater uncertainty about the future.
- Jobs are in sectors such as education and healthcare, where the overriding effect of technology is likely to be an improvement in outcomes, not a reduction in workforce.
- Occupations and their skill requirements are not set in stone. They can be re-designed to pair uniquely human skills with the productivity gains from technology to boost demand for jobs.
- Although the advance of automation and artificial intelligence may feel like a losing battle to some, individuals will need to focus on developing the uniquely human skills identified in this research, such as originality, fluency of ideas, and active listening.
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Source: <https://futureskills.pearson.com/research/assets/pdfs/media-pack.pdf>

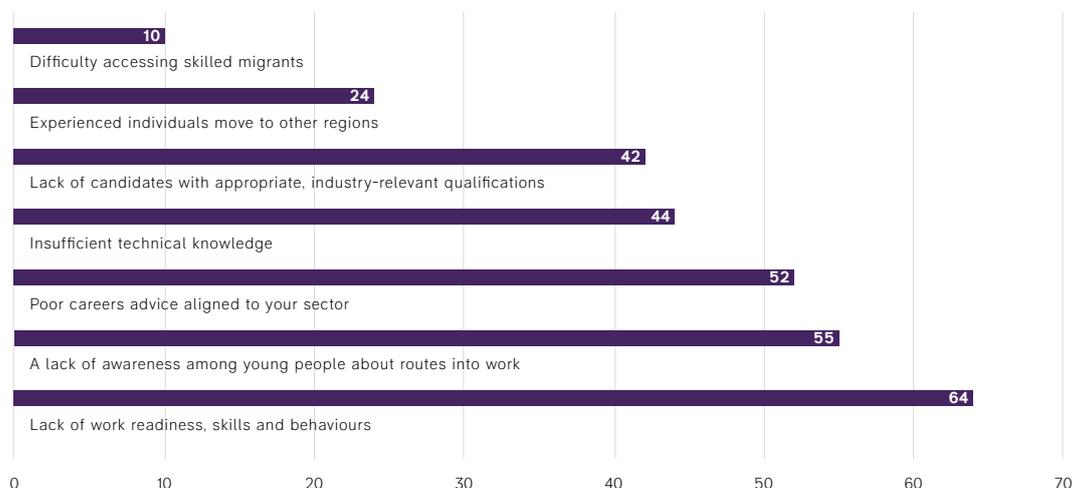
What are employers looking for from the education system?

The importance of a broad and balanced education system that equips students with the character, knowledge, and skills needed to adapt to the changing nature of work is critical. This matters most for communities and people from difficult or less advantaged backgrounds and places.

Key findings

- Wider character, behaviours and attributes are considered to be the most important consideration when recruiting school and college leavers.
- Close to three-quarters (74%) of employers are satisfied with the academic knowledge of young people who have applied for jobs during the past 12 months.
- Being 'work ready' remains a priority, with two in five (40%) reporting that they are dissatisfied or very dissatisfied with wider character, behaviours, and attributes.
- One third (33%) are either dissatisfied or very dissatisfied by the amount of relevant work experience young people have.
- Firms value all forms of qualification with almost a third (29%) looking for a mix of academic and technical.
- For firms that need employees with languages other than English, major European languages continue to be those most in demand, led by German (37%), Spanish (35%) and French (32%).

Understanding why employers struggle to fill skills gaps can be difficult given most sectors, occupations, sizes of business, and parts of the country will face different issues and demands. This survey attempts to establish the most common drivers. Not being 'work ready' was identified by just over two thirds (64%) of those responding to the survey (**Exhibit 1.1**).

Exhibit 1.1 Main drivers of skills gaps (% of respondents)*

*Based on those respondents identifying one or more drivers in their organisation

Focusing on knowledge, skills and character is essential...

Soft skills, essential skills, employability skills, transferable skills, 21st century skills, interpersonal skills, life skills and character education, are just some of the interchangeable but not identical ways of describing what it means to be 'work ready'.

As well as these descriptions and interpretations, there has been a plethora of frameworks and definitions on 'work readiness', with a growing consensus around the SkillsBuilder framework.

In June 2019 the CBI published *Getting young people 'work ready'*, bringing together the views of businesses, schools, colleges and universities, as well as charities, on how to prepare young people for the modern world.⁶ The report did not seek to set out a single definition of 'work readiness' or a framework for organisations to work towards, rather it sought to articulate what employers broadly mean when they say 'work ready'.

This found three consistent themes that unite every attempt to define 'work readiness' - knowledge, skills and character.



1. 'Character' – individual traits and strengths that enable someone to flourish at all stages of their lives.

- Character enables young people to deal with set-backs at work, reflect on personal strengths and areas for improvement during performance reviews, and show an inclusive and compassionate outlook on themselves and others.



2. 'Knowledge' – a rigorous, rich, and stretching curriculum, with each subject or domain studied given high status and an equal emphasis.

- This looks like young people having the essential knowledge needed to be educated citizens, introducing them to the best and most powerful knowledge within subject disciplines and helping them to have an appreciation of human creativity and achievement.



3. 'Skills' – the application of knowledge and character in real world scenarios through team work, leadership, problem-solving and communication.

- This looks like the application of both character and knowledge, working successfully with colleagues, public speaking and presenting.

All three are essential and interconnected.

- **Knowledge** enables young people to gain mastery and subject-specific awareness in a variety of disciplines to support future career choices and interests.
- Developing **skills** like leadership or creativity helps young people nurture their individual character traits, values and principles like empathy and self-awareness.
- **Character** helps young people to take responsibility for their own learning and make responsible choices in different situations.

Each on their own does not prepare a young person for the modern world.

Knowledge is not maximised if you cannot apply it in the real world, nor are equipped with the character necessary to use the knowledge. This reflects the findings of Pearson's first annual Global Learner Survey which took place earlier this year. Respondents to the survey told us that, whilst they need to develop their knowledge of STEM subjects, they also need to develop their soft skills, such as critical thinking, problem-solving and creativity, as these are the skills that will give them the advantage over automation. An over emphasis on just skills or character is misguided as skills are often knowledge specific, with creativity meaning something very different in modern foreign languages to, for example, mathematics or geography.

Taken together, these three pillars are what it means to be 'work ready'. A 'broad and balanced' curriculum, should therefore give equal weight to all three pillars above.

Positive steps reforming our education system to reflect this have already been taken. The new *Ofsted Inspection Framework* specifically encourages the development of character and broader skills. When developing this new framework, Pearson encouraged Ofsted to consider the importance to individuals and the wider economy of a broad curriculum, and the importance of the right accountability measures for schools to be able to offer this.

...which means employers look beyond just formal qualifications...

Alongside qualifications, character, behaviour and attributes are a clear priority for employers when recruiting school, college, and university leavers (**Exhibit 1.2**). The second most important consideration is literacy and numeracy skills, followed by relevant work experience which was the third most essential factor.

Exhibit 1.2 Most important factors in recruiting school/college leavers (%)*

*Score (higher score = more important)

...with broader character and skills important when employers hire.

The majority of businesses surveyed report that they are satisfied or very satisfied with the academic and technical knowledge of young people who have applied for jobs during the past 12 months, 74% and 57% respectively (**Exhibit 1.3**). The proportion of respondents that cited they are very satisfied or satisfied with digital and IT skills (58%) is also a cause for optimism. This is critical as 95% of employers expect their digital skills needs to grow, however less than one third said they were confident that they will be able to access the digital skills they need in the next 3-5 years.⁷ With potential challenges ahead, it is promising that close to 6 out of 10 respondent employers are satisfied, but there is still work to do.

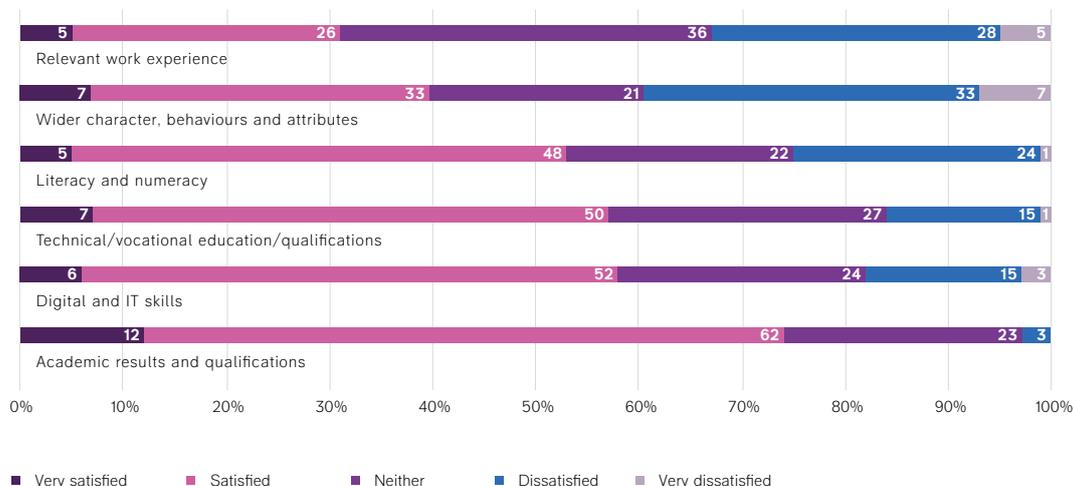
Broadly positive satisfaction among employers with qualifications in part may reflect changes to GCSEs in England, with the reformed qualifications designed to ensure students are better prepared for work or further study.⁸

Firms have welcomed the renewed focus on rigour in schools and colleges, but some challenges remain. For example, currently about a third of students do not achieve a pass (grade 4) in English or Mathematics, with provisional figures in October 2019 showing 35.6% of students didn't to achieve a standard pass in both English and Maths GCSE.⁹ We need to see rapid action to raise standards among this cohort or risk productivity and social justice at a local, regional and national level.

As identified (**Exhibit 1.2**), employers' value more than just qualifications alone. Being 'work ready' remains a priority, with two in five (40%) reporting that they are dissatisfied or very dissatisfied with wider character, behaviours, and attributes (**Exhibit 1.3**).

Furthermore, one third (33%) are either dissatisfied or very dissatisfied by the amount of relevant work experience young people have.

Exhibit 1.3 Satisfaction with school/college/university leavers' skills (%)



A greater proportion of respondents are either dissatisfied or very dissatisfied with wider character considerations and work experience, relative to other options such as academic results and digital and IT skills. This view is echoed by young people themselves, with Pearson’s Global Learning Survey (2019) showing young people also value broader attributes and behaviours, such as creativity, originality and problem-solving, because these skills will give them the advantage over machines.¹⁰

Qualifications remain a vital measure of achievement...

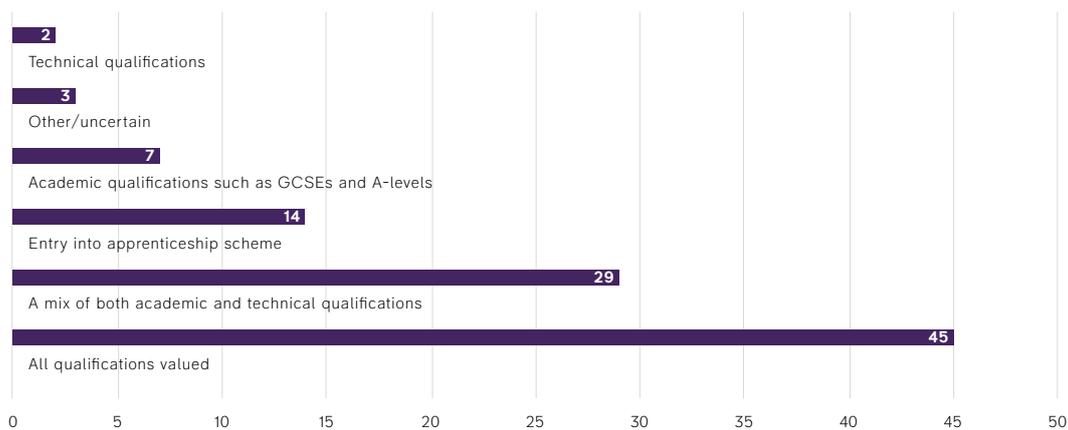
While businesses are looking to schools and colleges to develop broader skills and provide students with opportunities for work experience, qualifications still matter. However, firms are not as concerned about the type of qualifications obtained by pupils as might be predicted (**Exhibit 1.4**). Close to half (45%) report that they value all qualifications equally, and nearly one third (29%) say they prefer a mixture of academic, vocational or technical qualifications, such as applied generals. In fact, only 7% of employers responding to our survey say they prefer traditional academic qualifications such as GCSEs and A Levels, with 14% saying they value entry into an apprenticeship scheme.

Qualifications also drive the choices of many young people, with 80% of 16-24 year olds saying they choose a course based on whether it gets them a job.¹¹

All too often the debate around education is framed as a choice between either academic or technical education. As our results show, firms value all forms of qualification with almost a third (29%) looking for a mix of academic and technical.



Exhibit 1.4 Qualifications preferred when recruiting school/college leavers (%)



Foreign languages and cultural understanding will be vital for 'Global Britain'...

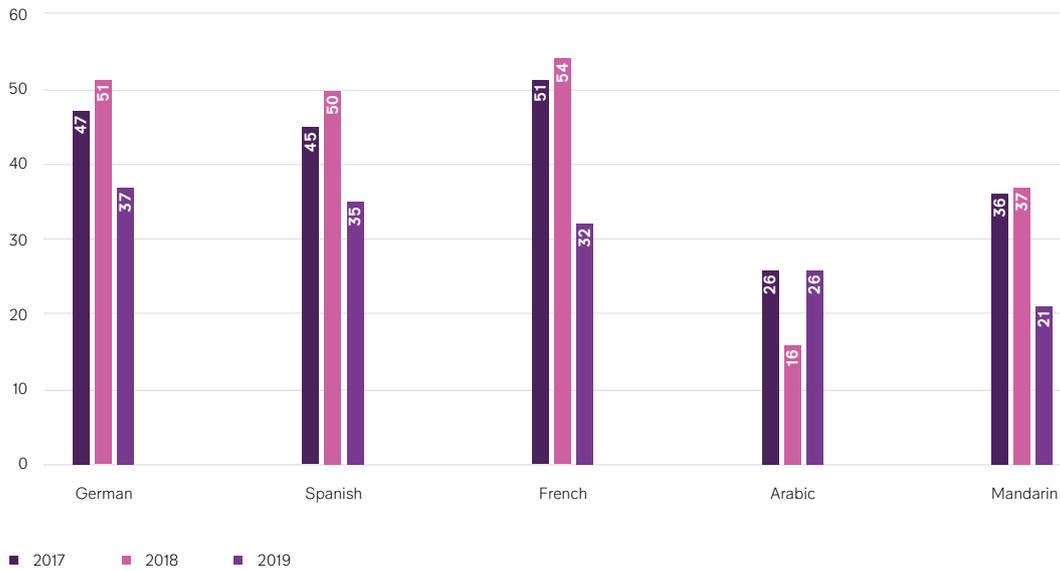
Learning a foreign language can greatly benefit young people by introducing them to new cultures and dramatically expanding their horizon.

For the government vision of 'Global Britain' to be delivered, businesses need people who can communicate with customers and suppliers around the world. Our survey shows that of the firms that need employees with languages other than English, major European languages continue to be those most in demand (**Exhibit 1.5**), led by German (37%), Spanish (35%) and French (32%).

Government policy over the last several years has been to support languages, with studying a language becoming compulsory at Key Stage 2 and 3, and study of a language is included in the English Baccalaureate (EBacc) that heavily guides GCSE subject choices. The Department for Education aims to have 75% of all pupils studying the EBacc, and therefore a language, by September 2022 and 90% by 2025.¹²

This year overall GCSE entries for modern foreign language increased. Entries were up by 4.1% in French and 8.1% in Spanish. However, there is a concerning downward trend in the numbers of young people learning German, dropping by 1.4%. It is important to note also that languages are at a historical low, meaning these increases are from a low base.

Exhibit 1.5 Foreign languages most widely cited as useful 2017-19 (%*)



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

Recommendations

- To improve productivity, school curricula must encourage the development of the skills required to support future economic needs and be agile enough to allow for a changing workplace.
- The government should promote the three post-16 qualification routes: academic (A level); career-focused (such as BTEC); and occupational (T levels). For employers and the economy to enjoy the benefits of post-16 education there must be greater awareness of all three routes amongst students, parents and employers.
- Over the next five to ten years, the Government should reconsider the role of GCSEs given young people now stay in education or training until 18.
- The Government should broaden the EBacc to better include creative subjects.
- The government should work with the education sector and business to develop a framework and shared approach for essential attributes to sit alongside the Gatsby Benchmarks
- The government's Youth Charter and Careers Strategy should be integrated.

Employers must play their part in the education system

Meaningful business partnerships with schools, colleges, and universities are essential for raising attainment and aspiration, as well as broadening access to employment opportunities for all young people. There remain strong connections between employers and students and an appetite from businesses to do more. The CBI is working with the government to ensure business goodwill can be turned into tangible action and directed to the schools and colleges which would benefit the most.

Key findings

- Links between business and schools, colleges and universities are extensive, and reported by over nine in ten participants (94%).
- The majority of businesses have links to secondary schools (95%), but a high proportion also engage with universities (93%) and further education colleges (91%).
- Businesses are strengthening their engagement with education with over half increasing their presence in secondary schools (+56%) and further education colleges (+51%).
- Careers advice continues as the most popular form of support provided by employers (82%), following by information on apprenticeships/traineeships (73%), as well as work experience placements (69%).
- Awareness of GCSE reforms has increased with close to three quarters (74%) fully aware of the new system, compared to less than half (47%) last year.
- Employers continue to provide a range of support to the education system including careers and talks, involvement in school governance and hosting work placements.
- The biggest barrier identified by businesses engaging with the education sector is a lack of capacity within the school or college (40%), as well as difficulties in fitting in with school timetable/curriculum (30%) and a lack of capacity within the business (28%).



If a young person has four interactions with employers during their time at school, they are five times less likely to be unemployed.¹³ However, right now opportunities for engagement with employers are not available to all.

Since the launch of the eight 'Gatsby Benchmarks' for good careers guidance, the quality of careers advice most young people receive has started to improve. The government's Careers Strategy (2017) expects schools to work to meet the implementation of the benchmarks, with the Careers and Enterprise Company established to support schools and colleges to connect with employers.

The CBI is committed to supporting every employer to step up, recognise their role in preparing young people for the modern world, and connect with the education system. This means engaging with schools and colleges and helping young people to understand the opportunities that are available to them. To deliver this, the CBI has established a long-term partnership with the Careers and Enterprise Company to develop a digital microsite to support CBI members to partner with schools and colleges in their local area.

Partnerships between employers and schools, colleges, and universities continue to improve

Employer engagement with schools and colleges help to raise levels of ambition, connects young people to work opportunities, and brings elements of the curriculum to life **(Exhibit 2.1)**.

Our survey last year found a concerning decline in the numbers of businesses who were engaging with schools and colleges, with close to three-quarters (72%) of participants reporting links in 2018 compared to over four in five (82%) in 2017. This year, we changed the question to include universities and over nine in ten (94%) employers reported engaging with these institutions. While we cannot compare like for like due to the question change, this is promising.

When it comes to the types of institutions that these businesses (those that answered "yes" to engaging with schools, colleges or universities) are linked to **(Exhibit 2.2)**, nearly all of them have links to secondary schools (95%), universities (93%), and further education colleges (91%). Meanwhile, a smaller share – but still a large majority – have links to primary schools (78%).



Exhibit 2.1 Respondent businesses with links with schools, colleges and/or universities

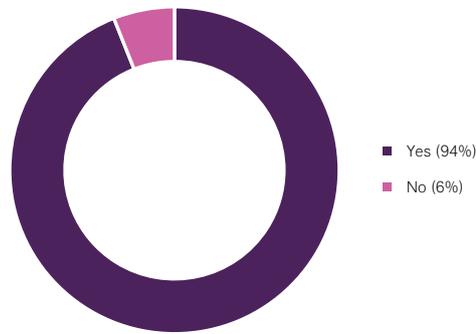
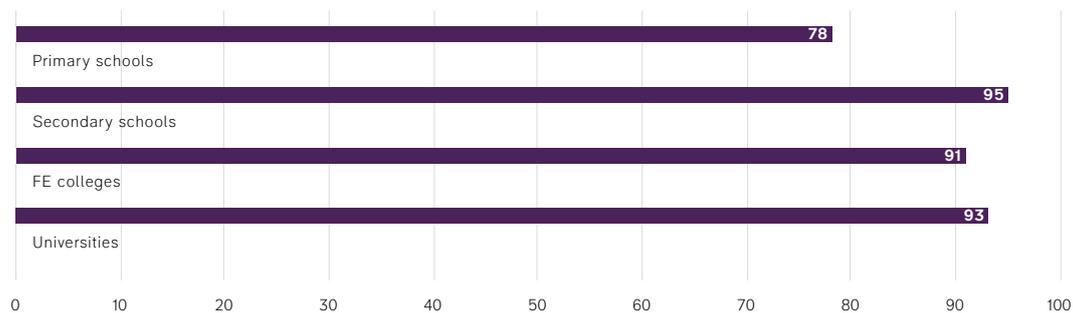


Exhibit 2.2 Level of institutions to which respondent businesses have links (%)*



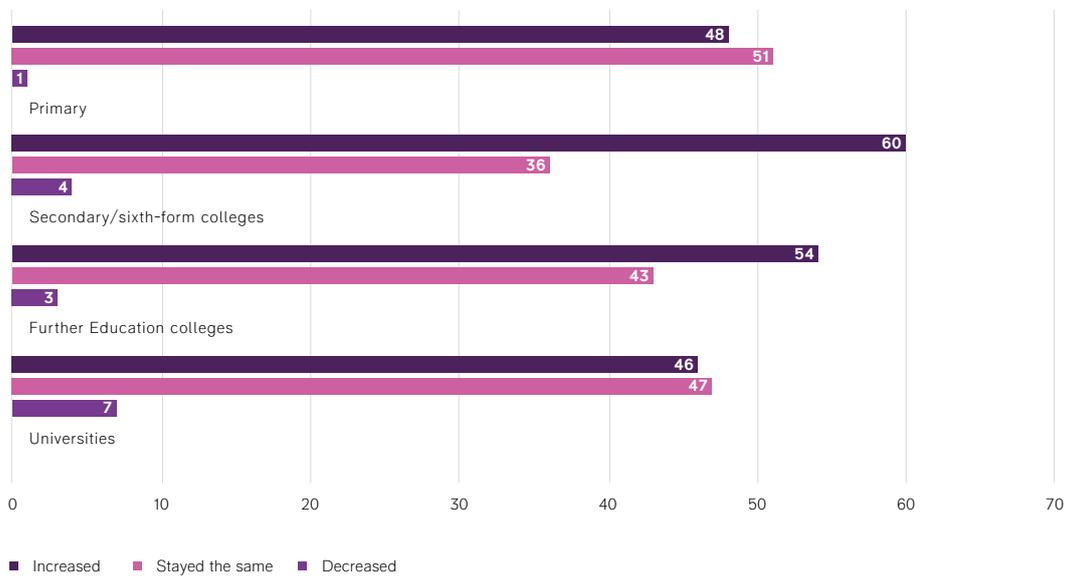
*Based on those respondents that answered "yes" to Q16

Furthermore, those schools and businesses which have established links are strengthening them (**Exhibit 2.3**). 48% of respondents with links to primary schools have increased their ties over the last year while 1% have decreased them, resulting in a balance of +47%.

Businesses also reported an expansion of ties with secondary schools/sixth forms and further education colleges over the past year. On balance, businesses with links to secondary/sixth-form colleges report increasing engagement over the past year (+56%). Meanwhile, those firms with ties to further education colleges and universities also have increased their engagement over the last year (+51% and +29% respectively).

These are positive indications of deepening links between business and the education system. The CBI and the Careers and Enterprise Company are continuing to work together to develop these links and broaden the business offer to schools, colleges and universities.

Exhibit 2.3 Change in scale of links with schools/colleges/universities over past year (%)*



*Based on those respondents reporting links

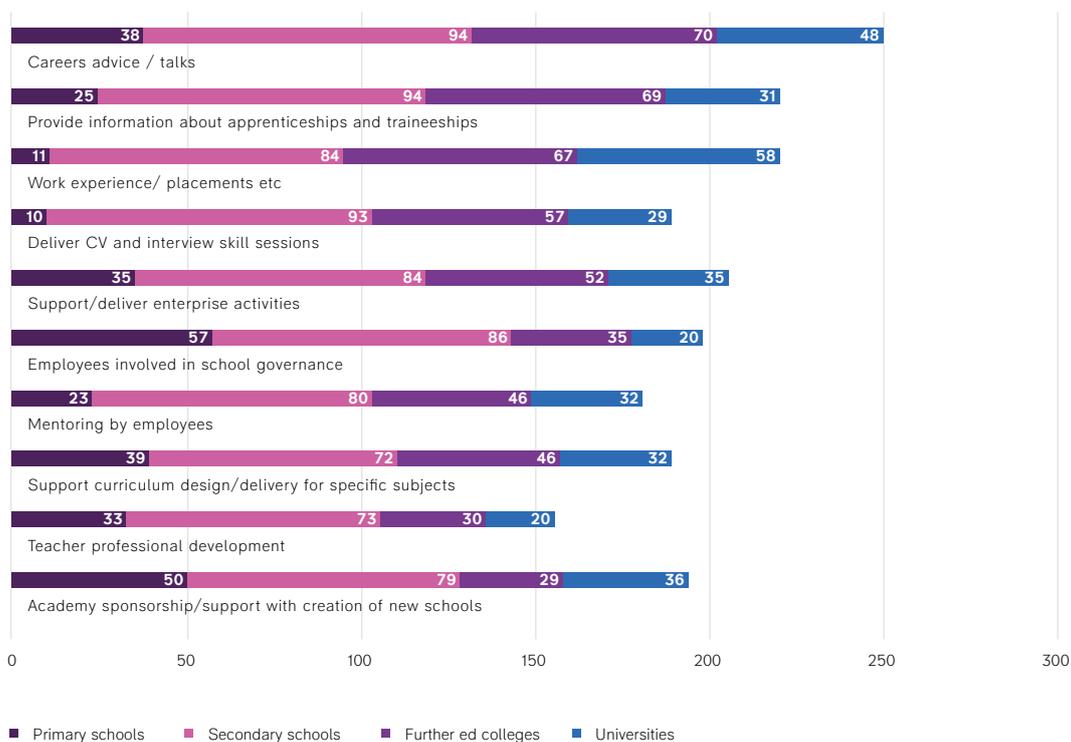
Employers continue to provide a range of support to the education system...

Our survey and conversations with members reveal that businesses are delivering a range of activities in schools and colleges (**Exhibit 2.4**). Of those respondents reporting that they deliver careers advice and/or talks for young people, the majority are engaged with secondary schools (94%) and further education colleges (70%), highlighting the importance of these for touchpoints for young people making future choices.

School governance is another area where business involvement can have tangible impact on the education system. Of the respondents who said they were involved in school governance support, the majority do this in both secondary (86%) and primary schools (57%). Building a world-class education system depends on excellence in its leaders, back and challenged by confident and supportive governing bodies.

Work placements also remain a popular form of employer engagement. Of those employers who identified providing work experience and/or placements, the majority are engaging with secondary schools (84%) and further education colleges (67%). This engagement is a promising foundation for the new T Level qualifications (Level 3), which will require a 45-day work placement element, along with other technical qualifications that are underpinned by work placements.

Exhibit 2.4 Nature of links with schools (%) *



*%s are for those firms that checked "yes" to Q16 AND checked an option for that specific question category

Businesses are keeping up with changes in schools

These successful links are also proving useful in helping businesses keep track of changes in schools and qualifications. For example, the changes in GCSE grading are still a source of uncertainty for some, although levels of awareness have improved rapidly over the past year (**Exhibit 2.5**).

Our results show nearly three quarters of businesses surveyed (74%) are fully aware of the new system and understand the new grading, compared to less than half (47%) of respondents last year. Almost one sixth of respondents (16%) said they were aware but did not understand the new grading system, while fewer than one in ten (8%) reported being wholly unaware of the new grading system. This compares to one in five (22%) reporting being unaware 12 months ago (**Exhibit 2.6**).

Exhibit 2.5 Awareness of new GCSE grading structure 2019 (%)

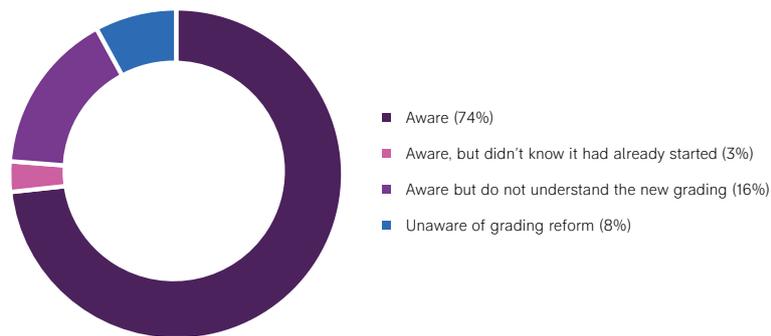
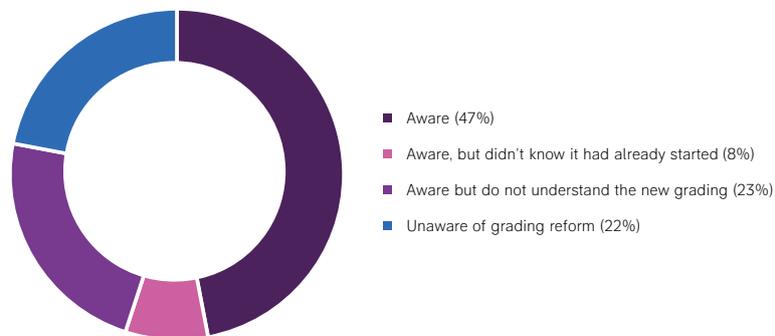


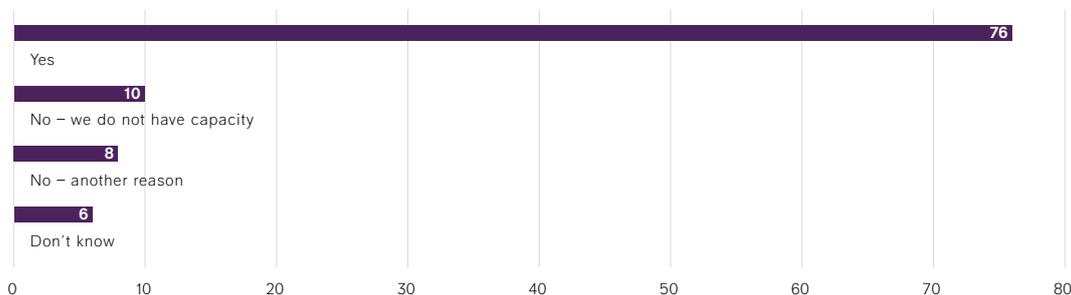
Exhibit 2.6 Awareness of new GCSE grading structure 2018 (%)



Barriers to greater connections between business and the education system remain

Businesses that already have links with schools are ready to step up their levels of engagement with just over three-quarters (76%) saying they would be willing to play a greater role in supporting schools, colleges and/or universities (**Exhibit 2.7**). This shows a positive picture for the future of business engagement in the education system over the coming years.

Exhibit 2.7 Respondents willing to play a greater role in supporting schools/colleges/universities (%)*



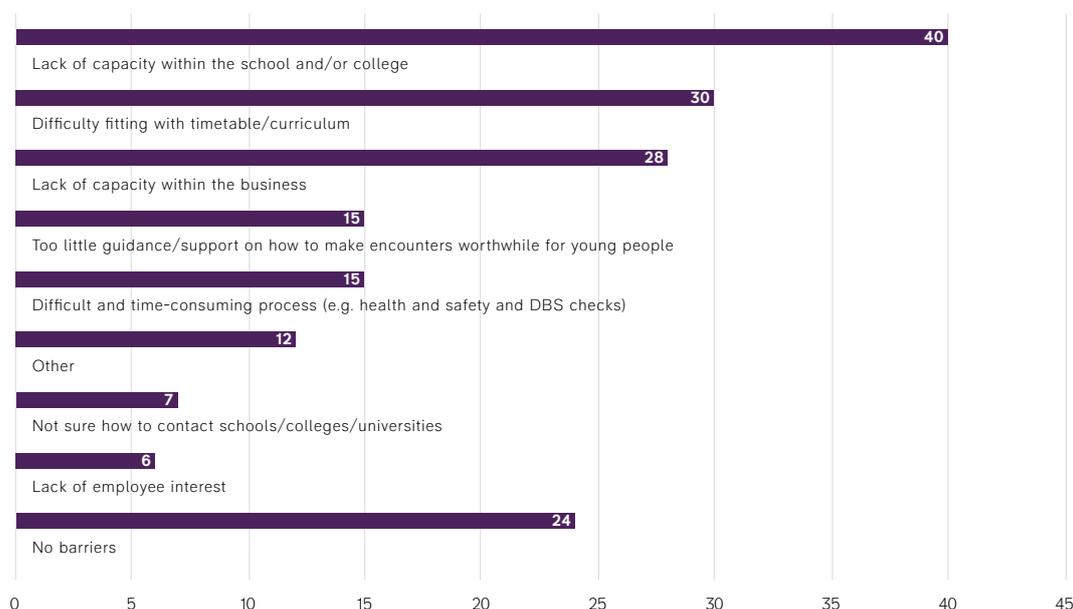
*Based on those firms that answered "Yes" to Q16

If this goodwill is to be turned into tangible action, the barriers to engagement must be tackled (**Exhibit 2.8**). The leading obstacle identified by two-fifths of businesses that already have links to schools (40%) is a perception around lack of capacity within the school or college to host employer engagements. In addition, just under a third (30%) of employers identified difficulties in fitting with the timetable and/or curriculum. It is worth noting, though, that nearly a quarter (24%) of respondents reported having no barriers to building links with schools/colleges/universities.

In both of these areas, intermediary agencies can play a meaningful role in eliminating barriers. By working closely with schools and colleges, the Careers and Enterprise Company is in a unique position to understand the challenges schools face, as well as recognising the difficulties businesses face when engaging.

The CBI and Careers and Enterprise Company are working to develop deeper understanding and connections between employers and education, ensuring every student has access to the encounters they need to succeed in the modern world.



Exhibit 2.8 Barriers to building links with schools/colleges/universities (%)*

*Based on those respondents who answered "Yes" to Q16

Recommendations

- All employers should consider how they play their part in making sure every young person has an experience of the workplace and world of work while they're in education.
- The Gatsby Benchmarks of high-quality careers advice, currently established in secondary schools and colleges, should be adapted so age-appropriate careers advice can be given in primary schools. In addition, a greater effort must be made to adapt the Gatsby Benchmarks when necessary, such as for those with special educational needs or a disability.
- The Government should expand the number of careers hubs from 40 in order to ensure full coverage. This is estimated to require 140 careers hubs in total.
- To support stronger partnerships the CBI must also play its part. This will be done through a new digital platform that provides best practice and signposts CBI members to the best way for them to make a difference. This is in partnership with the Careers and Enterprise Company.
- Schools and colleges should be supported to free up timetabling space and capacity that allows businesses to engage with them in the delivery of careers activities.

Technical and further education is essential for competitiveness

It is critically important people are able to learn the skills that our future economy needs. There are three routes at the age of 16: academic A-levels; a career-focused pathway through 'applied general's, the most common being BTECs; and occupational routes, including apprenticeships and the soon to be launched T Levels – together they ensure young people have a range of strong options to choose from. The Apprenticeship Levy and T level qualifications both play a major part in developing the UK's skills base, but continuing reform will be needed if they are to live up to their full potential.

Key findings

- More than four in five business respondents (86%) offer apprenticeship programmes.
- Six out of ten respondent firms (63%) say they plan to expand their apprenticeship training programmes in the future, with only 5% of firms having no plans to offer apprenticeships.
- External candidates remain by far the largest source of apprenticeship recruitment, with over four in five respondents stating that they hire in this way (85%).
- Due to the introduction of the apprenticeship levy, over half of respondents (54%) have created new apprenticeship programmes and/or increased apprenticeship places (32%).
- But businesses are still finding managing the Levy system and navigating its processes to be complex. Nearly three in ten (28%) firms have created new business processes to deliver apprenticeships, and more than a quarter of firms (26%) are simply absorbing the Levy as a cost.
- Scope for upskilling is identified as the single biggest opportunity from the Levy across all sizes of business, with four in ten (41%) identifying the chance to develop existing staff.

- One in four (25%) respondents see the lack of clear guidance and confusion about the rules and the system's operation as their greatest challenge with the Levy. Other issues include the slow pace of progress in approving apprenticeship standards (19%) and a lack of suitable provision (17%).
- Greater flexibility in the use of funds emerges as the key priority for change, with seven in ten (71%) firms that responded highlighting it as their biggest priority.
- Almost eight in ten respondents (78%) said they would be either dissatisfied or very dissatisfied if restrictions would be placed on how Levy funds can be used.
- Businesses are increasingly aware of the T level reforms, with 79% of respondents either very or somewhat aware of T levels and 77% aware of the work placement element.

Apprenticeships are increasingly the start of great careers

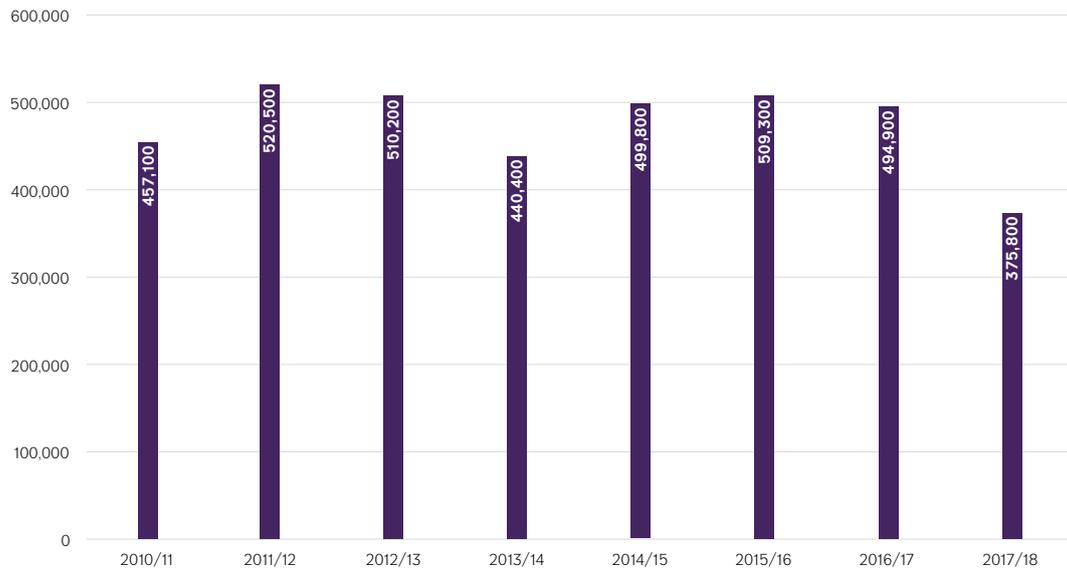
Most businesses provide apprenticeship places (**Exhibit 3.1**). Our results show that 86% of organisations surveyed are currently involved in apprenticeship programmes, a welcome increase of 16 percentage points from 70% in 2018 (which fell from 83% in 2017).¹⁴

Exhibit 3.1 Employers involved in apprenticeships 2008-19 (%)



This result is consistent with the picture painted by the government's own figures, which show a sharp downturn in apprenticeship starts in the academic year 2017/18 as firms adapted to the introduction of the Apprenticeship Levy (**Exhibit 3.2**). In 2017/18 there were 376,000 starts, a fall of 26%.

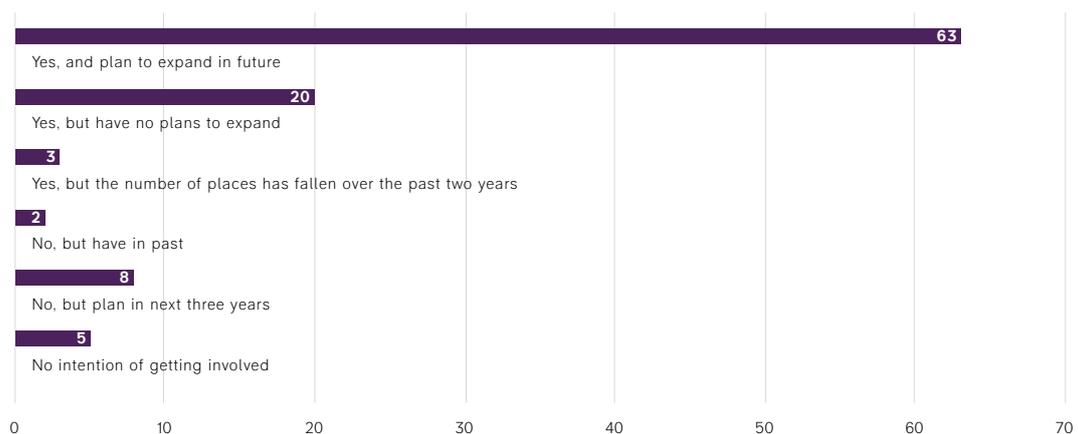
Exhibit 3.2 Total apprenticeship starts by academic year¹⁵



Source: Department for Education

Positively, the scope for further growth in apprenticeships is highlighted by our finding that even in the current climate, close to two thirds of firms that responded to the survey (63%) say they plan to expand their apprenticeship training programmes in the future (**Exhibit 3.3**). In addition, just 5% of respondents said they had no plans to offer apprenticeships, a fall of 6 percentage points from last year.

Exhibit 3.3 Involvement and plans for apprenticeship training schemes 2019 (%)

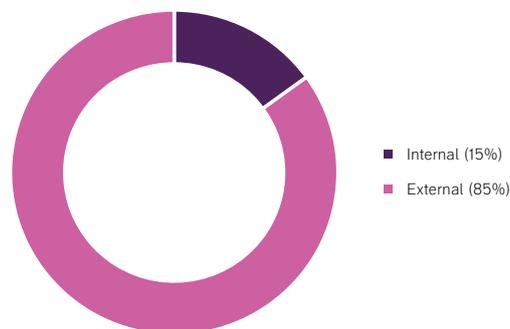


Apprenticeships open opportunities for people from every background, with most recruited from outside the business...

As a powerful tool to achieving more productive and flexible workforces and driving social mobility, apprenticeships have a vital role in filling the UK's skills gaps. Apprenticeships are often a vehicle for entry-level recruitment and as **Exhibit 3.4** shows, external candidates remain by far the largest source of apprenticeship recruitment by respondent firms (85%).

But as the CBI's September 2019 report *Learning on the job: Improving the Apprenticeship Levy* highlighted, there has been significant growth in older, existing workers being put on higher-level apprenticeship programmes.¹⁶ If this trend continues, it may have long-term consequences for what an 'apprenticeship' is, with its traditional role as the first rung into a career in decline. If this decline were to become entrenched, the implications for social mobility would be significant, with the opportunities for the 50% of people who don't study a Bachelor's degree shrinking.¹⁷ Any future review of the Apprenticeship Levy should explore any direct correlation between the growth in higher-level programmes and reduction in lower level starts.

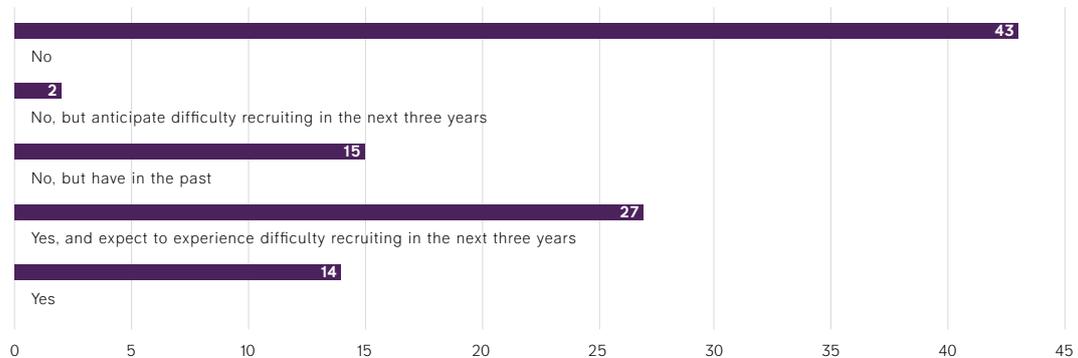
Exhibit 3.4 Sources of apprenticeship recruitment (%)



When it comes to recruiting apprentices, our survey shows that many businesses still struggle to fill places (**Exhibit 3.5**). 41% of respondent firms have had trouble in recruiting apprentices or expect to do so in the next three years. These are concerning findings. Work-based, relevant training apprenticeships can open up a huge range of opportunities for those who complete them.

Better careers advice and greater enforcement of the Baker Clause, which requires schools to open their doors to Further Education providers to let them showcase opportunities to pupils, could play a part in addressing these challenges.

Exhibit 3.5 Firms experiencing difficulty recruiting for apprenticeships 2019 (%)



The Apprenticeship Levy must be improved to support training provision

Most employers who responded to the survey (78%) pay the Levy, and 88% of those firms paying the Levy report at least one impact on their business (**Exhibit 3.6**).

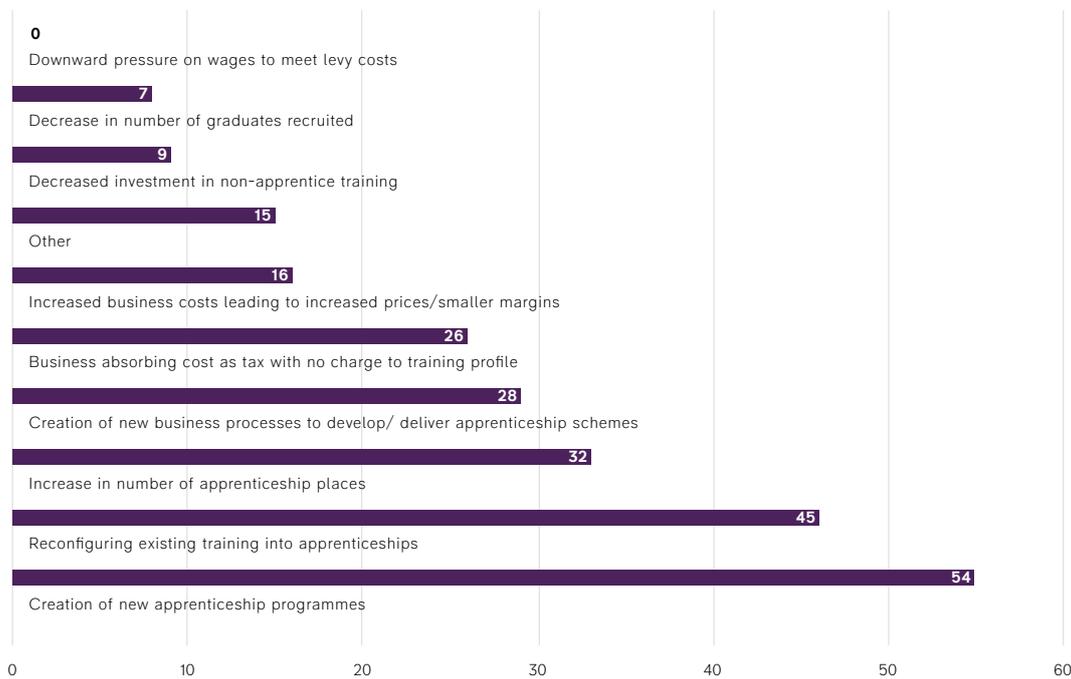
For example, nearly three in ten (28%) firms have created new business processes to deliver apprenticeships. Many firms are also making changes to their training profiles in response to the Levy. Over half of employers (54%) have created new apprenticeship programmes and/or increased apprenticeship places (32%).

While these numbers represent significant increases from last year, they are still below pre-Levy figures. In 2017, for example, 58% of employers were creating new programmes and 46% were increasing places.

Almost half of firms (46%) are also reconfiguring at least some training programmes into apprenticeships, which represents a significant increase from last year (31%). There have been some concerns about the 'rebadging' of training as apprenticeships, so giving a misleading impression of change in the scale of activity. Our results suggest this issue requires further investigation.

More positively, the proportion of firms saying they are cutting back on non-apprenticeship training (9%) or reducing the number of graduates they recruit (7%) have both fallen from last year. More than a quarter of firms (26%), however, say they are simply absorbing the Levy as a cost with no change to their overall training profile – a figure which remains stubbornly high.

Exhibit 3.6 Impact of introduction of the Apprenticeship Levy (%)*



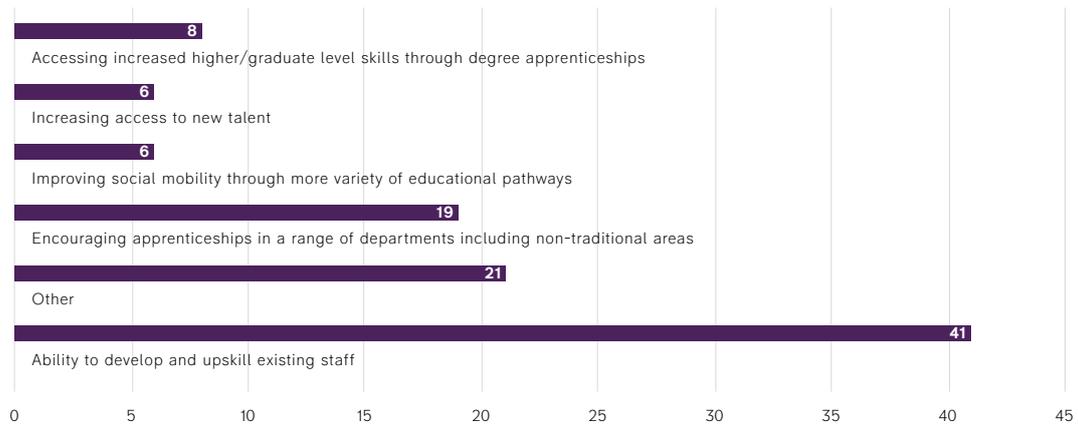
*Based on those respondents reporting an impact

The Levy has opened-up opportunities, despite challenges

Our findings show that businesses do see some opportunities arising from the Levy (**Exhibit 3.7**). Scope for upskilling is identified as the single biggest opportunity by respondent firms, with four in ten (41%) identifying the chance to develop existing staff through new training, up from 30% in 2018.

‘Other’ (21%) was the second-highest category, reflecting the diverse range of impacts of the Levy. For example, many CBI members have said that one of the most positive aspects of the Levy has been an increased focus on training at boardroom level.¹⁸

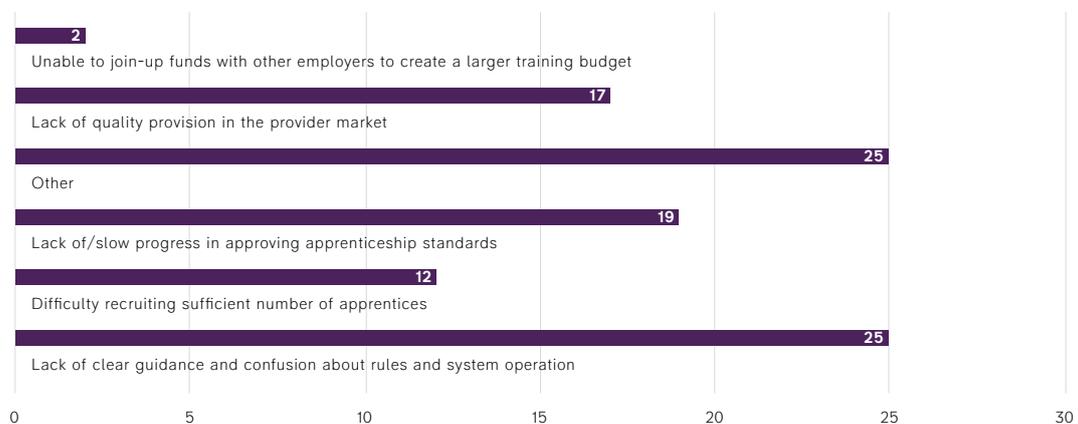
Some firms (19%) also welcome the opportunity to encourage apprenticeships in a range of departments across the business, including areas where apprenticeships have not been a traditional route. Yet in significant falls from last year (15%), just 6% of employers that responded to the survey identified increasing access to new talent through new apprenticeship schemes as the main opportunity, with a similar amount (8%) pointing to the scope for degree apprenticeships to strengthen the supply of the higher and graduate skills needed for the future (13% in 2018).

Exhibit 3.7 Biggest opportunity offered by the Apprenticeship Levy (%)*

*Based on those respondents paying the levy

We also asked employers about the single biggest challenge they have faced since the Levy's introduction. The findings across all firms (**Exhibit 3.8**) underline issues the CBI has continually raised about the Levy system's design as highlighted in the recent report *Learning on the Job* (2019).¹⁹

One in four (25%) of respondents see the lack of clear guidance and confusion about the rules and the system's operation as their greatest challenge, an increase of 5 percentage points from last year. Meanwhile, nearly one in five respondent firms believed that the biggest problem is the slow pace of progress in approving apprenticeship standards (19%). A similar proportion (17%) also report their major headache is the lack of appropriate training provision in the market.

Exhibit 3.8 Biggest challenge posed by the Apprenticeship Levy (%)*

*Based on those respondents paying the levy

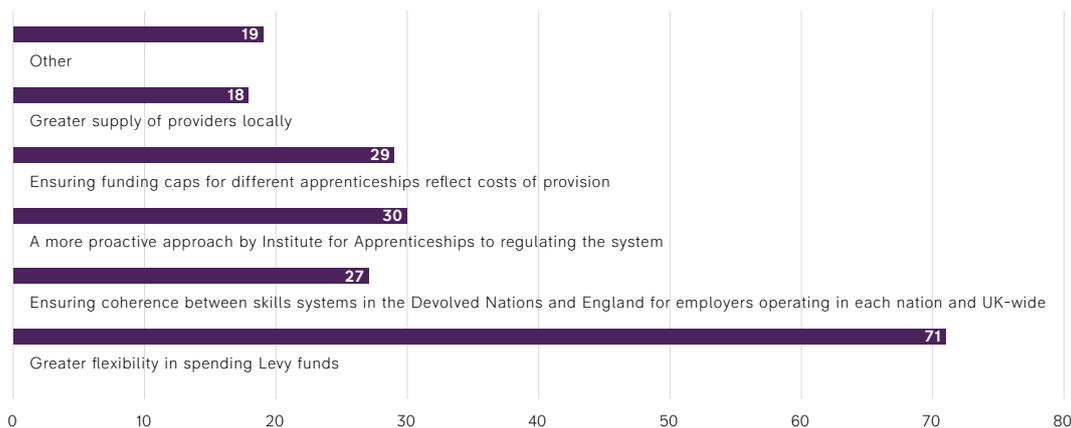
Above all, there needs to be more flexibility over how Levy funds can be spent.

We asked firms what changes would increase the effectiveness in the Apprenticeship Levy system (**Exhibit 3.9**). Greater flexibility in the use of funds emerges as the key priority for change, with seven in ten (71%) respondent firms highlighting it as their biggest priority. This reflects many firms’ concerns about the narrow design of the current Levy - as highlighted in the CBI’s recent report on the apprenticeships system *Learning on the job* – which only allows spending on off-the-job, externally delivered training.²⁰ Firms welcomed the Government’s announcement that firms will be able to transfer up to 25% of their funds to their supply chain from April 2019,²¹ but most firms desire a far greater level of flexibility.

Other key priorities include making sure the Institute for Apprenticeships & Technical Education (IfATE) takes a more proactive role in regulating the skills system (30%) and ensuring that funding caps for different apprenticeships accurately capture the true cost of provision (29%).

One in three (29%) of respondent 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.

Exhibit 3.9 Actions to make the Apprenticeship Levy system more effective (%)*



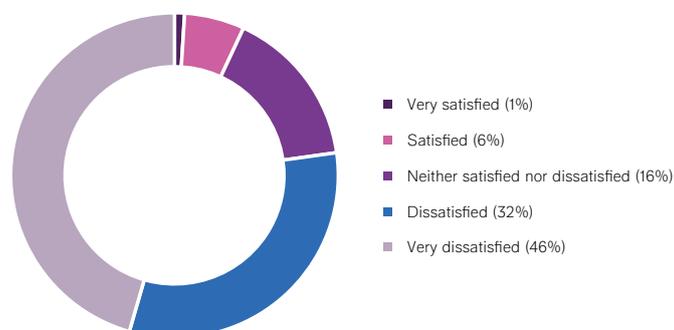
*Based on those respondents paying the levy

Businesses certainly don't want to see any new restrictions placed on how they can deploy Levy funds.

While many individual businesses have 'unspent' funds showing in their Levy accounts, the overall apprenticeships budget is at risk of to being overspent in the coming years. This is driven by the growth in higher-level programmes, which last longer and cost more to deliver, and the fact that the Levy covers the cost of non-levy payers' provision.²²

As spending pressure builds on the Levy, the government may consider restricting how employers can use their Levy funds. However, when asked how they would feel if restrictions were placed on how firms could use their Levy based on age, income or the level of training, almost eight in ten firms (78%) said they would be either dissatisfied or very dissatisfied (**Exhibit 3.10**). Restrictions on how Levy funds can be used could be counter-productive to addressing some of the biggest skills challenges employers face. These include new technology, such as automation and AI in the workplace, which means that retraining and upskilling is more important than ever.

Exhibit 3.10 How respondents would feel if restrictions were placed on the use of levy funds based on age, income or level of training (%)*



Awareness of T levels reforms is rising rapidly

The CBI has long called for the strengthening of vocational and technical routes alongside existing options, such as applied generals or A Levels. Applied generals include qualifications such as Pearson's BTEC, AQAs Extended Certificate, or WJEC's Applied Certificate. Together, these routes will offer young people three post-16 routes: academic (such as A levels), career focused (such as applied generals) and occupational (including T levels & apprenticeships).

The T level reforms currently underway present an opportunity to improve the routes available. With the first programmes being introduced from September 2020, this year was the second time the CBI/Pearson Education & Skills Survey has asked employers about T levels.



Businesses are increasingly aware of the T level reforms and that it involves substantial workplace experience. As **Exhibit 3.11** shows, 79% of firms that responded to the survey were either very or somewhat aware of T levels, an increase of 13 percentage points from 2018 (**Exhibit 3.12**). Making a success of T Levels requires genuine employer engagement and co-design, so it is encouraging that only 12% of respondents are not at all aware of them, down from 42% in 2018.¹

Exhibit 3.11 Awareness of T levels 2019 (%)

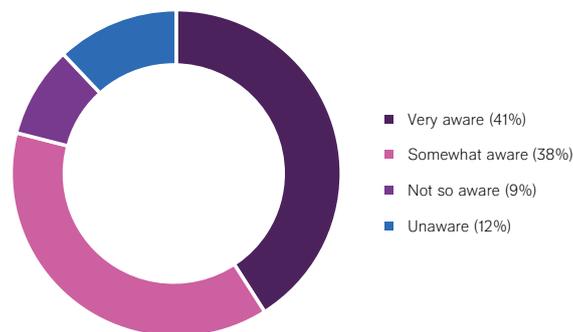
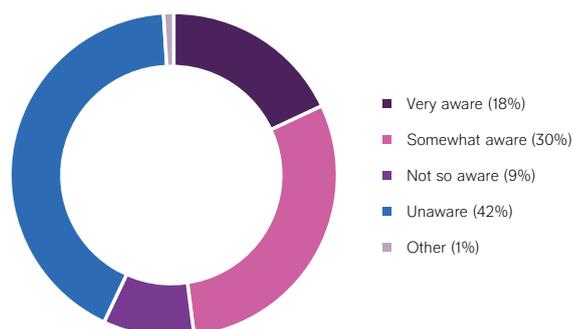


Exhibit 3.12 Awareness of T levels 2018 (%)



¹Please note the change in answer options for 2018 and 2019.

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.²³ Again, much like the programmes themselves, awareness of the placements has grown sharply in a year among employers (**Exhibits 3.13 and 3.14**). In 2018, just over one in three (35%) respondent employers were aware of the placement element; this figure is now a little more than three in four (77%). This may reflect the growing awareness of T levels among providers, firms and colleges, with the Government having launched a promotional campaign following a drumbeat of activity over the summer.²⁴

Exhibit 3.13 Awareness of T levels work experience element 2019 (%)

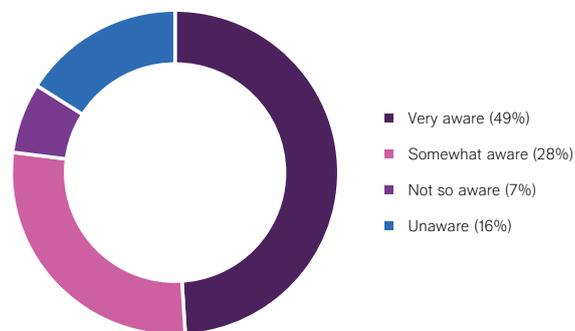
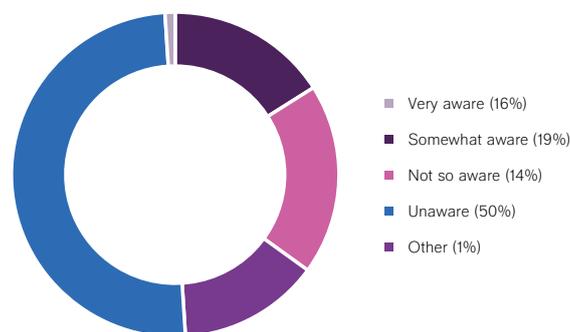


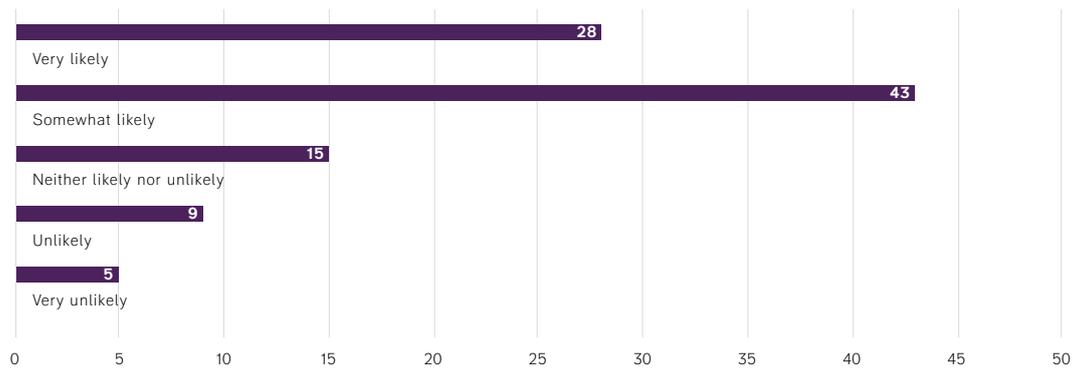
Exhibit 3.14 Awareness of T levels work experience element 2018 (%)



And businesses are keen to support the new T level option

Many businesses are willing to play an active role in providing T level placements **(Exhibit 3.15)**. More than seven in ten (71%) of firms said they were either very likely or likely to offer placements, which is hugely encouraging as this reform is dependent on having strong employer buy-in.

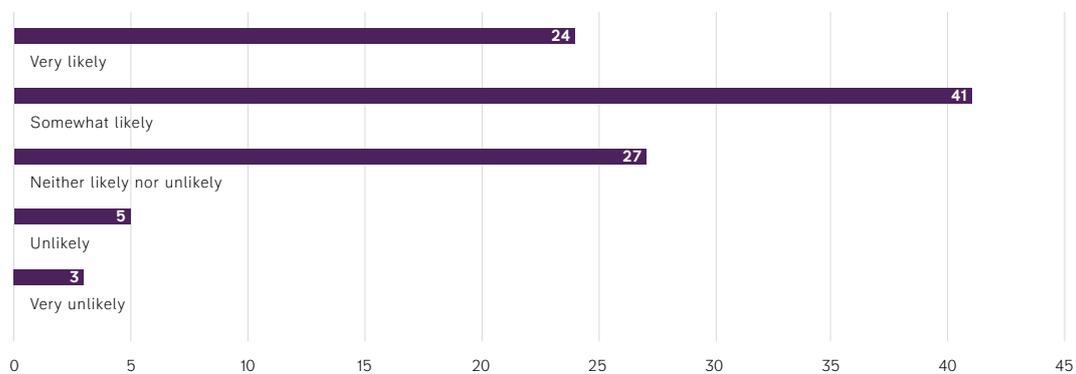
Exhibit 3.15 Likelihood of respondents offering T level work experience placements (%)



The planned package of employer support gets business backing

It is vital, however, that despite these encouraging signs that complacency does not creep into anyone's thinking about the readiness of firms to provide placements, particularly among SMEs. In May 2019, the government introduced a package to help employers provide work placements, including 'how to' guides, workshops and hands-on support.²⁵ Encouragingly, two-thirds of firms surveyed (65%) said that this support would increase their likelihood of offering work placements (**Exhibit 3.16**).

Exhibit 3.16 Likelihood of respondents offering T level placements with backing from government support package (%)



Recommendations

- For Government to increase transparency for employers and improve the use of data to measure the effectiveness of the Apprenticeship Levy.
- Ensure that the apprenticeships system becomes more user-friendly and allows firms to access the right training.
- Encourage employers to recruit greater numbers of young people to apprenticeship programmes to nurture new talent.
- Deliver a sustainable financial plan for the apprenticeship budget that allows firms to continue to invest in apprentices of all ages and levels.
- Open-up conversations on the long-term, including a consultation on turning the Levy into a flexible 'Skills Levy'.
- Continue to work with businesses on the design and delivery of T levels, including embedding work placements, particularly among SMEs, to ensure that these are available to 16-19 year olds alongside the academic A levels, the career-focused pathway and apprenticeships, the other occupational route.



"Restrictions on how Levy funds can be used could be counter-productive to addressing some of the biggest skills challenges employers face."

The role of our world-class institutions in delivering a thriving economy

Universities and colleges play a vital role in ensuring the future success of our country. Whether that's as anchors within their local communities helping to boost regional growth, at the cutting edge of new teaching and research methods, or in expanding our links abroad, they are at the heart of building a successful economy and society. Employers expect to need increasing numbers of people with higher-level skills in the years ahead, so there are excellent career prospects for university and college leavers – provided they are equipped with the right attitudes, skills and knowledge to take advantage of those opportunities.

Key findings

- Graduate openings have continued to grow with nearly nine in ten (85%) businesses either maintaining or increasing their graduate recruitment.
- The expansion in university graduate openings in the past 12 months builds on an established pattern of sustained growth in graduate recruitment over the past six years.
- When recruiting graduates, attitude and aptitudes for work ranks consistently higher than any other factor – far above factors such as degree classification or university attended.
- Acceptance rates for cheaper-to-teach-subjects within university appear to be rising relative to those which are more expensive to deliver.
- Awareness in Higher Technical Education appears high but not universal, with Higher National certificates and diplomas (HNCs and HNDs) the most popular qualification at this level.

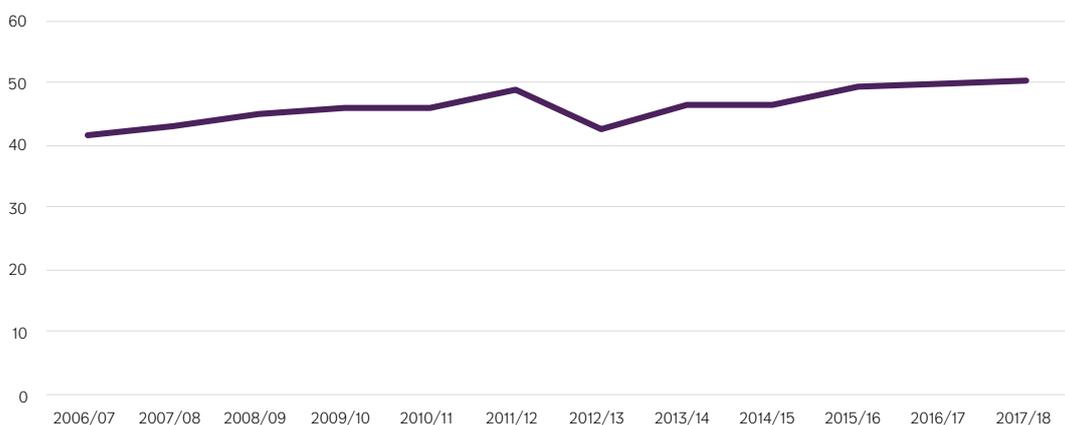


Demand for higher education continues to grow

For the fourth consecutive year, demand for higher education has increased. In 2017/18, there were 2.34 million individuals enrolled in undergraduate and postgraduate education in the UK, compared with 2.32 million in 2016/17 **(Exhibit 4.1)**.²⁶ This includes studying at university or college, and for degrees as well as other types of qualifications provided by these institutions, such as Higher National Certificates and Diplomas (HNDs and HNCs).

This increase has been beneficial to students across the board, yet there are still significant differences between the type of students accessing higher education. While increasing levels of participation has meant that we now have record numbers of young people from disadvantaged backgrounds entering higher education, data from the Office for Students – the independent regulator for higher education in England – suggests that there are still wide gaps in access and outcomes between the most and least advantaged groups in English universities and higher education institutions. For instance, those from disadvantaged backgrounds who attend university are less likely to continue their studies, less likely to receive a first or 2:1 and less likely to go on to secure higher-level employment or post-graduate study.²⁷

Exhibit 4.1 Higher education student enrolment

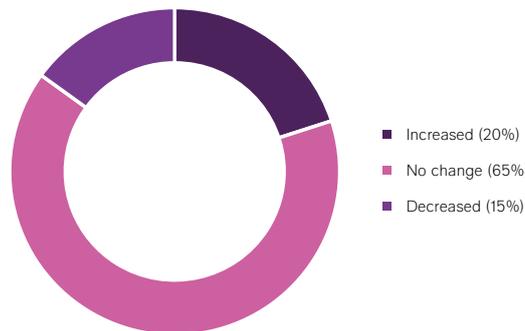




Business need and value the skills provided by a university education

Our latest findings show businesses that recruit university graduates have continued to grow their recruitment. Over the past 12 months, only 15% of businesses surveyed have cut back on graduate recruitment whilst 20% increased their graduate intakes, giving a positive balance of +5% increasing graduate recruitment **(Exhibit 4.2)**.

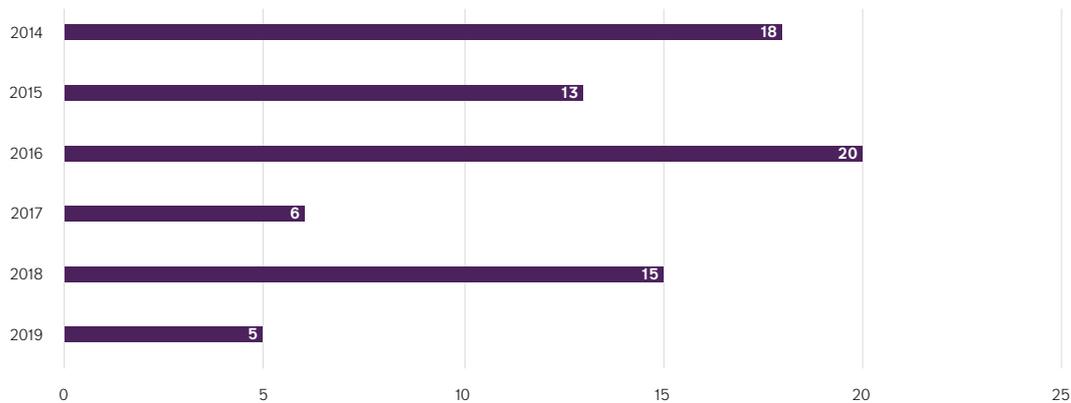
Exhibit 4.2 Changes in levels of graduate recruitment in past year 2019 (%)*



The expansion in university graduate openings in the past 12 months builds on an established pattern of sustained growth in graduate recruitment year by year **(Exhibit 4.3)**. Our surveys have consistently found a growing appetite among businesses for graduates.

While the pace of growth in graduate openings has slowed compared to last year, the continuing rise in graduate recruitment is noteworthy given the CBI previously raised questions about whether the impact the Apprenticeship Levy could dampen graduate recruitment. According to previous surveys, over a quarter (26%) of firms anticipated reducing the number of graduates they recruit as a result of the Levy.²⁸ Nonetheless, with employers often finding it easier to understand the well-established and traditional degree over other forms of high-level qualifications, it is somewhat unsurprising to see firms continue to use a degree as a trusted and reliable benchmark when looking to recruit.²⁹

Exhibit 4.3 Balance of respondents increasing graduate recruitment* (%)

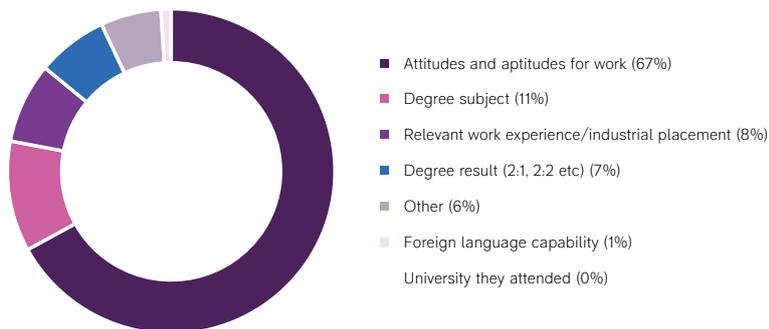


**Respondents reporting increased recruitment minus those reporting decreased recruitment*

Provided they are equipped with the right attitudes, skills and knowledge there are excellent career prospects for university graduates

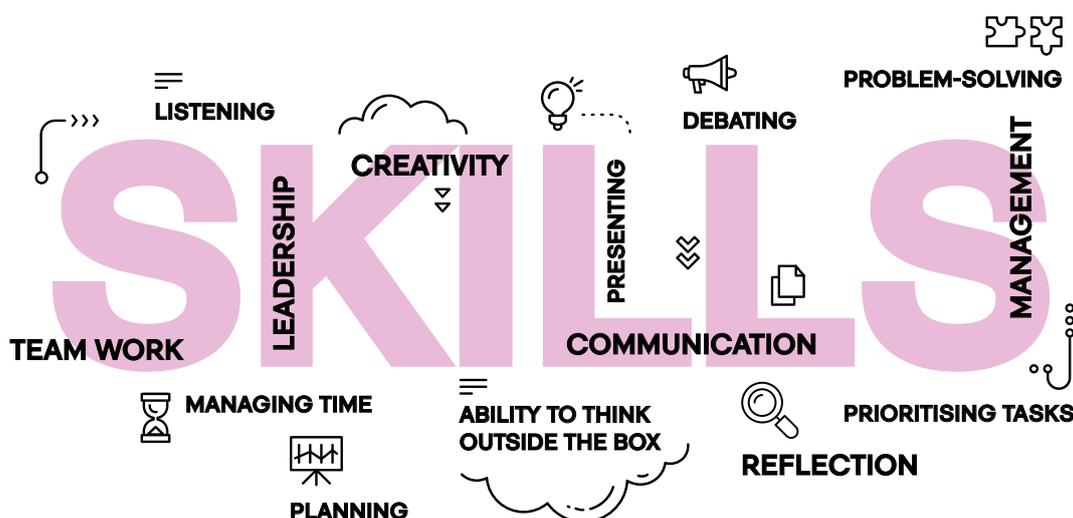
When it comes to university graduate recruitment, businesses are looking above all at the qualities of the individual. Attitude and aptitudes for work ranks consistently higher than any other factor when considering graduate recruitment – far above factors such as the university attended (**Exhibit 4.4**).

Exhibit 4.4 Most important factor in graduate recruitment (%)



This underlines the importance of continuing to develop the broader, 'work readiness' skillsets that employers value – such as time management, team working, and problem-solving – in order to be best placed to seize future opportunities. The reality for graduates is that simply gaining a degree is not enough to win entry to a successful career meaning developing the right skills and attitudes is critical for a successful transition from higher education to the world of work.

While attitudes are the single most widely cited factor in graduate recruitment, degree subject is also a factor used when firms are recruiting. Over the years, our surveys have repeatedly shown that this is particularly the case in sectors such as manufacturing and among engineering, science & hi-tech firms where the UK suffers from acute skills shortages.³⁰



Despite an increase in the number of graduates, higher education still gives students a significant advantage in the labour market...

The growth in numbers in higher education is welcome. The value of graduates and postgraduates to business is shown by their consistently higher employment rates when compared to non-graduates (**Exhibit 4.5**). In 2018, over 87% of working-age graduates and postgraduates were in employment compared with 71% of non-graduates.

Graduates and postgraduates also enjoy large earnings premiums compared to non-graduates (**Exhibit 4.6**). The median salary of working age (16-64-year olds) graduates in 2018 was £10,000 a year more than non-graduates, while the median salary of postgraduates was £6,000 more than graduates (or £16,000 more than non-graduates).

Despite concern about the number of graduates, there has been no significant reduction in either the employment prospects or the earnings premium for graduates.³¹ This is testament to the value-added impacts generated by those holding higher education qualifications and helps demonstrate that a good degree is a worthwhile investment for the government, students, and business as a whole.

Exhibit 4.5 Employment rates of postgraduates, graduates and non-graduates in England 2008-18 (%)

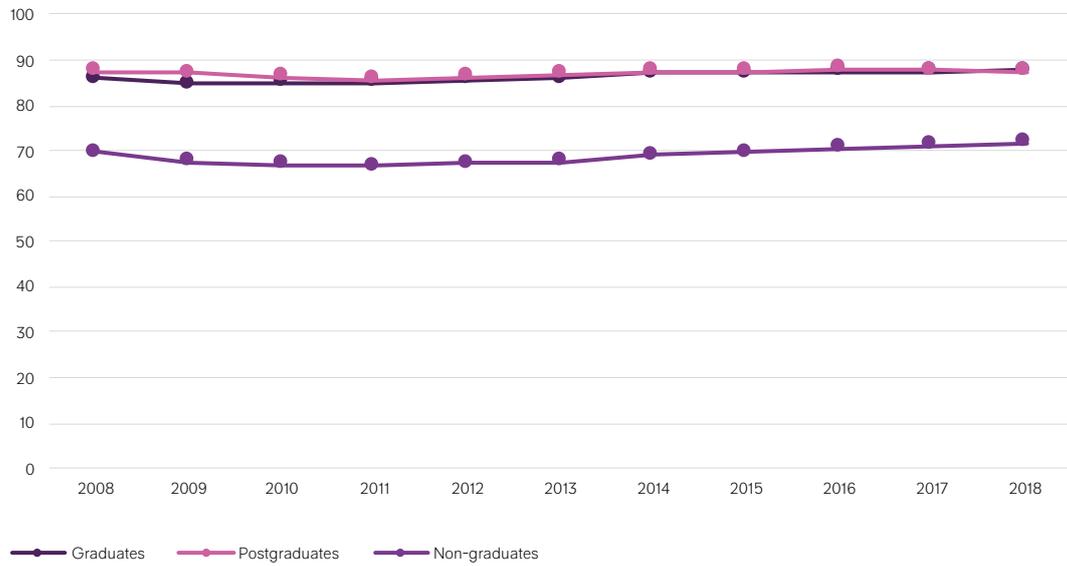
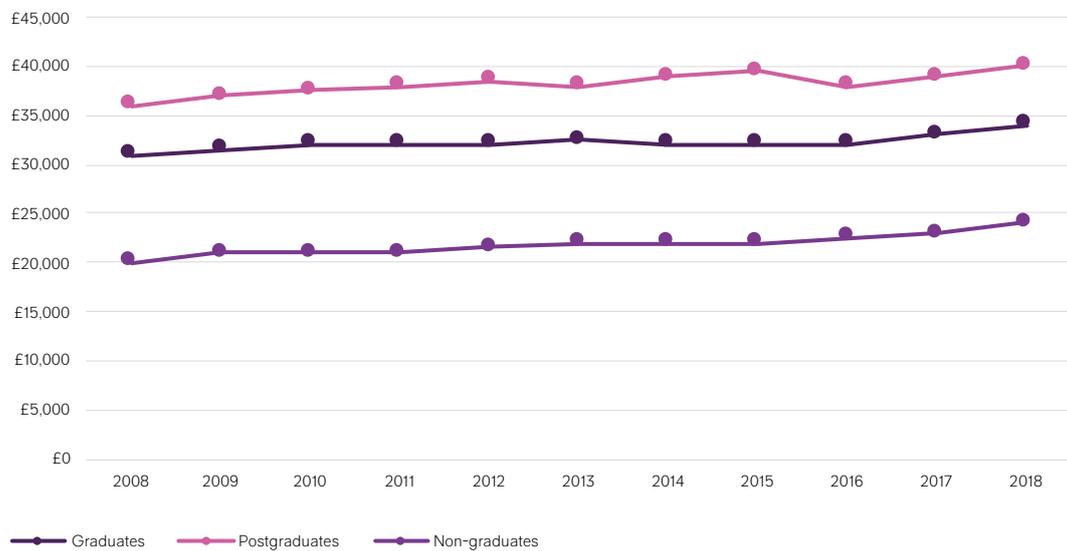


Exhibit 4.6 Annual median salaries of postgraduates, graduates and non-graduates in England 2008-18 (£)



Universities must continue to adapt and modernise...

An increase in the number of students studying within higher education is only good if it delivers the skills needed by business and, in the vast majority of cases, universities are delivering skills which are highly sought after by firms. However, although the average earnings premium for graduates has held, there is considerable variation in early-career earnings in England.³² In other words, some courses and some higher education institutions – but by no means the majority – are not delivering the earnings typically associated with a higher education.

However, it is important to stress that earnings are not the sole determinant or driver of value or quality within higher education. After all, many graduates want a ‘good job’ but this does not always just equate to earnings and there are many factors that influence salary which are beyond the control of higher education institutions – such as gender, ethnicity, social class and prior attainment, as well as location, industry and the overall performance of the economy.³³

Nonetheless, preparation for work is an important element of higher education and, in order to preserve the long-term sustainability of the funding system, it is important that those with higher education qualifications maintain an earnings premium within the labour market to enable graduates – as the primary beneficiaries of a degree – to contribute towards the cost of the system.

As Pearson’s 2019 white paper on higher education states:

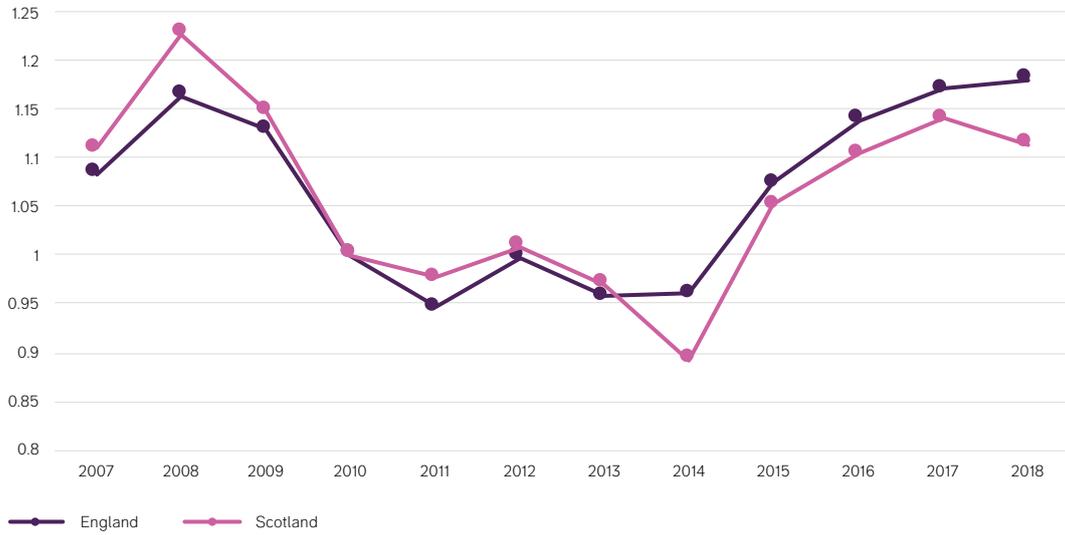
“People of all ages expect, as a baseline, that learning and education will provide them with the right skills to secure better jobs and fulfilling careers in a rapidly changing workplace. That is, learners measure the value of their higher education by the outcomes it delivers to them – first and foremost in terms of career opportunities. It isn’t surprising, then, that employability is a top concern for learners.”³⁴

Set within this context, it is important that providers – be it universities, colleges, or other training providers – focus on recognising and rewarding employment outcomes, such as employment rates and earnings, and are not incentivised purely on the basis of recruitment.

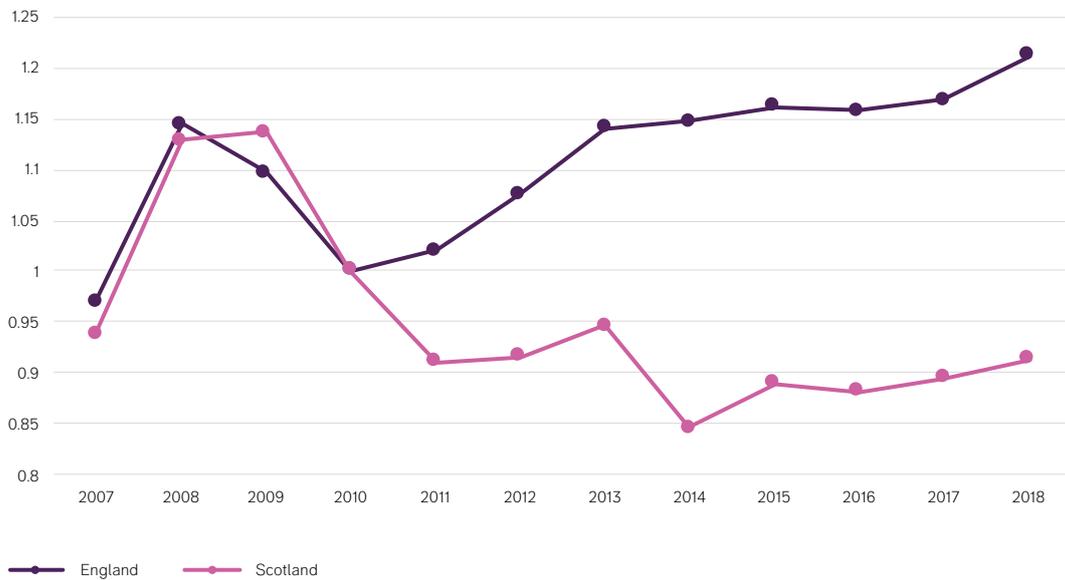
Comparing UCAS acceptance rates for those courses which are cheaper to teach against those which are more expensive illustrates some concerns regarding the potential impact of perverse incentives, and potentially insufficient funding. For instance, in recent years, UCAS acceptance rates have behaved in a broadly similar way in England and Scotland for the more expensive subjects (referred to as ‘Band A and B’ subjects, such as clinical or laboratory-based science, engineering and technology subjects). Yet for the cheaper to teach subjects (referred to as ‘Band C and D’ subjects, such as classroom-based humanities, business or social sciences subjects), acceptance rates have gone from being nearly identical in the two countries to being around 20–30% higher in England (**Exhibit 4.7**).

Exhibit 4.7 University acceptance rates by teaching cost band, comparison between England and Scotland)³⁵

Band A UCAS Acceptance Rates



Band D UCAS Acceptance Rates



In a rapidly changing labour market, qualifications at the Higher Technical Level (Level 4 and 5) represent the ‘missing middle’ of England’s skills system

Universities and colleges now offer a lot more than traditional degree courses (level 6) and there is increasing focus on the wide range of higher technical qualification programmes (level 4 and 5) – recently rebranded as ‘Higher Technical Education’ – now offered by universities, colleges, and other training providers **(Exhibit 4.8)**.

Exhibit 4.8 What is Higher Technical Education?

Higher Technical Education is the name that has been given to the government’s reforms to the technical education in England that falls between Level 3 (equivalent to A-levels) and Level 6 (degree-level equivalent). It is sometimes referred to as ‘Level 4 and 5’ education.

Qualifications included within the banner of Higher Technical Education include qualifications such as Higher National Certificates and Diplomas (HNCs and HNDs), Foundation Degrees, and Certificates and Diplomas of Higher Education (CertHE and DipHE), among others.

Our survey suggests levels of awareness of these among businesses are reasonably high but not universal. 88% of businesses surveyed said they were very or somewhat aware of these qualifications with only 12% saying they were “not so aware” or “not at all aware” **(Exhibit 4.9)**. Higher National certificates and diplomas (HNCs and HNDs) appear to be the qualifications most sought but respondent businesses seem to be hiring individuals holding a range of different qualifications at this level **(Exhibit 4.10)**.

Despite this, evidence shows that the number of individuals studying at this level is low compared to other countries.³⁶ With the former UK Commission for Employment and Skills (UKCES) anticipating that, as a result of our changing occupational structure, by 2024 almost half of all jobs will require workers who have completed some form of higher education (at Level 4 and higher, though not necessarily all at Level 6).³⁷ The lack of people with qualifications at this level therefore acts as a potential drag on growth. As such universities and colleges need to do more to work with business and schools to raise awareness of these qualifications and the range of their offer.

Both the CBI and Pearson have been working with the Department for Education on their plans to boost the role and prominence of these qualifications in our education and skills system which are critical to developing a coherent, high quality, and widely known technical route to the highest level. After all, the needs of our labour market are highly diverse and meeting them requires developing additional high-quality routes that appeal to those for whom a traditional, three-year university degree may not be the best option.³⁸ Addressing this is a long-standing business ambition and the CBI will continue to work with employers, education providers and government to realise this vision.

Exhibit 4.9 Respondent businesses' awareness of higher technical qualifications (%)

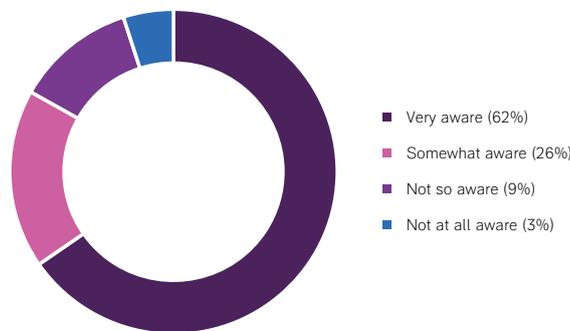
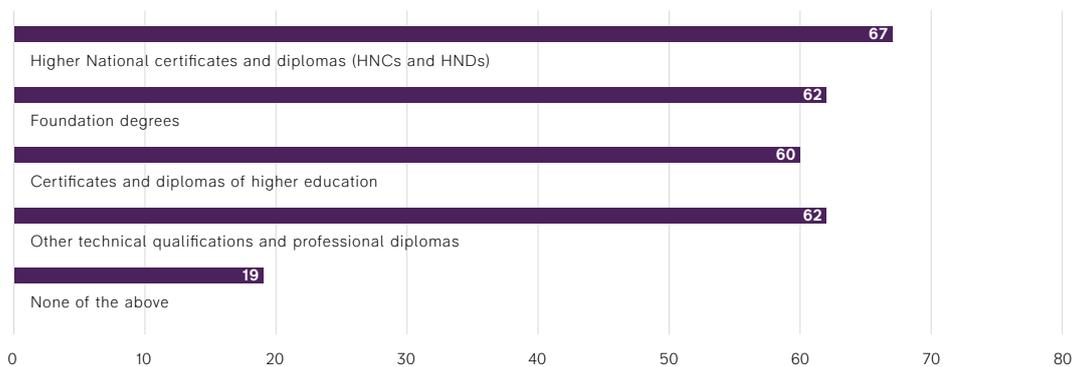


Exhibit 4.10 Respondents recruiting people acquiring higher technical qualifications (%)



Building and maintaining world-class institutions is essential for our future

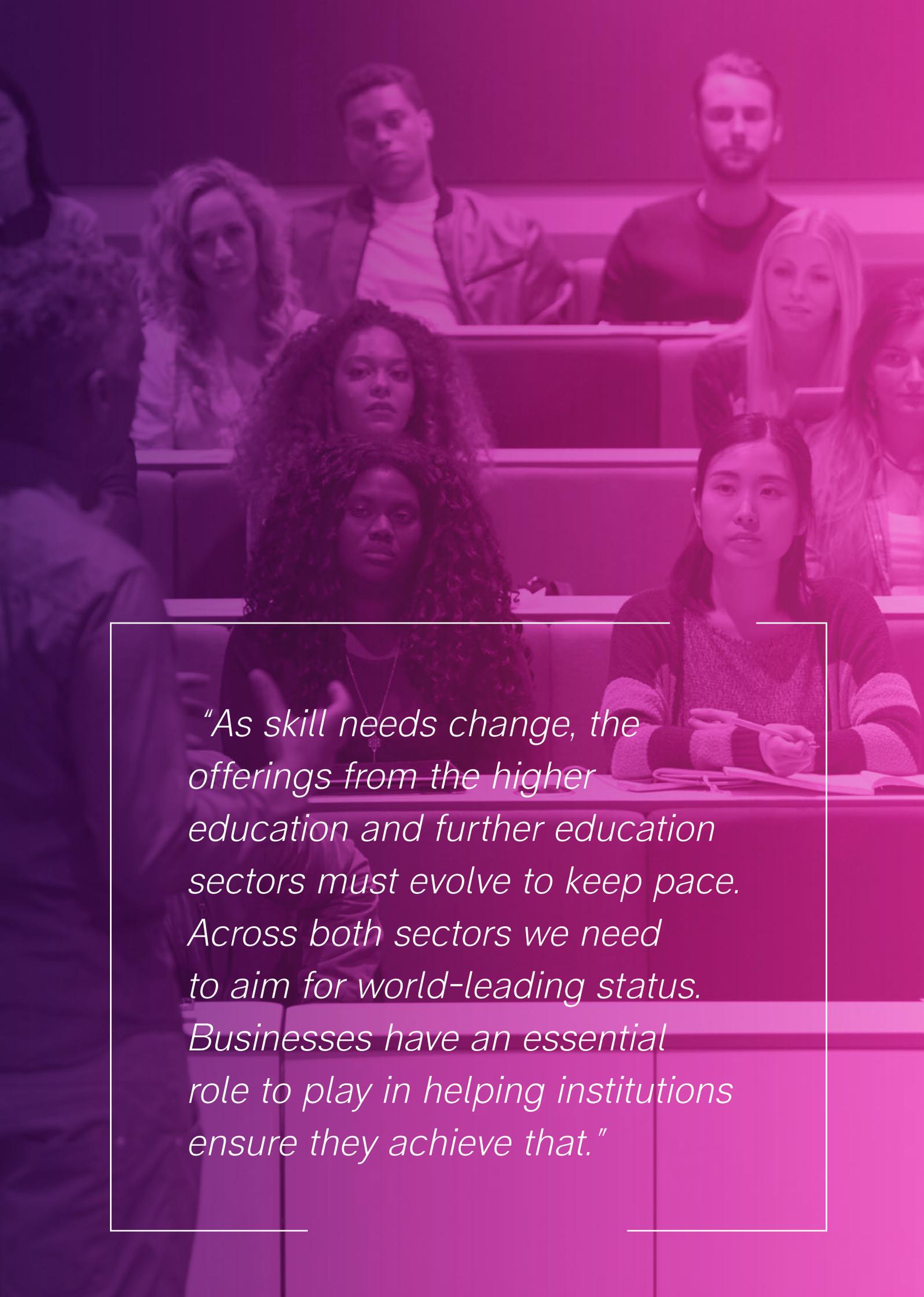
As skill needs change, the offerings from the higher education and further education sectors must evolve to keep pace. Across both sectors we need to aim for world-leading status. Businesses have an essential role to play in helping institutions ensure they achieve that.

That is why the CBI has called for an end to the neglect of the further education sector.³⁹ In recent years, the further education sector is the part of our education system which has seen least increases in time of plenty and the harshest cuts in times of austerity.⁴⁰ Whilst the additional funding pledged in the 2019 Spending Review will provide relief to colleges across England, the political and financial neglect of our further education sector won't be fixed overnight.⁴¹

And with a review of Post-18 Education and Funding still ongoing, the message from business is clear: it would be wrong to 'rob Peter to pay Paul' to fund our post-18 education system. Too often the debate around tertiary education is framed as a binary choice between either academic or technical education. This is unhelpful and a false dichotomy.

Recommendations

- Greater collaboration between universities and employers in ensuring higher level programmes (level 4 and above) support graduate work readiness by developing attitudes and aptitudes required by employers.
- Government should publish a Ministerial Statement on the next stage of the Post-18 review of education funding.
- Government should protect per pupil funding in schools in real terms until 2022.
- Universities should do more to ensure courses on offer are aligned to the needs of the economy and focus on graduate outcomes over recruitment.
- Government should ensure reforms to Higher Technical Education are woven into wider education and skills reforms.
- Increased productivity can be achieved through addressing higher technical level skills gaps. To help achieve this, government and universities must work together to promote the value of HNCs and HNDs to employers and potential students.



"As skill needs change, the offerings from the higher education and further education sectors must evolve to keep pace. Across both sectors we need to aim for world-leading status. Businesses have an essential role to play in helping institutions ensure they achieve that."

The growing importance of Adult Education

The world of work continues to rapidly evolve with new technology impacting nearly all sectors and jobs in some way. Employers and employees alike are recognising the importance of training and development in order to stay competitive, but with this also a shift in culture towards lifelong learning. Employers are exhibiting this through their learning and development strategies, including the nature of delivering, such as offering e-learning and short courses alongside traditional on-the-job training.⁴²

Key findings

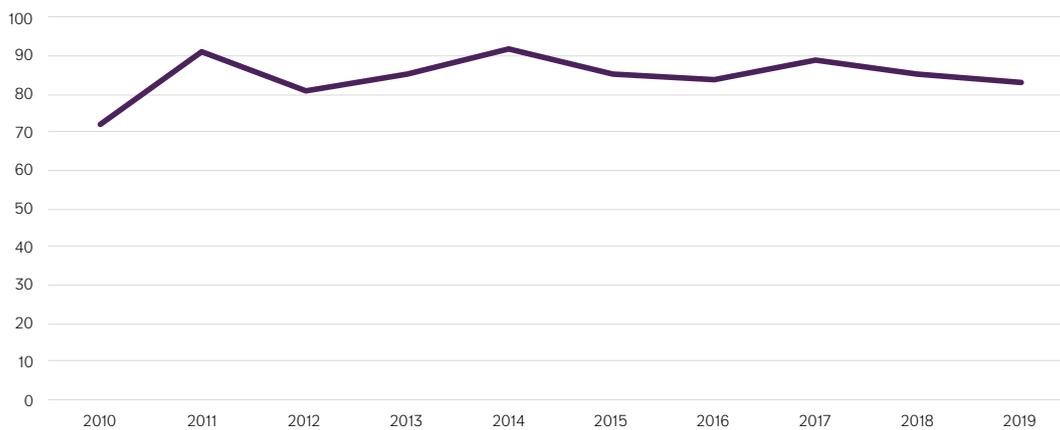
- More than four in five businesses (84%) plan to maintain or increase their investment in training in the year ahead.
- Over half of respondents (55%) plan to both upskill and retrain their current workforce, with only 2% of respondents reporting no requirements to boost skills over the next twelve months.
- The main driver for workforce training and development is business expectations of employees to continue developing their skills and knowledge, with over three quarters of respondents citing this option (78%). This may help to build cultures of continuous development.
- Other important factors include the introduction of new technologies (cited by 57% respondents), development of new products and services (54%) and employee demand for development opportunities (45%).
- Respondent firms identified leadership and management skills as the most critical area for the development of the business, followed by work readiness skills and planning and organising skills which were identified as the second and third most important priorities for workforce development over the coming year.
- The most common training method is on-the-job training, cited by over four in five (85%) survey respondents, but businesses are also using e-learning materials (79%) alongside shorter, more intensive learning courses (74%).
- The biggest barrier to training for businesses is lack of funds and the cost, identified by six in ten respondents (59%) pointing to a problem. Other factors include difficulties in sparing time for employees to train (52%), difficulty in finding the right provider (32%) and a lack of appropriate, subject-specific training (30%).

Businesses are committed to investing in their workforces...

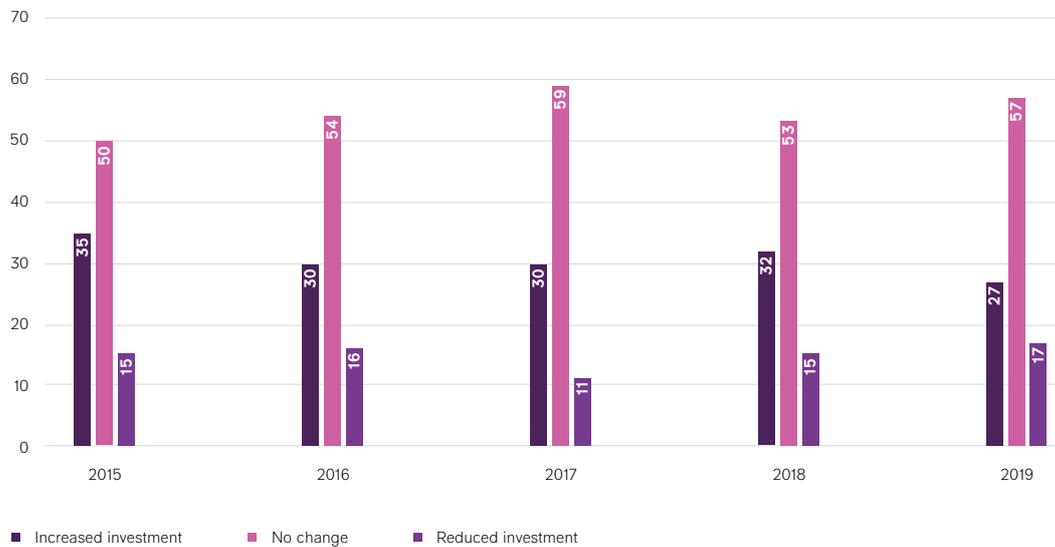
Despite uncertain economic conditions, businesses continue to invest in the skills of their employees. Encouragingly, more than four in five (84%) businesses participating in our survey will be maintaining or increasing their investment in the year ahead **(Exhibit 5.1)**.

This was highlighted in the report *Employers and Lifelong Learning* (2019), where the CBI found that real term employer spending on training remains lower than pre-financial crisis levels, despite recovering slightly in 2015.⁴³ The trend is slowly reversing and by 2017 overall training expenditure had increased slightly in real terms by 1% since 2015, from £43.6bn to £44.2bn, equivalent of roughly £1,530 per employee every year. While this equates to a 2% decrease per employee since 2015, considering in part the close to record high employment levels and the political and economic uncertainty we currently face, investment has remained relatively stable.

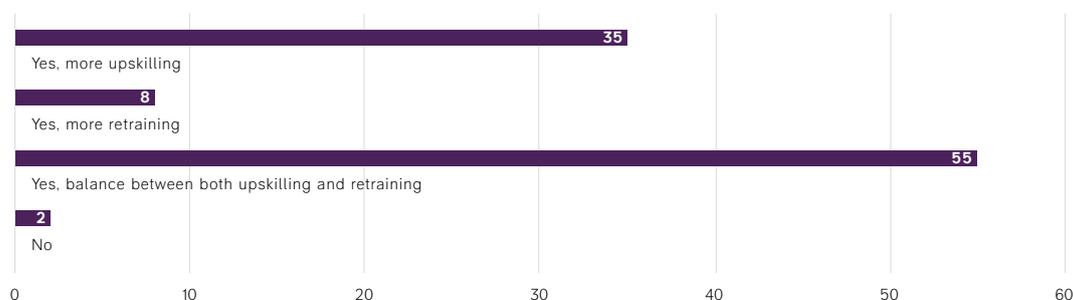
Exhibit 5.1 Respondents planning to maintain or increase training and development investment (%)



Overall, our results show that just over a quarter of respondents (27%) plan to increase their level of investment, while 17% of respondents plan to cut back **(Exhibit 5.2)**. These equate to the steady investment levels from employers, although given the current pace and scale of change, may fall short of the investment needed to make a success of the future.

Exhibit 5.2 Intentions for training and development of staff (%)**...and investment will involve widespread upskilling and retraining**

In line with business intentions for investment in staff training and development, our results show that employers recognise the need for both upskilling and retraining (**Exhibit 5.3**). Our survey finds that just over half of employers (55%) plan to invest in both upskilling and retraining their current workforce over the next year. 35% of employers are anticipating more upskilling alone, which is higher than the 8% of retaining that is expected take place. In fact, only 2% of respondents report no having no plans to strengthen their current skills base over the next twelve months.

Exhibit 5.3 Respondents anticipating the need to develop the skills of employees in the next 12 months (%)

For those employees expected to require new skills, it means employers are intending on providing the opportunity to develop their skills.

However, beyond training, employers will need to provide more focused support towards employees, ensuring learning and developments leads to progressing specific skills or growing knowledge. In some cases, this could also mean supporting a transition into a new roles or job. In *Employers and Lifelong Learning*,⁴⁴ the CBI calls on employers to offer careers advice to all employees at regular intervals, improve clarity on internal development routes and open vacancies to internal applicants, alongside improving awareness and accessibility of training and development opportunities.

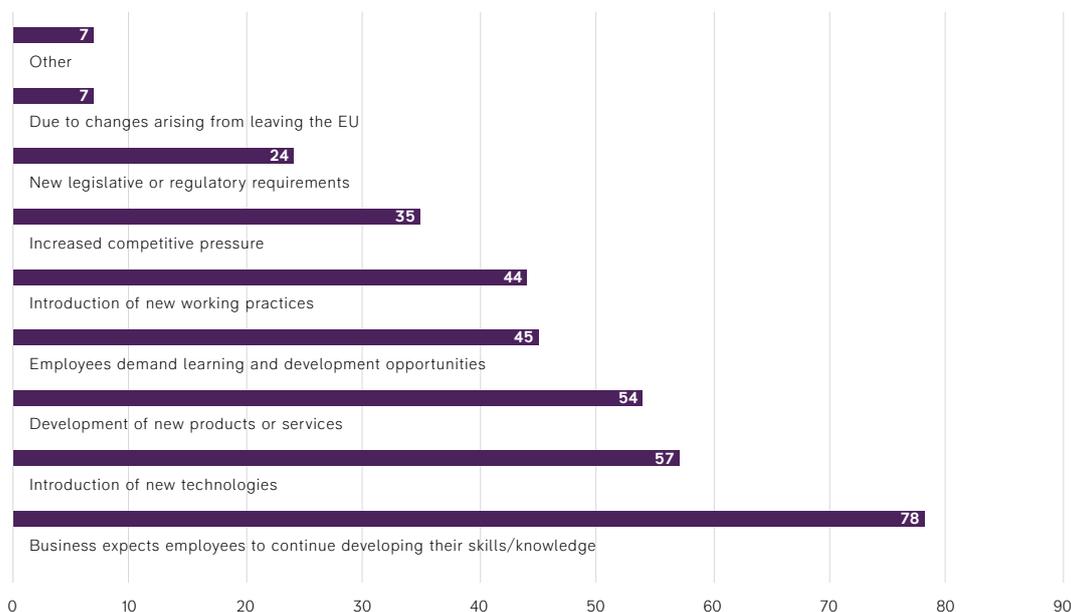
Developing a culture of lifelong learning will be vital for business

Businesses are increasingly building cultures of continuous development among their workforces in response to new technologies, changes to the operating environment, and emerging business opportunities (**Exhibit 5.4**).

The single most common driver behind retraining and upskilling, identified by over three quarters (78%) of respondents, is the business expectation that employees should continue developing their skills and knowledge. Meanwhile, close to six in ten respondents (57%) say new technologies, while 54% cite the development of new products and services as a factor. There is also a widespread expectation among employees that they will be given opportunities to grow and improve their skills. In all, close to half of participants (45%) cite employee demand for learning opportunities as a driver. This is closely followed by the introduction of new working practices, with 44% of respondents citing this option.

These results show the wide range of factors behind the ongoing investment in skills. Businesses recognise that to foster innovation and raise productivity, investing in their workforces is essential – and, crucially, good for employees too.

Exhibit 5.4 Factors driving upskilling/retraining of employees (%)*



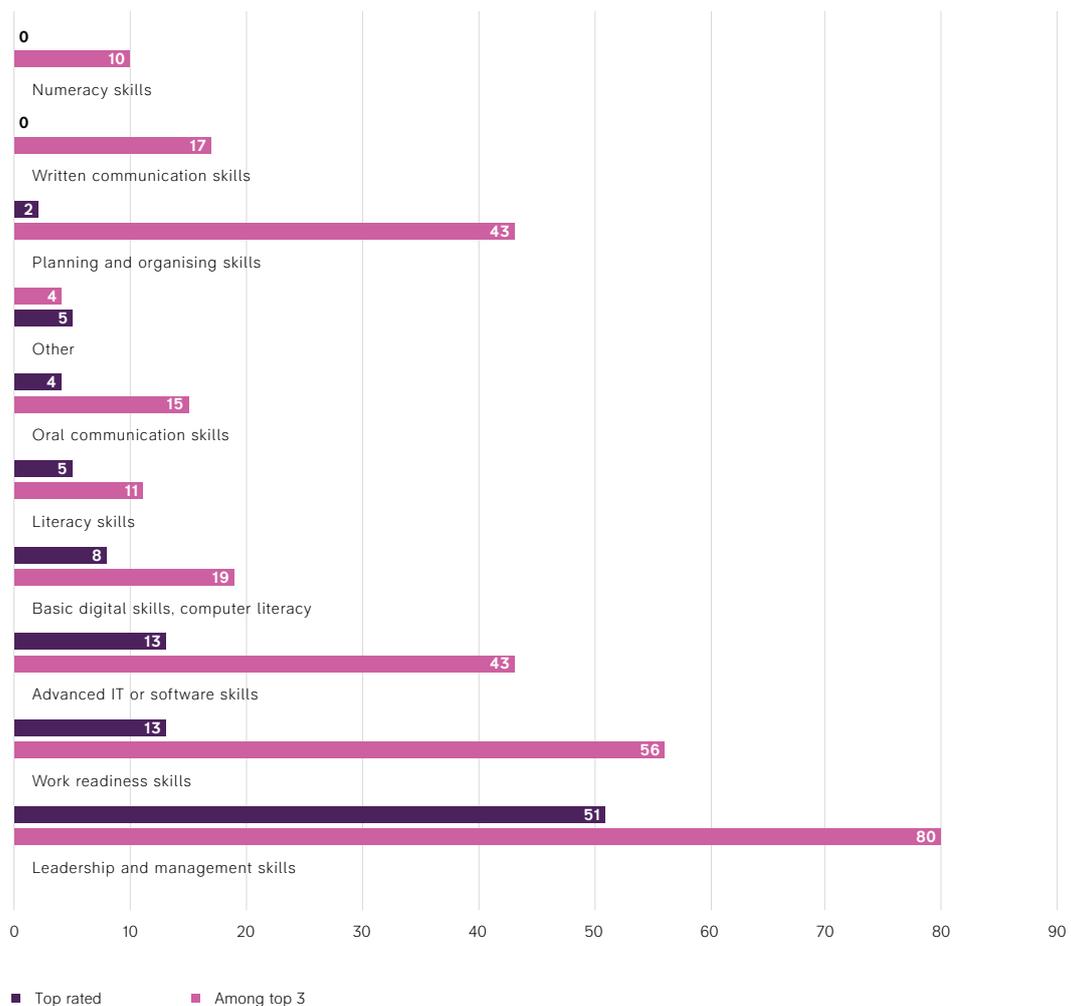
*Based on those identifying one or more factors

Firms are prioritising leadership and management training over the next year...

Employers require a wide range of knowledge and skills within their workforce to maintain their competitiveness and succeed in the modern world (**Exhibit 5.5**). In particular, the rise of automation and other technologies is likely to mean less hands-on jobs such as machine operating and manual labour, and instead a growth in roles which oversee the design, application and effective operation of these processes.⁴⁵

It is perhaps not surprising then that the area that was ranked the most highly by respondents for employee development, is leadership and management. Work readiness skills ranked as the second most important and consistent with the anticipated pace of future change, respondents rate planning and organising skills as their third most critical area for development.

Exhibit 5.5 Most important types of skills for development over next 12 months (%)





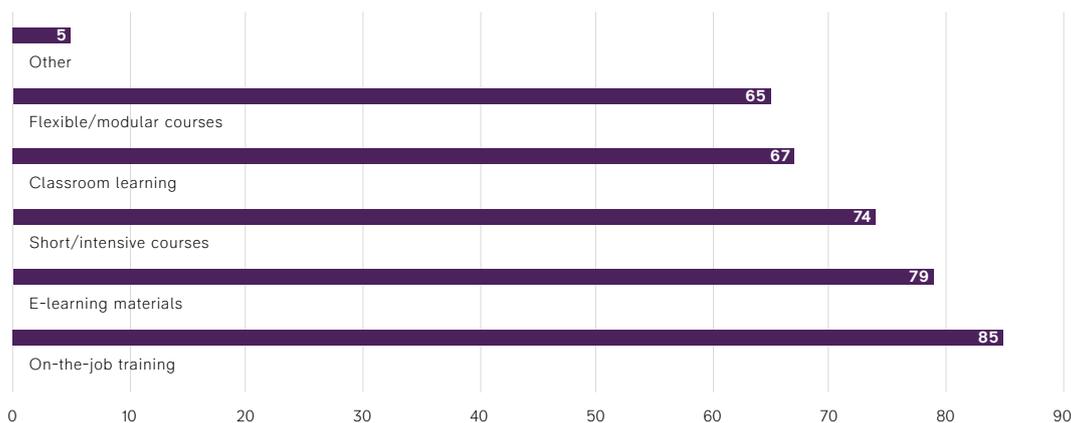
... and methods of training delivery are evolving

When it comes to delivering workforce development, there is a broad range of training options for employers to choose from (**Exhibit 5.6**). As the nature of work has evolved, with more people working remotely or enjoying flexible hours, training has adapted to meet new demands from employers and employees.

On-the-job training – usually informal – remains the most common approach, cited by over four in five (85%) survey respondents. But just over three-quarters (79%) are also utilising e-learning materials alongside short, more intensive learning courses (74%). These both match global trends found by Pearson where people are increasingly using digital and virtual learning, as well as ‘bite-sized’ modular courses across their entire life.⁴⁶ Meanwhile, roughly two thirds (67%) report they will be using classroom learning, with a similar proportion (65%) expecting to deliver future skills development through flexible or modular programmes.

If on-the-job training continues to be widespread, it is essential that both employers and government find ways of ‘passporting’ the skills development and training an employee has undertaken. The CBI’s recent lifelong learning report called for this to be integrated into the National Retraining Scheme.⁴⁷

Exhibit 5.6 Methods used for future training delivery (%)



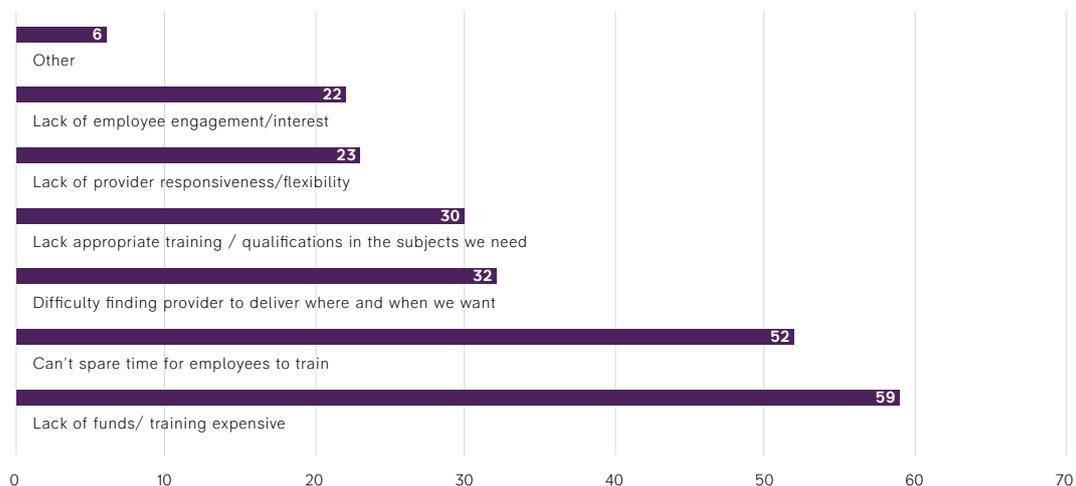
With the right support there is scope for the scale of skills development to be boosted still further

While businesses recognise the importance of investing in employees, and training has adapted to meet evolving employer need, many businesses still face significant barriers (**Exhibit 5.7**).

Overall, 83% of respondents identified at least some barriers to skills development. Among these businesses, the biggest barrier was a lack of funds and the expense of training (59%) cited by over half of respondents. Other practical barriers within businesses themselves include difficulties in sparing staff time for training, identified by just over half of respondents (52%). If firms want to adapt to new technologies, products and services, and are committed to raising the productivity of their employees, they must find ways to balance business needs with workforce progression.

But there are also barriers to skills development outside businesses. Approximately a third of respondents (32%) reported difficulties in finding appropriate training providers and nearly as many cited a lack of appropriate training in the skills and subjects employers require (30%). Given the pace of current change technology, and the critical importance of applying them effectively to boost productivity, the availability of sufficient training is likely to become an increasingly important issue.

Exhibit 5.7 Barriers to upskilling/workforce development (%)*



*Based on those identifying one or more barriers

Recommendations

Employers should look to...

- Offer careers advice to all employees at regular check points throughout their careers.
- Improve the clarity on internal development routes, and default towards opening all new vacancies to internal applicants.
- Improve awareness and accessibility of training and development opportunities..

...with the Government needing to:

- Develop a nationally recognised skills 'passporting' tool as part of the National Retraining Scheme to help ensure informal training and skills are recognised in future employment.
- Ensure all parts of the government are aligned expanding the National Retraining Partnership to encompass all departments with a stake in the labour market, such as BEIS, MHCLG, and DCMS.
- The National Retraining Partnership should develop a new lifelong learning strategy to join up government policy and support upskilling and retraining.
- Be transparent about the Apprenticeship Levy budget to help develop a shared understanding of how the Levy can meet employer skills needs at all stages of somebody's career.
- Ensure funding for level 2 and 3 qualifications through the National Retraining Scheme is protected and enhanced following the Post-18 education review.
- Support opportunities to provide a lifetime of learning that is flexible, adaptable and ensures accessibility for all. Technology must be used to enable this to happen, for example through a greater provision of e-learning options.



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