Skills for an inclusive economy
CBI/Birkbeck Education and Skills Survey 2021

July 2021
People and Skills
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Foreword CBI

The coronavirus pandemic has accelerated structural changes already underway in the economy and placed an even greater imperative on reskilling. In some industries the impact is a faster change in customer behaviour as more activity goes online. Other businesses had to find new digitally enabled ways of working to stay open while supporting national efforts to tackle the virus by working from home whenever possible. These changes will be long-lasting. Huge effort by the education sector reduced the disruption to education and training but some skills gaps have worsened, and new gaps have emerged.

Getting ahead of the game by seizing the opportunity to re-think education will help the UK gain significant competitive advantage. We now have a once-in-a-generation opportunity to transform the UK economy by making it more competitive, dynamic, and future-focused, with benefits for businesses, sectors and society.

Before coronavirus we knew that 9 in 10 workers would need to gain new skills by 2030, requiring an extra £13bn a year simply to stop new skills gaps emerging. Encouragingly, this survey shows that despite coronavirus disruptions many businesses are already planning to increase their investment in training. It also shows growing confidence that long-term skills needs can be met, but much more will be needed to deliver on this confidence.

The Government’s Skills and Post-16 Education Bill is a real opportunity to build the stronger links between employers and education providers that will be needed. One concerning trend highlighted in this survey that these partnerships will need to respond to is that skills not covered by full qualifications are the fastest growth area and where we find the lowest confidence about access to skills in the future. More modular and flexible learning will be key.

Business has a huge role as a problem solver, working with government, local partners, and educators to build an education system that supports future need. Together, we must seize the moment to build an inclusive economy.

Matthew Percival
Director, People and Skills, CBI
Foreword Birkbeck

Events of the past 18 months have highlighted further, the pressing need for the provision of high quality, flexible and effective education and training that meets employers’ needs, ensuring that the workforce has the skills they require both now and in the future.

They also highlight the need for proper funding and improved provision for lifelong learning. For the UK to remain one of the world’s largest economies, it is essential that we not only train young school leavers for the world of work, but we also provide opportunities for mature learners to reskill and upskill.

It is encouraging that a substantial percentage of firms surveyed continue to demonstrate a firm commitment to education and skill development: 41% plan on increasing investment in training compared with pre-COVID levels and 50% plan on increasing investment in adult education and lifelong learning.

Both the higher and further education sectors have crucial roles to play in meeting this demand and must respond accordingly. They need to adapt and work more closely with the business community to address the big questions facing industry and education, including preparing for the workplace of the future, reskilling and retraining, diversifying talent pipelines, and maximising potential in the workforce.

Birkbeck is also committed to pressing the Government to ensure that education and skills policy is fit for purpose and while we welcome the Skills and Post-16 Education Bill, we continue to seek reform to better support those left unemployed as a result of the pandemic and those who are seeking to reskill through new qualifications.

We look forward to continuing to engage with CBI members to seek solutions to these crucial issues.

Professor David Latchman
Vice- Chancellor
Survey results at a glance

The Education and Skills Survey 2021

- The survey was conducted between 15th April and 30th April 2021.
- 252 businesses, of all sizes and sectors across the UK, responded in total.

Despite the challenges of the pandemic, businesses are still stepping up investment in skills to meet their changing needs

- Businesses are planning to step-up their investment in training and development over the next year. Over half (53%) say they will increase investment relative to the last 12 months, compared to just 3% who plan to lower it – giving a balance of +50%.
- Four in ten (41%) also plan to increase their investment relative to pre-crisis investment, with just 5% saying they will lower it – giving a balance of +35%.
- There is growing employer demand for people with skills at all levels on balance, with firms expecting to increase their need for people with entry-level skills (+31%), intermediate level skills (+38%), higher-level skills (+39%), postgraduate taught skills (+18%) and other workplace skills (+41%) over the next five years.
- Businesses are confident about being able to access the skills they need at every level in the next three to five years, with three in four respondent firms confident about recruiting for people with entry-level skills (78%), intermediate-level skills (77%) and higher level skills (77%).
- Yet firms are less confident about being able to access people with skills not attached to national qualifications (65% confident vs 31% not confident), despite these being the most in-demand types of skills.
- Strong competition for candidates with appropriate qualifications (51%), a lack of candidates with appropriate industry relevant qualifications (50%) and poor careers advice aligned to sectors (37%) made up the top three drivers of skills gaps for most respondents. Lack of awareness among learners about different routes to work e.g. apprentices (37%) also featured in many businesses top three drivers.
- Respondent firms identified industry-specific technical knowledge (60%) and leadership and management skills (58%) as their biggest priority skill areas for development over the next three to five years, followed by digital skills (44%).
Businesses are scaling-up online learning and looking to support young people in response to the coronavirus pandemic

- Nine in ten (90%) respondent firms rated online learning as an effective form of training for developing employees’ knowledge. Experiences were positive for fewer respondents using online learning to develop behaviours (64%) and practical skills (54%).

- More than eight in ten (81%) respondent businesses are confident in their ability to support young people over the next 12 months.

- A third (33%) of respondents indicated that they had already applied, or are intending to apply, to the government’s Kickstart scheme, with another third (33%) responding that they were undecided as to whether to apply, and one in five (22%) not planning to apply.

- Of the businesses not planning to apply to the Kickstart scheme, the most cited reasons were business pressures making engagement difficult (33%), not having the requisite infrastructure to host placements (24%), and there being too much bureaucracy involved in applying (22%).

Adult education and lifelong learning are key priorities for businesses

- Over the past five years, half of respondents (50%) have increased their investment in adult education and lifelong learning, with less than 5% saying they have decreased investment.

- Looking ahead, three-fifths of respondents (60%) will be increasing their investment in adult education and lifelong learning in the next five years, with just 1% decreasing their investment.

- The pandemic has caused a shift from classroom-based learning to online learning in the past year with two-thirds increasing online training (67%), opposed to the three-fifths (59%) of respondents who decreased classroom-based learning.

- Employers still face significant barriers to meeting their skills needs through adult education, with the practical challenges of Covid-19 (33%) cited as the biggest barrier. Other factors include a lack of funding and prohibitively expensive training (25%), difficulty in finding time for employees to be training (22%) and a lack of local high-quality provision (20%).
Employers have had challenges engaging in the education system in the past year, but are preparing to play a bigger part as the economy comes out of crisis mode

- Seven in ten (71%) businesses reported having links with schools, colleges, and universities, down from nine in ten (91%) in 2019.
- Businesses were most likely to have links with universities (84%), followed by colleges (77%) and schools (74%).
- Of respondents who are engaged with the education system, eight in ten (79%) provide work experience placements and seven in ten (72%) provide careers advice and motivational talks.
- Of those that plan to engage with educational institutions, more than four in ten respondents plan to increase engagement with schools (45%), colleges (43%), and universities (43%) in the coming year.
- While over half of respondents (52%) reported having faced no barriers to engaging with education institutions in the last 12 months, a third (34%) of businesses struggle to find the time to meaningfully engage with the education system.
- Three in ten (28%) respondent businesses are currently offering T Level placements, while a further half (50%) intend to do so in future.
- Seven in ten (69%) employers rated soft skills and behaviours as a top-three factor when recruiting school and college leavers, and eight in ten (82%) ranked attitudes and aptitude for work as a top-three factor when recruiting graduates.

Apprenticeships are highly valued, but the Levy remains a barrier to increasing investment in training

- Two in three respondent businesses (67%) offer apprenticeship programmes, down from 85% in 2019.
- Looking ahead, 43% of firms expect to expand their apprenticeship provision in the next 12 months relative to the last year, while just 1% plan to reduce them, giving a balance of +42%.
- Businesses have several priorities for improving the functioning of the apprenticeships system, with introducing a quicker process for reviewing and updating apprenticeship standards (36%), ensuring funding caps are set at the right levels (31%) and ensuring a greater supply of local provision (29%) the top priorities.
- Considering the impact on those firms that pay the Apprenticeship Levy, four in ten respondent firms (39%) have increased the number of apprenticeships they offer, but half (50%) have not increased their overall investment in training.
“Firms have had to prioritise cashflow and preserving jobs above all else over the last year, but upskilling workforces will be a vital part of business investment as the economy recovers.”
Despite the challenges of the pandemic, businesses are still stepping up investment in skills

Since our last Education & Skills Survey in 2019, the world has changed. The coronavirus pandemic hit and impacted our lives, jobs and livelihoods in an unprecedented way. It has affected the economy and the labour market with a speed and severity that is unlike anything we have seen before. As the economy reopens rapidly, many companies have been struggling to fill vacancies. Furthermore, as the crisis recedes and the economy recovers, businesses face new skills challenges. As well as new technologies that were changing work before the pandemic, many jobs have been changed forever over the last 18 months by new customer demands and more digitally enabled ways of working. Firms are increasing their investment in training to meet these changes.

Key findings

• Businesses are planning to significantly step-up their investment in training and development over the next year. Over half (53%) say they will increase investment relative to the last 12 months, compared to just 3% who plan to lower it – giving a balance of +50%.

• Four in ten (41%) also plan to increase their investment relative to pre-crisis investment, with just 5% saying they will lower it – giving a balance of +35%.

• There is growing employer demand for people with skills at all levels, with firms expecting to increase their need for people with entry-level skills on balance by +28%, intermediate level skills by +38%, higher-level skills by +39%, postgraduate taught skills by +18% and other workplace skills by +41% over the next five years.

• Businesses are confident about being able to access the skills they need at every level in the next three to five years, with three in four respondent firms confident about recruiting for people with entry-level skills (78%), intermediate-level skills (77%) and higher-level skills (77%).

• Yet firms are less confident about being able to access people with skills not attached to national qualifications (65% confident vs 31% not confident), despite these being the most in-demand types of skills.
Strong competition for candidates with appropriate qualifications (51%), a lack of candidates with appropriate industry relevant qualifications (50%) and poor careers advice aligned to sectors (37%) made up the top three drivers of skills gaps for most respondents. Lack of awareness among learners about different routes to work e.g. apprentices (37%) also featured in many businesses top three drivers.

Respondent firms identified industry-specific technical knowledge (60%) and leadership and management skills (58%) as their biggest priority skill areas for development over the next three to five years, followed by digital skills (44%).

Businesses are planning to significantly increase their investment in training and development compared to the past 12 months and pre-crisis levels

We asked firms to indicate their plans for investing in the training and development of staff over the next year relative to previous investment (Exhibit 1.1). Over half of respondents (53%) expect to invest more in training relative to the past 12 months with only 3% planning to reduce investment, giving a balance of +50%. With firms having had to focus on maintaining cashflow and preserving jobs in the past year, it is positive that many now feel comfortable to spend more on training than they have in the last year as the economy recovers.

Four in ten (41%) respondents also plan to invest more in training than they did prior to the pandemic compared to just 5% who plan to reduce investment. This gives a balance of +36%. Firms have had to prioritise cashflow and preserving jobs above all else over the last year, but upskilling workforces will be a vital part of business investment as the economy recovers.

Exhibit 1.1 Plans for investing in the training and development of staff over the next 12 months (% of respondents)
**Firms’ demand for skills at all levels is expected to increase...**

Our survey this year finds employer demand for people with skills at all levels is expected to increase over the years ahead *(Exhibit 1.2)*. This year, we changed the question to include two new categories – postgraduate taught and other workplace skills – alongside existing categories. Of those that require these skills, the results show a growing need for people with skills at all levels.

35% of respondents stated that their need for employees with entry level skills (levels 2 & 3) – such as GCSEs, A Levels, applied general, or NVO – is expected to increase over the next three to five years, compared with 4% that said it would decrease, giving a balance of +31%. This compares to a balance of +25% in 2019.

The need for people with intermediate and higher-level skills is expected to grow over the coming years. 41% of respondents said they expect to increase their need for people with intermediate level skills, such as a Higher National Diploma or Higher Apprenticeship, while just 3% planned to have less need for these skills. This gives a positive balance of +38%, compared to +44% in 2019. Meanwhile 43% of respondents said they expect to increase their need for higher level skills, such as bachelor’s degrees and degree-level apprenticeships, compared to just 4% who expect to have less need for these skills. This balance of +39% compares to +46% in 2019.

One in four (26%) respondents expect to increase their need for people with postgraduate taught skills while 8% expect to have less need for these skills, giving a balance of +18%.

Firms also expect to significantly increase their need for people with other workplace skills not linked to qualifications such as negotiation and problem solving. Over four in ten (44%) expect to increase their need for these skills compared to just 3% expecting to reduce it, giving a balance of +41%.
Exhibit 1.2 Anticipated demand for skills over next 3-5 years (% of respondents)*

* Data excluding N/As
* May not add up to 100% due to rounding

...with firms confident about being able to meet these needs in the mid- to long-term in most areas

As the economy reopens from the pandemic, many companies have been struggling to fill vacancies. The latest Bank of England Agents’ Summary of Business Conditions noted that a mix of structural and Covid-related issues were presenting recruitment challenges in some sectors.

However when the survey was conducted in April 2021 we asked firms to indicate their confidence in finding people with the right skills to meet their needs in the next three to five years (Exhibit 1.3).

Almost eight in ten (78%) respondent firms are confident in their ability to recruit at entry level in the coming years and 21% are not confident. This balance of +57% compares to a balance of +35% in 2019. When it comes to intermediate level skills, 77% of respondents are confident in there being enough people available to meet their needs. This balance of +56% compares to a balance of +14% in 2019. 77% of respondents also said they are confident in their ability to recruit people with higher-level skills. This gives a positive balance of +55%, compared to +18% in 2019.
Over seven in ten (72%) business respondents are confident in their ability to recruit people with postgraduate taught skills and one in four (26%) are not confident, giving a balance of +46%.

Firms are also confident in their ability to recruit people with other workplace skills (65% confident versus 31% not confident, balance of +34%). Yet while firms predict the need for other workplace skills to grow at the fastest pace, they have the lowest amount of confidence in accessing these skills in the future. The Government’s Skills and Post-16 Education Bill has a vital role in developing more modular and shorter courses for flexible learning that can help adults to learn new skills in a more accessible way.

As the UK emerges from the pandemic, it is encouraging that on balance firms are confident about being able to meet their skills needs. However, there are still a proportion of firms who are not confident in meeting their skills needs in the coming years. For example, one in five (22%) firms are not confident in meeting their needs for people with skills at both an intermediate and higher level. It is vital that the reforms in the Skills and Post-16 Education Bill give all employers confidence to boost investment in skills.

### Exhibit 1.3 Confidence about future availability of people with the levels of skills needed (% excluding N/As)*

<table>
<thead>
<tr>
<th>Level of Skills</th>
<th>Confident</th>
<th>Not confident</th>
<th>Don’t know</th>
</tr>
</thead>
<tbody>
<tr>
<td>Entry-level skills</td>
<td>21</td>
<td>78</td>
<td>0</td>
</tr>
<tr>
<td>Intermediate-level skills</td>
<td>22</td>
<td>77</td>
<td>0</td>
</tr>
<tr>
<td>Higher-level skills</td>
<td>22</td>
<td>77</td>
<td>0</td>
</tr>
<tr>
<td>Postgraduate taught skills</td>
<td>26</td>
<td>72</td>
<td>0</td>
</tr>
<tr>
<td>Other workplace skills</td>
<td>31</td>
<td>69</td>
<td>0</td>
</tr>
</tbody>
</table>

* Respondents excluding N/As, confident = very confident + somewhat confident, not confident = somewhat unconfident + very unconfident.
A lack of suitably qualified people and poor careers advice are the biggest drivers of current skills gaps

We asked businesses to identify the three key drivers of skills gaps in their organisation (Exhibit 1.4). Half of respondents identified strong competition for candidates with appropriate qualifications (51%) or a lack of candidates with appropriate industry relevant qualifications (50%) as suggestions of their top three drivers. A lack of suitably qualified candidates may account for the large increases in upskilling their own workforces which many businesses are planning in the years ahead. Poor careers advice aligned to their sector and a lack of awareness among learners about different routes to work (both 37%) also featured in many businesses top three drivers of skills gaps. This reinforces the importance of continuing to improve careers advice in schools and developing closer links between businesses and schools. One in ten respondents (10%) said that they had no skills gaps.

**Exhibit 1.4 Main drivers of skills gaps (% of respondents)**

- Strong competition for candidates with appropriate qualifications (51%)
- Lack of candidates with appropriate industry relevant qualifications (50%)
- Poor careers advice aligned to your sector (37%)
- Lack of awareness among learners about different routes to work (37%)
- Experienced individuals move to other regions (21%)
- Struggle to access high-quality relevant training provision (17%)
- Organisation lacks a talent development strategy and/or doesn’t invest enough in training (12%)
- Difficulty accessing skilled migrants (10%)
- No skills gap (10%)
- Other (9%)

*With respondents asked to select the top three drivers*
Firms are prioritising industry-specific technical and leadership skills in the coming years

Employers require a wide range of knowledge and skills within their workforce to maintain their competitiveness. Automation and new technology will create new roles, change many others significantly while some will disappear. We asked businesses about the most important types of skills their organisations will need in the next three to five years (Exhibit 1.5). Six in ten firms (60%) are prioritising industry, practical and technical knowledge specific to their business or sector, reflecting a growing need for technical skills to match the pace of automation. Leadership and management skills (58%) are also highly sought after by businesses. The changing shape of the labour market will see greater need for skills which oversee the design, application, and effective operation of new processes, as well as social and emotional skills such as negotiation and decision-making. Unsurprisingly, advanced digital skills are also a priority for over four in ten (44%) respondent firms. Businesses have accelerated their technology adoption as the COVID-19 crisis has made innovation business-critical, with a growing need for data and analytical skills.

Exhibit 1.5 Most important types of skills for development over next 3-5 years (%)

* Based on selecting all skills that apply
"Employers require a wide range of knowledge and skills within their workforce to maintain their competitiveness. Automation and new technology will create new roles, change many others significantly while some will disappear."
COVID-19 has had a vast impact on the education and skills landscape, bringing with it both challenges and opportunities for businesses’ ways of working and recruiting talent. The widespread shift to remote and flexible working is likely to alter working patterns in the long term, and businesses have successfully utilised online tools to deliver workplace training and development. At the same time, businesses are looking to help young people whose prospects have been disproportionately affected by the pandemic. While the implications of lost learning for business’ recruitment are not yet clear, it is encouraging that businesses are engaging with Government initiatives to support young people with opportunities to enter the labour market.

Key findings

- Nine in ten (90%) of respondent firms rated online learning as an effective* form of training for developing employees’ knowledge. Experiences were positive for fewer respondents using online learning to develop behaviours (64%) and practical skills (54%).
- More than eight in ten (81%) respondent businesses are confident in their ability to support young people over the next 12 months.
- A third (33%) of respondents indicated that they had already applied, or are intending to apply, to the government’s Kickstart scheme, with another third (33%) responding that they were undecided as to whether to apply, and one in five (22%) not planning to apply.
- Of the businesses not planning to apply to the Kickstart scheme, the most cited reasons were business pressures making engagement difficult and other factors (both 33%), not having the requisite infrastructure to host placements (24%), and there being too much bureaucracy involved in applying (22%).

Businesses are scaling-up online learning and looking to support young people in light of the pandemic
Businesses have learnt a lot about the opportunities and limitations of online learning during the pandemic

COVID-19 has necessitated a move to remote working and online training provision for many firms over the past year. In this year’s survey we asked businesses about the effectiveness of online learning as a tool to deliver different types of employee training.

Businesses were overwhelmingly positive about the effectiveness of knowledge-based online learning, with 90% of respondents describing it as effective, reflecting the potential of online tools to increase participation and engagement with such training (Exhibit 2.1). Businesses were less positive when it came to assessing the effectiveness of online learning for other types of training; two thirds (64%) considered it effective for training relating to behaviours and just over half (54%) for practical skill development.

These findings echo the CBI’s recent report, *Adapting to hybrid working*, which found that behavioural and practical skills training are harder to replicate virtually.¹ This suggests that many firms will identify effective learning as a key reason to bring employees together in a shared workspace.

Moving forward, businesses should be prepared for the fact that most employees prefer some form of hybrid working. Businesses will need to consider the implications of hybrid working in the design of their training programmes, for example by employing online tools where they hold potential to increase engagement and prioritising face-to-face sessions for behavioural and practical training.
Exhibit 2.1  Effectiveness of online learning over the last 12 months as a form of training at developing knowledge, practical skills, and behaviours for employees.  (% , excluding N/As)

<table>
<thead>
<tr>
<th></th>
<th>Knowledge</th>
<th>Behaviours</th>
<th>Practical skills</th>
</tr>
</thead>
<tbody>
<tr>
<td>Effective</td>
<td>4</td>
<td>14</td>
<td>19</td>
</tr>
<tr>
<td>Neither nor</td>
<td>90</td>
<td>64</td>
<td>54</td>
</tr>
<tr>
<td>Ineffective</td>
<td>22</td>
<td>26</td>
<td></td>
</tr>
</tbody>
</table>

Effective = Very effective + Somewhat effective, not effective = very ineffective + somewhat ineffective

May not add to 100% due to rounding

Firms are confident in their ability to support young people deal with the impact of lost learning

COVID-19 has hit the prospects of young people particularly hard. Over half (54%) of the jobs lost in the year to March 2021 were held by under 25s. Young people have also experienced heavily disrupted education, including remote learning and cancelled examinations, leading to concerns around lost learning. There is therefore a real risk of long-term scarring of young people’s employment prospects.

While businesses are still working to understand the implications of disrupted education and examinations for their recruitment and onboarding of young people, this survey found that firms are highly optimistic about their ability to support young people. When asked how confident they are of being able to support young people in the coming year considering widespread disruption to education, eight in ten (81%) responded that they were confident and one in ten (12%) stated that they were not confident, giving a balance of +69% (Exhibit 2.2).
While this survey has found an encouraging level of optimism among firms regarding their ability to support young people, consideration needs to be given to how government and business can support young people leaving education in 2021 – who will be beyond the reach of catch-up funding allocated to schools and colleges – into the labour market. Such support could include extending the Kickstart scheme by six months and implementing additional mentoring and mental health support as part of the onboarding of young people.

**Exhibit 2.2** Confidence* in organisation’s ability to support young people over the next 12 months (%)

![Confidence in organisation’s ability to support young people over the next 12 months](image)

* Confident = Very confident + Somewhat confident, Not confident = Somewhat unconfident + Very unconfident

Businesses are using the Kickstart Scheme to provide opportunities for young people...

In response to the impact of COVID-19 on youth unemployment, the government launched the Kickstart scheme in September 2020. The scheme provides funding for businesses to create paid six-month placements for 16- to 24-year-olds at risk of long-term unemployment and is due to run until the end of 2021.

In this year’s survey, we asked businesses whether they were taking part in the Kickstart scheme. One in three respondents stated that they had either already applied or plan to apply (20% and 13% respectively), while a further third (33%) were undecided about whether to apply. One in five (22%) respondents are not planning to apply (Exhibit 2.3)*. While it is encouraging that one in five businesses have already applied to the scheme, the large number of undecided businesses reflects the importance of improving the application process and extending the Kickstart scheme by six months, until the end of June 2022. It will also be essential to ensure that employers are supported to provide clear pathways from Kickstart placements into full-time roles or other youth employment schemes, such as traineeships and apprenticeships.
Engagement with Kickstart varies according to company size (Exhibit 2.4). Almost four in ten (39%) respondent businesses with more than 500 employees have already applied to offer Kickstart placements, compared to one in ten SMEs (11%) and MSBs (9%).

Exhibit 2.3 Taking part in the government’s Kickstart scheme (%)

* May not round to 100% due to rounding

Exhibit 2.4 Taking part in the government’s Kickstart scheme by company size (% of respondents)
...but barriers remain in increasing the number of firms taking part

When asked why they had chosen not to take part in the Kickstart scheme, a third of respondent businesses (33%) cited business pressures – such as COVID-19 and Brexit – as a reason for not engaging (Exhibit 2.5). The operating environment for businesses over the past year has been fraught with challenges, leading to internal capacity in many instances being consumed by dealing with external pressures. A six-month extension to Kickstart may therefore allow businesses previously unable to engage for this reason time to do so. 33% of respondents also cited ‘other’ as a reason for not offering placements. Firms selecting this option suggested that they prefer to offer longer and clearer pathways to employment such as apprenticeships.

Nearly a quarter of firms (24%) not engaging with Kickstart cited not having the infrastructure to set up placements as a reason for not participating, and around one in five (22%) highlighted the bureaucracy involved in applying as a barrier (Exhibit 2.5)*, both of which are particularly challenging for SMEs with less HR capacity to allocate to engaging with schemes such as Kickstart. The removal of the requirement for employers to provide 30 Kickstart placements to be able to apply directly to the scheme was a welcome step, but further action to simplify the bureaucracy involved – such as in evidencing that roles created are genuinely additional – is needed to encourage more employers to take part.

Exhibit 2.5 Main reasons for not taking part in the Kickstart Scheme

<table>
<thead>
<tr>
<th>Reason</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Other business pressures (e.g. Covid-19, Brexit) make engagement difficult</td>
<td>33%</td>
</tr>
<tr>
<td>Other (please specify)</td>
<td>33%</td>
</tr>
<tr>
<td>Don’t have the infrastructure to set up placements</td>
<td>24%</td>
</tr>
<tr>
<td>Too much bureaucracy involved in applying</td>
<td>22%</td>
</tr>
<tr>
<td>Prefer to focus on other youth employability schemes</td>
<td>13%</td>
</tr>
<tr>
<td>Couldn’t find a suitable Gateway</td>
<td>4%</td>
</tr>
</tbody>
</table>

* Based on those respondents not intending to offer Kickstart placements identifying one or more reasons
Business and government need to collaborate to support young people leaving education

Throughout the pandemic, businesses have embraced online learning to deliver workplace training and have continued to provide opportunities for young people. Firms are also confident in their ability to support young people to mitigate the impacts of significant disruption to their education. Yet government and business must continue to work together to ensure that young people entering the workplace – particularly those beyond the scope of catch-up funding – have access to the right support and guidance. Whether through youth employment schemes like Kickstart or structured support during recruitment and onboarding processes, businesses are ready to step-up for young people.
Throughout the pandemic, businesses have embraced online learning to deliver workplace training and have continued to provide opportunities for young people. Firms are also confident in their ability to support young people to mitigate the impacts of significant disruption to their education."
Adult education and lifelong learning are key priorities for businesses

The pace with which new technologies and innovations are changing the skills that businesses need to succeed is making adult education and lifelong learning more important than ever. Lifelong learning must be ingrained in company cultures and the training must consider the diverse needs and pressures on individual learners. Most firms have increased their investment in adult education in the past five years and will further step up their investment again over the next five years. Yet there is scope for adult education to become more effective at meeting businesses’ skills needs and supporting people progress their careers, by improving the supply of high-quality provision available to firms.

Key findings

• Over the past five years, half of the respondents (50%) have increased their investment in adult education and lifelong learning, with less than 5% saying they have decreased investment.

• Looking ahead, three-fifths of respondents (60%) will be increasing their investment in adult education and lifelong learning in the next five years, with just 1% decreasing their investment.

• The pandemic has caused a shift from classroom-based learning to online learning in the past year with more than two-thirds increasing online training (67%), opposed to the three-fifths (59%) of respondents who decreased classroom-based learning.

• Employers still face significant barriers to meeting their skills needs through adult education, with the practical challenges of Covid-19 (33%) cited as the biggest barrier. Other factors include a lack of funding and prohibitively expensive training (25%), difficulty in finding time for employees to be training (22%) and a lack of local high-quality provision (20%).
Businesses have been increasing investment in adult education in recent years...

In this year’s survey, we asked respondents about their investment in adult education and lifelong learning over the past five years (Exhibit 3.1). Half of the respondents (50%) said they had increased their investment in adult education, with more than a third keeping the same budget, and just 5% decreasing investment. This gives a balance of +45%.

Exhibit 3.1 Change in investment in adult education and lifelong learning in the last five years (% of respondents)

...and are planning to further increase investment in adult education

Survey respondents expressed even greater commitment to investing in adult education and over the next five years (Exhibit 3.2). Three in five (60%) say they will be increasing investment while just 1% say they will be reducing investment, giving a positive balance of +60%.

Firms have had to face tough decisions on investment due to reduced demand during Covid, so it is hugely encouraging that businesses are committed to increasing investment in training at such a crucial time. The CBI’s report *Seize the Moment* found that by 2030, the UK will need to reskill nine in ten workers and around 3 million workers will need to change occupation. With COVID-19 now accelerating changes to the world of work, the UK must use this momentum to drive a national reskilling effort to raise living standards and increase the UK’s competitiveness.
Exhibit 3.2 Anticipated change in investment in adult education and lifelong learning in the next five years (% of respondents)

- Increased (61%)
- Stayed the same (31%)
- Decreased (1%)
- N/A (7%)

Covid-19 has accelerated a shift towards online learning as a way of upskilling employees

We asked businesses how the way they deliver training to existing staff has changed over the past year (Exhibit 3.3). The responses show the use of online learning has grown significantly in the past year. Two-thirds (67%) of firms have increased the use of external online materials in the past year compared to just 5% who have decreased its use, giving a balance of +62%. Seven in ten firms (70%) have increased their use of in-house online learning compared to 2% who have reduced its use, giving a balance of +69%. The pandemic has been a huge accelerator for technology adoption over the past year. Many firms are finding that online learning gives them greater ownership of training by helping them to develop bespoke learning systems for current staff.

Classroom-based learning has dropped significantly, with six in ten respondents saying they had decreased classroom-based learning both in internal (58%) and externally (59%) delivered settings, giving balances of -48% and -52% respectively. This is not surprising given the significant restrictions on face-to-face contact caused by Covid. Classroom-based learning will still have an important role to play in helping existing workers to update and develop their practical skills.

Businesses have continued to offer on-the-job training at a similar level during the last year. Over half (55%) of respondent said that on-the-job training remained at the same level over the past year, compared to 23% who said they had increased and 18% decreased. This gives a small positive balance of +6%. Many businesses have been able to successfully shift their on-the-job training remotely, but in many sectors, such as manufacturing and retail, on-the-job training for the workforce cannot be replicated online. This has meant delivering on-the-job training in person in a Covid-secure way.
Looking at the type of programmes or qualifications offered, a fifth (22%) of firms have increased their use of short courses, 37% have kept it at the same level and 26% have decreased their usage. This gives a negative balance of -4%. While almost half (9%) have increased their use of full qualifications compared to one in five (22%) who have decreased it, giving a balance of -13%. Meanwhile, just 6% of firms increased their use of part-time courses compared to 22% who had decreased it, giving a balance of -16%. While finding the right courses and programmes in part due to Covid, many businesses find it hard to articulate their skills needs and source the right provision.

**Exhibit 3.3** How the delivery of training for existing staff has changed in the last 12 months.

*Increase + decrease may not add up to exact balance figure due to rounding.*
There is still scope to improve the effectiveness of adult education in meeting businesses' skills needs

We asked businesses about the main barriers they face to meeting their skills needs through adult education (Exhibit 3.4). The leading answer given was ‘do not face any barriers’, which was chosen by two-fifths (38%) of respondents. Matched with businesses’ commitment to continue increasing investment in adult education, it is encouraging to see many firms with the confidence that adult education can address skills gaps.

Yet, over three-fifths (62%) of respondents identified at least some barriers. One-third (33%) of respondents cited practical and logistical challenges caused by Covid-19 as their biggest barrier. While encouraging news about the rollout of vaccines helps businesses to see a beginning of the end of this crisis, it is still unclear to them what the implications, legal and otherwise, for workplaces on removal of social distancing rules will be. This will continue to present practical and logistical challenges.

Beyond the impact of the pandemic, a lack of funding and prohibitively expensive training was cited as a barrier by a quarter of respondents (25%). Just over one-fifth (22%) of firms also cited difficulty in sparing spare time for employees to be training and away from their normal working day. 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. One-fifth of firms also cited a lack of suitable, high-quality provision available in their local area (20%). Given the pace of change to current technology, and the critical importance of applying them effectively to boost productivity, the availability of quality provision is likely to become an increasingly important issue.
Exhibit 3.4 Barriers faced in meeting skills needs through adult education (% of respondents)

Government and business must provide the right interventions and support to encourage more individuals into learning

The scale of the UK’s reskilling challenges is clear. The right policies from Government can help businesses to adopt a culture of lifelong learning and ensure individuals have the support they need to develop and progress in their careers.

The Skills and Post-16 Education Bill has the right aim of increasing lifelong learning and putting employers at the heart of skills planning. Getting the delivery right is crucial. Developing comprehensive local skills strategies will engage a range of regional actors and encourage collaboration between employers, Further and Higher Education. Meanwhile, working with providers to develop modular and shorter courses for flexible learning can help adults to learn new skills in a more accessible way. Yet to achieve this it is vital that the planned Lifelong Loan Entitlement is introduced earlier than 2025 to give individuals the means to fund this training.

Firms must develop learning cultures from within and encourage all employees to recognise the benefits of lifelong learning. The shift towards digital platforms and online learning demonstrates a small part of this change but is not enough on its own. Leading employers are building a culture of lifelong learning from the top of their organisation to the bottom, which is vital to give employees the confidence to upskill.
Employers are preparing to play a bigger role in the education system as the economy comes out of crisis mode

The pandemic has severely disrupted young people’s education and early work experiences, making business-education engagement more important than ever. Despite COVID-19 making many traditional forms of engagement difficult, many businesses have maintained their links with educational institutions by moving interactions such as work placements and careers advice online, and there remains significant appetite among employers to deepen their ties with education. Despite the disruption, employer interest in T level placements is strong. Steps to allow greater flexibility in hybrid or simulated placements could help further capitalise on this appetite. Employers rated soft skills, behaviours, and aptitude for work as the most important factors they consider when recruiting school, college, and university leavers, reflecting the importance of developing employability skills through the education system.

Key findings

- Seven in ten (71%) businesses reported having links with schools, colleges, and universities, down from nine in ten (91%) in 2019.
- Businesses were most likely to have links with universities (84%), followed by colleges (77%) and schools (74%).
- Of respondents who are engaged with the education system, eight in ten (79%) provide work experience placements and seven in ten (72%) provide careers advice and motivational talks.
- Of those that plan to engage with educational institutions, more than four in ten respondents plan to increase engagement with schools (45%), colleges (43%), and universities (43%) in the coming year.
- While over half of respondents (52%) reported having faced no barriers to engaging in the education institutions in the last 12 months, a third (34%) of businesses struggle to find the time to meaningfully engage with the education system.
Three in ten (28%) businesses are currently offering T Level placements, while a further half (50%) intend to do so in future.

Seven in ten (69%) employers rated soft skills and behaviours as a top-three factor when recruiting school and college leavers, and eight in ten (82%) ranked attitudes and aptitude for work as a top-three factor when recruiting graduates.

Partnerships between employers and schools, colleges, and universities have fallen over the past two years

Employer engagement with schools, colleges, and universities helps to raise students’ aspirations, connect young people to work opportunities, and bring the curriculum to life.

Our survey this year found a decline in the proportions of businesses engaging with education institutions (Exhibit 4.1). Seven in ten (71%) employers reported having active links with schools, colleges, or universities, compared to nine in ten (91%) of businesses in 2019. This decline may be due to the disruption to both business and education institutions in the past year caused by COVID-19: many engagement activities, such as careers talks and mentoring, have traditionally taken place in person and may have been difficult to replicate online.

Exhibit 4.1 Respondent businesses with links with schools, colleges and/or universities (% of respondents)
Of the businesses which reported having links with education institutions, the most common relationship was with universities (84%), followed by colleges (77%) and schools (74%) (Exhibit 4.2). These figures are lower across the board than the comparable figures when we asked employers the same question two years ago in the 2019 survey (93%, 91%, and 95% respectively), but the drop is greatest (-21%) for engagement with schools. Many employers and schools have successfully moved engagement with schools online – for example with virtual work experience and careers fairs – but the scale of disruption over the past year appears to have hit business-school links particularly hard.

Exhibit 4.2 Type of institutions to which respondent businesses have links (% of respondents)*

<table>
<thead>
<tr>
<th>Type of Institutions</th>
<th>% of Respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Universities</td>
<td>84</td>
</tr>
<tr>
<td>Colleges</td>
<td>77</td>
</tr>
<tr>
<td>Schools</td>
<td>74</td>
</tr>
</tbody>
</table>

* Based on those respondents that answered ‘yes’ to whether they have links with schools, colleges and/or universities.

Employers are engaging in a range of ways to support the education system in challenging times

Businesses are partnering with schools, colleges, and universities to deliver a range of activities (Exhibit 4.3). The most common forms of engagement with education institutions were the provision of work placements (79%) and of careers advice or motivational talks (72%). The popularity of work placements bodes well for the ongoing rollout of T Levels, which require a 45-day industry placement.

Involvement with institutional governance represented is another popular way that businesses have been supporting education institutions, with almost half (47%) of respondents stating that they had employee volunteers involved in governance in schools, colleges, or universities. Governors play a vital role in planning institutions’ strategic direction and holding leadership to account, helping to build a world-class education system.
Almost four in ten (37%) businesses reported having employees involved in curriculum design for specific subject courses, and 36% had been involved in curriculum delivery. Of the employers who reported being involved in curriculum design, almost seven in ten (69%) did so with further education colleges, thus providing a solid foundation for the government’s aspiration for employers to have a central role in designing technical courses by 2030.

Businesses have also been stepping up to support education in new ways to meet the challenges of adapting to deliver teaching remotely during COVID-19. One in four (23%) respondents reported providing IT equipment - for example, laptops and dongles - to support remote learning, and one in five respondents (20%) reported supporting the remote teaching of classes or lectures during the pandemic. Of the employers stating that they had provided IT equipment, this was most commonly done to support secondary schools (62%) and primary schools (51%).

Exhibit 4.3 Nature of business links with education institutions (% of respondents)

* Calculated as the percentage of respondents to this question who selected that they have the above links with at least one type of educational institution.
Businesses plan to increase their engagement with educational institutions in the next 12 months...

Although responses to this survey have indicated a lower level of business-education engagement than two years ago, results also showed a trend of businesses planning to step up their engagement in the coming year (Exhibit 4.4). When asked about their upcoming plans for engagement, more than four in ten businesses stated that they planned to increase engagement with schools (45%), colleges (43%), and universities (43%). The balance of firms expecting to increase engagement compared with those expecting to decrease engagement was +42% for schools, +41% for colleges and +40% for universities, reflecting greater business capacity for engagement as COVID-19 restrictions are lifted.

Business-education collaboration will form an essential part of the post-COVID recovery and to ensure that young people are able to enter the labour market in a strong position, despite challenges from disrupted education. The Skills & Post-16 Education Bill is an opportunity to deliver closer links between businesses and colleges.

Exhibit 4.4 Plans for engaging with schools, colleges and universities in the next 12 months (% respondents excl. N/A)
... but time and resource constraints continue to represent a barrier to increased engagement between business and the education system

While many businesses are poised to step up their involvement in the education system, there is more work to be done in removing the remaining barriers that businesses face in increasing their engagement.

Encouragingly, this survey found that half of respondents (52%) found no barriers to engaging in schools, colleges and universities in the past year (Exhibit 4.5)*. This is a significant increase from the one in four (24%) businesses who reported there being no barriers in 2019. A lack of employee interest was cited as a barrier by just 8% of respondents, reflecting the significant enthusiasm that exists among employees to support the education system.

The most prevalent barrier to increased engagement reported by businesses was being unable to find enough time to meaningfully engage; a third (34%) of respondents cited this as an issue. Such difficulties likely reflect the fact that businesses have faced exceptional demands on their time and resources over the past year due to COVID-19.

The pandemic has also disrupted face-to-face engagement. While many businesses have moved their engagement online, 17% of respondents cited being unable to deliver high-quality interactions online as a barrier to engagement.

While businesses want to do more to engage, some are still struggling to access the support they need to make this a success. 17% of respondents stated that they were unsure how to contact education institutions, while 15% cited insufficient guidance and support on making interactions worthwhile for young people as a barrier.

**Exhibit 4.5** Barriers to engagement with schools, colleges, and universities in the past 12 months (% of respondents, excluding ‘other’)

* Calculated as the percentage of respondents to this question who selected that they face the above types of barriers when looking to engage with at least one type of educational institution
Despite being introduced in a challenging period, businesses are keen to support T-Levels...

A core purpose of the new T Level qualifications is to ensure that vocational qualifications meet the needs of industry and provide learners with high quality on-the-job experience via a compulsory 45-day work placement. Following the launch of the first T Level courses in September 2020 in certain sectors, we asked employers whether they would consider offering a 45-day industry placement for a T Level student.

Three in ten (28%) businesses reported already offering placements (Exhibit 4.6). Given the intense operational pressures and difficulties in facilitating in-person placements caused by the pandemic, in addition to the fact that the T-Level programme is being slowly rolled out over several years, this figure represents a promising start. Half of businesses (50%) also indicated that despite not currently offering placements they would consider doing so in future, and only 10% stated that they would never offer placements, suggesting significant potential to increase employer engagement in this area.

Exhibit 4.6 Businesses who are offering or would consider offering a T-level placement (% of respondents)

<table>
<thead>
<tr>
<th>Type of Offer</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes, already are and not facing barriers</td>
<td>7</td>
</tr>
<tr>
<td>Yes, but facing barriers</td>
<td>21</td>
</tr>
<tr>
<td>Not currently, but intend to in the future</td>
<td>50</td>
</tr>
<tr>
<td>Never</td>
<td>10</td>
</tr>
<tr>
<td>Other</td>
<td>24</td>
</tr>
</tbody>
</table>

...but want the flexibility to deliver placements online

Whilst businesses’ enthusiasm to deliver T Level placements is high, a clear majority of employers believe that more flexibility in placement delivery should be built into the T Level programme (Exhibit 4.7). Only 5% of respondents agreed with the current policy of placements not being able to incorporate an online element, while one in five (19%) indicated that all placements should be allowed to be delivered partially online, four in ten (39%) responded that hybrid delivery should be allowed where the job in question is ordinarily hybrid in nature, and just over a quarter (26%) stated that the balance should be determined by employers.
A recent CBI survey showed that 47% of businesses expect most of their workforce to adopt hybrid working beyond 2021. For T Level placements to remain relevant, both how and what young people learn must continue to adapt to the new reality of hybrid working becoming a key skill for many firms.

**Exhibit 4.7** Business view on what online flexibilities should be offered in the delivery of work placements (% of respondents)

<table>
<thead>
<tr>
<th>Flexibility Description</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Industry placements should reflect the job, so a mix of on-site and online should be permitted where the job is ordinarily a mix of time on-site and online</td>
<td>39%</td>
</tr>
<tr>
<td>Employers should be free to decide the appropriate balance between on-site and online</td>
<td>26%</td>
</tr>
<tr>
<td>It should be possible for all placements to be delivered partially online</td>
<td>19%</td>
</tr>
<tr>
<td>Don’t know</td>
<td>7%</td>
</tr>
<tr>
<td>It is right that no placement can include an online component</td>
<td>5%</td>
</tr>
<tr>
<td>It should possible for all placements to be delivered online</td>
<td>2%</td>
</tr>
<tr>
<td>Other</td>
<td>2%</td>
</tr>
</tbody>
</table>

**When recruiting school and college leavers and graduates, employers look far beyond qualifications**

Formal qualifications represent valuable indicators of subject knowledge, application, and ability in young people. However, businesses are consistently clear that broader factors – such as interpersonal and other employability skills – are critical when recruiting school, college, and university leavers.

When asked to indicate the three key factors they look for when recruiting school and college leavers, 69% of employers rated soft skills and behaviours as among their top factors, and half (51%) selected literacy and numeracy skills **(Exhibit 4.8)**. Four in ten selected academic qualifications (40%) and relevant work experience and business awareness (39%). These findings are consistent with previous surveys which show wider character, behaviours and attributes are the most important considerations for firms when recruiting school and college leavers.
When we asked employers to select the top three factors they consider when recruiting graduates, the results again showed that academic results form only part of a much broader picture in recruitment processes (Exhibit 4.9). Eight in ten (82%) respondents selected attitudes and aptitude for work, six in ten (58%) chose relevant work experience/industrial placement, and almost half (45%) picked studying a degree subject relevant to the job. Candidates’ degree result was a top-three factor in recruitment for just under a quarter (23%) of employers, indicating that the attitudes and aptitudes that will enable graduates to be effective in the workplace rank ahead of formal qualifications in recruitment decisions.
The CBI has long emphasised the importance of developing broader character and interpersonal skills through education in order to prepare young people for the modern world of work. In light of the pandemic, it is also vital that government reviews assessments and qualifications to ensure they are giving young people the right skills to build successful careers.

**Exhibit 4.9** Most important factors in recruiting graduates (% respondents selecting factor in top 3)
Despite the challenges of the last year, firms continue to see apprenticeships as crucial to recruiting new workers and helping existing staff gain new skills to progress their careers. Businesses value the combination of high-quality on and off-the-job training they offer the learner and are confident about being able to increase their apprenticeship delivery over the next 12 months as the economy recovers. Yet the system is far from perfect. Businesses want to see the apprenticeships system become more responsive to the needs of a changing economy, through a more regular review of programmes, ensuring training remains good value and improving the supply of quality provision. Meanwhile, the Apprenticeship Levy itself remains a divisive issue. Separating a flexible skills levy from financial support for SMEs would help to boost apprenticeships and other high-quality training.

Key findings

• Two in three respondent businesses (67%) offer apprenticeship programmes, down from 85% in 2019.

• Looking ahead, 43% of firms expect to expand their apprenticeship provision in the next 12 months relative to the last year, while just 1% plan to reduce them, giving a balance of +42%.

• Businesses have several priorities for improving the functioning of the apprenticeships system, with introducing a quicker process for reviewing and updating apprenticeship standards (36%), ensuring funding caps are set at the right levels (31%) and ensuring a greater supply of local provision (29%) the top priorities.

• Considering the impact on those firms that pay the Apprenticeship Levy, four in ten respondent firms (39%) have increased the number of apprenticeships they offer, but half (50%) have not increased their overall investment in training.
Business engagement with apprenticeships remains high but has fallen in the last two years...

In this year’s survey we asked businesses whether they use apprenticeships. While two in three businesses (67%) are currently offering apprenticeships, this represents a fall of 18 percentage points from 85% in 2019 (Exhibit 5.1). This is the lowest proportion since the 2015 survey. The pandemic may go some way to explaining this fall, but businesses’ involvement with apprenticeships was fluctuating significantly before the pandemic.

Exhibit 5.1 Businesses offering apprenticeships, 2008–2021 (% of respondents)

... with a lack of suitable programmes, the complexity of the system and impact of Covid the main barriers to using apprenticeships

Businesses not currently delivering apprenticeships were asked to identify the main reasons why (Exhibit 5.2). Just over a third (36%) identified a lack of suitable apprenticeship programmes (standards) which meet their skills needs, with three in ten (31%) saying that other forms of training were more relevant to their needs. Meanwhile, one in four (27%) felt that the apprenticeship system was too administratively complex to manage. 26% of respondents cited other factors, with factors including a fall in business volumes and lack of capacity. The financial and practical implications of the coronavirus pandemic have also constrained some firms’ ability to provide apprenticeships. Nearly two in ten cited cashflow pressures (18%) while 8% cited the challenge of being Covid-secure and organisation restructure.
While the coronavirus pandemic has reduced some businesses’ ability to deliver apprenticeships, other longer-term factors are big barriers for engaging more firms with apprenticeships. Ensuring a swift pace for approving new apprenticeship standards, making sure that current ones are regularly reviewed to deliver the most relevant training and working with sectors that are struggling to develop appropriate programmes must be priorities for the government and Institute for Apprenticeships & Technical Education (IfATE). As should increasing the accessibility of the system for all firms.

**Exhibit 5.2 Reasons why businesses are not recruiting apprentices**

<table>
<thead>
<tr>
<th>Reason</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Can’t find relevant apprenticeships programmes (standards) which meet skills needs</td>
<td>36%</td>
</tr>
<tr>
<td>Other forms of training more relevant</td>
<td>11%</td>
</tr>
<tr>
<td>System too administratively complex to manage</td>
<td>27%</td>
</tr>
<tr>
<td>Other (please specify)</td>
<td>20%</td>
</tr>
<tr>
<td>Cashflow pressures on business</td>
<td>18%</td>
</tr>
<tr>
<td>Organisation restructure</td>
<td>14%</td>
</tr>
<tr>
<td>Challenge of being Covid-secure</td>
<td>8%</td>
</tr>
</tbody>
</table>

*Businesses who are not hiring apprentices.*

**Larger firms are more likely to use the government’s incentive payments to hire new apprentices**

In response to the fall in apprenticeship starts since the start of the pandemic, the government has introduced incentive payments for employers of all sizes who hire new apprentices between August 2020 and September 2021.

In this year’s survey, we asked businesses who use apprentices whether they were using the apprenticeship hiring incentives (Exhibit 5.3). The findings suggest that the incentives have had some success in stimulating demand for new apprenticeships. While four in ten (39%) businesses are aware of and using the incentives, 61% of businesses have not used them – including 47% who said they were aware of the payments but not using them, and 14% who were unaware of them.

Use of the apprenticeships incentives varies according to company size (Exhibit 5.4). 57% of respondent businesses with more than 500 employees are aware of and using the incentives, compared to just three in ten (29%) SMEs.
Exhibit 5.3 Businesses using the apprenticeship hiring incentives (%), excluding N/As

Exhibit 5.4 Businesses using the apprenticeship hiring incentives (%), excluding N/As

Businesses not using the incentive payments were asked the main reason why they are not doing so (Exhibit 5.5). 28% of respondents cited other factors, including a lack of understanding about how the incentives work and who is eligible for them. A quarter (25%) said they do not have the infrastructure to hire more apprentices, with a similar proportion (24%) stating that they are already hiring as many apprentices as their organisation needs. Not all businesses’ skills needs are well matched to the apprenticeship model of training, so there is a limit to the number of apprentices firms will need.
Exhibit 5.5 Reasons why employers are not using the apprenticeship hiring incentives (% of respondents)

- Other: 25%
- Don’t have the infrastructure to hire more/any apprentices: 25%
- Already hiring as many apprentices as the organisation needs: 24%
- Prefer to focus on supporting existing apprentices to complete their training: 12%
- Incentive payments are not significant enough to support new hires: 11%

Businesses are confident about significantly increasing their use of apprenticeships in the next 12 months...

We asked firms to indicate their plans for apprenticeship delivery for the year ahead relative to the last 12 months (Exhibit 5.6). Encouragingly, firms continue to see apprenticeships as crucial to their training and development strategies. Over four in ten firms (43%) expect to expand their apprenticeship delivery relative to the last 12 months, with just 1% expecting to reduce their apprenticeship provision. This gives a balance of +42%. 45% of firms also plan to expand their apprenticeship delivery relative to the last three to five years versus just 3% who plan to reduce, giving a balance of +42%.

Exhibit 5.6 Plans for apprenticeship delivery in the next 12 months (% of respondents)
When looking at company size, seven in ten (69%) large companies intend to expand their apprenticeship provision relative to the last 12 months compared to 29% of SMEs. Four in ten (44%) SMEs respondents do not intend to use apprenticeships in the next year compared to just 5% of large companies (Exhibit 5.7). The CBI’s report Learning for Life identified many of the barriers SMEs face which prevent them from increasing investment in training, including a lack of scale and capacity. It is crucial to create the conditions and incentives for more SMEs to hire apprentices. The government’s plan to create a portal for bulk transfer of Levy funds to SMEs may go some way to increasing starts among these firms.

Exhibit 5.7 Plans for apprenticeship delivery in the next 12 months by company size (% of respondents)

Relative to the last 12 months
Relative to the last 3-5 years

<table>
<thead>
<tr>
<th>Plan to expand</th>
<th>Plan to keep at the same level</th>
<th>Plan to reduce</th>
<th>N/A - don’t intend to use apprentices</th>
</tr>
</thead>
<tbody>
<tr>
<td>0-199 (SMEs)</td>
<td>200-499 (MSB)</td>
<td>500+</td>
<td>0</td>
</tr>
</tbody>
</table>

Businesses want the apprenticeships system to be more responsive to their training needs

Businesses were asked what changes would make the apprenticeships system more effective for them (Exhibit 5.8). The top priority to emerge was ensuring quicker processes for reviewing and updating apprenticeship standards (36%). With skills needs changing rapidly in many sectors, it is vital that IfATE ensures that apprenticeships remain relevant to firms’ needs. Another key priority is ensuring funding caps for apprenticeships are set at levels which mean employers can use apprenticeships without having to pay top-up fees, which three in ten employers (31%) identified. Businesses are nervous about the prospect of having to invest more in apprenticeship fees at a time when many of them still have ‘unspent’ Apprenticeship Levy contributions. Three in ten employers (29%) also highlighted the need for a greater local supply of providers. The availability of quality provision has long been a challenge, with 25% of Levy-paying firms citing it as their biggest challenge with the Apprenticeship Levy in 2019.

A quarter (26%) of employers highlighted the need for greater coherence between the skills systems in the devolved nations and England for the apprenticeships system to work properly. Meanwhile, a fifth (21%) identified a need for portable apprenticeships to reduce the minimum 12-month duration for individual employers delivering apprenticeships, showing firms are interested in the government’s plan to introduce ‘flexi job’ apprenticeships.
Exhibit 5.8 What would make the apprenticeships system more effective (% of respondents)

<table>
<thead>
<tr>
<th>Option</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>A quicker process for reviewing and updating apprenticeship standards</td>
<td>36</td>
</tr>
<tr>
<td>Ensuring funding caps are set at levels which means employers can access local provision without having to pay top-up fees</td>
<td>27</td>
</tr>
<tr>
<td>A greater supply of providers locally</td>
<td>29</td>
</tr>
<tr>
<td>Ensuring more coherence between skills systems in the Devolved Nations and England for employers operating in each nation an UK-wide</td>
<td>24</td>
</tr>
<tr>
<td>Introducing portable apprenticeships which reduce the minimum 12 month duration for individual employers delivering apprenticeships</td>
<td>17</td>
</tr>
<tr>
<td>Other (please specify)</td>
<td>18</td>
</tr>
<tr>
<td>Don’t know</td>
<td>17</td>
</tr>
<tr>
<td>Reducing the number of apprenticeship standards</td>
<td>8</td>
</tr>
<tr>
<td>Nothing, system should remain as it is</td>
<td>8</td>
</tr>
</tbody>
</table>

The Apprenticeship Levy has increased Levy-paying businesses’ use of apprenticeships...

The Apprenticeship Levy, which came into effect in 2017, requires all employers with an annual wage bill of more than £3 million to pay 0.5 per cent into a pot for apprenticeship training. Nearly six in ten employers (58%) who responded to the survey pay the Apprenticeship Levy. These firms were asked what impact the Levy has had on training in their business (Exhibit 5.9).

Four in ten Levy-paying firms (39%) have increased the number of apprenticeship places they offer compared to just 2% who have reduced their places – giving a balance of +37%. This is unsurprising. We would expect to see firms’ apprenticeship numbers increase relative to investment in other forms of training, as they seek to get the largest possible return on investment for their Levy payments. In many cases, businesses have been redesigning training to fit an apprenticeship model. For example, some companies have used Levy funds to upskill or retrain staff, often enrolling them on higher-level apprenticeship programmes. Meanwhile, one in five Levy-paying firms (19%) said that their investment in non-apprenticeship training has increased, compared to 10% who said it had decreased – giving a balance of +10%.8
…but it remains a barrier to significantly increasing firms’ investment in skills and training to the level the UK requires

Over one third of Levy-paying businesses (36%) said that the Levy has increased their overall investment in training, but 50% say that their spending on training has not increased since it was introduced. The CBI’s Learning for Life report found that the UK needs to significantly increase its investment in adult education by £13bn a year, just to prevent new skills gaps emerging. The Levy is preventing increased investment in other forms of training, because firms are reluctant to invest in other training when they have high amounts of ‘unspent’ Levy money. The results are growing skills shortages and not enough opportunities for people to learn. Therefore, a new approach is needed, which will help to fund apprenticeships and non-apprenticeship training, getting more firms to spend more overall.

Exhibit 5.9 Impact of the Apprenticeship Levy on training (% of respondents)

* Based on those respondents who pay the Apprenticeship Levy
Turning the Apprenticeship Levy into a Flexible Skills Levy is vital to support higher levels of investment in training

It is vital that the government uses the upcoming Comprehensive Spending Review to turn the Apprenticeship Levy into a Flexible Skills Levy that incentivises investment in a wider range of high-quality training to drive up business investment in reskilling. The Levy should be made more accessible to employers, allowing firms to spend funds on a wider range of training that meets their needs and helps more individuals to update their skills and progress. A reformed Levy should fund a wider range of accredited high-quality training, including short modular courses, product training, professional courses, and soft skills training, with qualifying training regulated by the Institute for Apprenticeships & Technical Education (IfATE) and the Office for Students (OfS). Small businesses should continue to be supported to provide apprenticeships but funded from general taxation by ending the cross-subsidy paid by larger Levy-paying firms through the Apprenticeship Levy.
References

1. Adapting to hybrid working: top tips for businesses making the long-term shift to hybrid working. CBI, March 2021
4. Excluding N/A, do not intend to engage with these institutions.
5. Respondents selecting “yes, already are and not facing any barriers” + “yes, but facing barriers”.
6. Adapting to hybrid working: top tips for businesses making the long-term shift to hybrid working, CBI, 2021, March 2021
8. Increase + decrease may not add up to exact balance figure due to rounding.
About the CBI

Founded by Royal Charter in 1965, the CBI is a non-profit business organisation that speaks on behalf of 190,000 UK businesses of all sizes and from across all sectors, employing nearly 7 million people between them. That’s about one third of the private workforce. This number is made up of both direct members and our trade association members. We do this because we are a confederation and both classes of membership are equally important to us.

The CBI’s mission is to promote the conditions in which businesses of all sizes and sectors in the UK can compete and prosper for the benefit of all. With offices around the UK (including in Scotland, Wales and Northern Ireland) and representation in Brussels, Washington, Beijing and Delhi, the CBI communicates the British business voice around the world.

Our mandate comes from our members who have a direct say in what we do and how we do it

The CBI receives its formal mandate from 9 Regional Councils, 3 National Councils from Scotland, Wales and Northern Ireland plus 16 sector based Standing Committees. These bodies are made up of members in that region, nation or sector who serve a term of office. The chair of each Standing Committee and Regional and National Council sit on the CBI’s Chairs’ Committee which is ultimately responsible for setting and steering CBI policy positions.

Each quarter this formal engagement process across the CBI Council reaches over 1,000 senior business leaders across 700 of our members who have a direct say in what the CBI do and how they do it, from refreshing their workplan to discussing the key business issues of the day and re-calibrating its influence. Over 80% of the businesses represented on the CBI Council are outside of the FTSE350 as the CBI represents a wide range of sizes and sectors from the UK business community. This formal governance process is supported by a wide range of working groups, roundtables, member meeting and events that makes the CBI unparalleled at listening to and representing British business.
CBI Council in numbers

Committee and Council representatives: 1000+

Regional and National Council and sector based Standing Committees: 28+

Representatives of the CBI Council at C-Suite level: 50%

Of the CBI Council from non-FTSE 350 businesses: 80%