

CBI RESPONSE TO THE EDUCATION SELECT COMMITTEE

The future of post-16 qualifications: Do qualifications prepare young people for the world of work?

The CBI is the UK's leading business organisation, speaking for some 190,000 businesses that together employ around a third of the UK's private sector workforce. We represent businesses of all sizes from all sectors, employing people with skills and qualifications at all levels. We also have members involved in delivering education and training, including universities, colleges, and private providers.

The CBI welcomes the opportunity to respond to the committee's inquiry, which comes at an important time for education and skills reform. The Skills and Post-16 Education Bill offers an opportunity to boost lifelong learning, locate businesses at the heart of skills planning, and ensure qualifications are giving people of all ages and backgrounds skills valued by employers. Reforms to post-16 qualifications can also further parity of esteem between academic and technical education, close skills gaps in the economy, and provide clear routes to higher skills and good careers. Our response to this inquiry focuses predominantly on vocational and technical qualifications.

In this submission, we argue that:

- Boosting progression to Level 3 and beyond will be vital to prevent widening skills gaps in the economy.
- As technology transforms the world of work, both how and what young people learn must continue to adapt.
- Young people should be prepared and enabled to build their skills throughout careers.

1. Boosting progression to Level 3 and beyond will be vital to prevent widening skills gaps

1.1. Businesses are increasingly demanding people with intermediate and higher skills

Employer demand for intermediate and higher-level skills is expected to increase significantly over the next three to five years¹. This is consistently reported by businesses within CBI education and skills surveys². To prevent a growing mismatch between skills supply and demand in England, it is vital to overcome the bottleneck in progression to and beyond Level 3 education and training. At a time when the workplace is rapidly changing and higher-level skills are in greater demand than ever, 40% of young people do not gain a Level 3 qualification³. This is already hampering our ability to address key skills shortages, including at Level 4 and 5, and risks limiting numbers of young people progressing to new reformed higher technical qualifications. **The T Level transition programme offers an opportunity to make progress in this regard, but FE providers need adequate funding to deliver Level 2 and functional skills qualifications with a strong track record of enabling young people to progress and succeed.**

1.2. A Level equivalent T Levels can help confront skills gaps and offer a clearer technical route to a good career

¹ Skills for an inclusive economy: education and skills survey (2021), CBI/Birkbeck

² Educating the modern world: education and skills survey (2018), CBI/Pearson

³ Level 2 and 3 Attainment in England: Attainment by Age 19 (2019), DfE

The CBI has long called for the creation of a technical route of equal value and esteem to A Levels and welcomes the introduction of T Levels. Locating businesses at the heart of new qualifications and can give learners confidence they are gaining skills backed by firms. This is important to meet both current and future skills demand, with industry specific technical knowledge the biggest priority skill area for CBI members⁴. The creation of a simpler employer-led offer can also help raise the profile of technical education, improve young people's understanding of different options, and therefore provide clearer pathways to higher skills and good careers. Reforms should therefore aim to both boost the supply of technical skills and increase numbers of young people progressing to Level 3 and beyond.

1.3. Funding decisions should avoid narrowing opportunities for young people to progress

The speed and scope of government efforts to simplify the technical offer must not inadvertently narrow opportunities for young people to progress and succeed. Regard to the value of existing courses delivering good outcomes for businesses and young people will be essential. Firms will also need adequate time to invest in T Levels to access and develop the skills they need. Switching off funding for existing qualifications before new routes have strong business demand risks disconnecting talent pipelines, hampering prospects for young people to move into skilled work. **The timeframe for defunding Level 3 qualifications should therefore be kept under review**, with the objective that the availability of quality qualifications should not have to get worse before it gets better. The ability of businesses to offer industry placements and a clear track record of T Level success should be prerequisites to scrapping other options available. **The government should also monitor the impact of funding decisions on progression amongst disadvantaged groups**. Ensuring our skills system enables all talent to progress is vital to meeting employer aspirations to build a more diverse and inclusive economy. Increasing social mobility could add an extra £139bn to GVA by 2030⁵. The recent decision to allow continued access to a mixed programme of A Levels and Applied General Qualifications is welcome in this regard, with disadvantaged students much more likely to pursue this pathway⁶.

2. Qualifications must remain in lockstep with the economy and deliver the skills young people need to succeed

2.1. Post-16 qualifications must adapt to the impact of economic transformation on skills demand

The world of work in 2030 is going to look significantly different to today, with tasks, jobs and entire industries being transformed by accelerating technological change. Businesses are looking to build digital skills within their workforce to embrace the fourth industrial revolution⁷, while automation is also catalysing increasing employer demand for new and higher-level skills⁸. Firms' ability to decarbonise and deliver on our net-zero aspirations will also depend on the availability of the right skills and training⁹. While reskilling will be essential to grapple with the impact of these changes, qualifications must also support young people to develop relevant skills to prevent a mismatch between supply and demand. To ensure post-16 education and training remains aligned to the needs of employers, the government needs a clear strategy for using skills and labour market intelligence to proactively tackle shortages before they reach crisis point. To achieve this, **we recommend that an independent body modelled on the Low Pay Commission is set up to report regularly on skills shortages and recommend how businesses and government policies can best prevent shortages reaching crisis point in the future.**

2.2. Approval and revision processes for new and existing qualifications must be smooth and swift

Placing employers at the heart of reformed technical qualifications, via employer panels, offers the chance to ensure courses are supporting the changing knowledge, skills and behaviours employers need. Consultation with employer panels gives businesses the chance to meaningfully inform and co-design

⁴ Skills for an inclusive economy: education and skills survey (2021), CBI/Birkbeck

⁵ Seize the moment (2021), CBI/McKinsey

⁶ Students and qualifications at level 3 and below in England (2019), DfE

⁷ Delivering skills for the new economy (2019), CBI

⁸ Learning for life (2020), CBI/McKinsey

⁹ Skills and training for the green economy (2021), CBI

qualifications available. Despite this, CBI members too often report that courses are out of date and no longer underpin full occupational competency. For example, the existing vehicle maintenance apprenticeship doesn't include a module on the maintenance of electric vehicles. This is despite widespread business adoption, companies' commitment to decarbonisation, and the phasing out of new diesel and petrol cars. This impacts upon the work readiness of young people and places an increased financial and training burden on industry to provide skills essential to employment. It also risks frustrating the firms' decarbonisation journey. **For qualifications to keep pace with transformations within industry, the regulatory functions of Ofqual and IfATE must also become more agile.** Employer panels need to be consulted more frequently on changes in the world of work and be given the power to trigger a review of qualifications and training. Once IfATE standards are revised, the review and approval of qualifications for funding should be swift.

2.3. T Level industry placements should remain in lockstep with industry practice and capacity

T Level industry placements offer the chance for young people to gain relevant knowledge, skills, and experience that improve their employability. However, to ensure T Levels support progression to the world of work, T Level industry placements must be permitted to reflect industry practice. After time limited flexibilities responding to challenges caused by the pandemic, the government plans to prevent remote and blended placements across all T Level routes in the long term. This is despite 93% of firms planning to adopt hybrid working models in the long term, and only 5% expecting to work entirely from an office¹⁰. For many businesses, the ability to thrive in a hybrid working environment is now an essential requirement for new recruits and existing staff. For each T Level, the government should therefore **empower employer panels to set the balance between hours undertaken remotely and hours the spent in the workplace**, dependent on the needs of each industry. Furthermore, the government should **allow firms and providers to co-design remote and simulated work projects that mirror the industry environment**. This can ensure placements are secured at the adequate scale, particularly in local areas with a lack of large employers.

3. Young people should be prepared and enabled to build their skills throughout careers

3.1. Ready young people for lifelong learning must be part of preparation for the world of work

In the years ahead, changes in our economy will increasingly require people to build, develop and adapt their skills throughout careers. A step change in upskilling and retraining will be essential to both seize the possibilities presented by technological change and prevent labour displacement caused by shifting demand between sectors. Overall, nine in ten people require new skills by 2030 to prevent gaps widening¹¹. A quarter of people who have not participated in education or training within the last three years report having nothing preventing them¹². This highlights the importance of increasing learner awareness and confidence to participate in lifelong learning. This must start from an early age, with young people supported to understand, and encouraged to embrace, continued opportunities for education and training. **Providers of post-16 qualifications need to work alongside business and government to build a culture of lifelong learning, and ensure young people understand its importance to their success in the labour market.**

3.2. Increasing the flexibility of post-16 qualifications will remove barriers to continued education and training

Young people's ability to continue building their skills throughout careers will also depend on increasing the flexibility of education and training, currently overwhelmingly targeted at longer courses and full-time qualifications. To drive the reskilling needed over the next decade, people will need a range of flexible options that recognise the time constraints facing people who work, have family responsibilities, and are trying to upgrade their skills to improve their standard of living. The introduction of the Lifelong Loan Entitlement from 2025 holds potential for improving opportunities for people to upskill and retrain in higher

¹⁰ The Revolution of Work: A survey on the world of work post-COVID-19 (2021), CBI Economics

¹¹ Learning for life (2020), CBI/McKinsey

¹² Adult Participation in Learning Survey (2019), Learning & Work Institute

education, but greater flexibility is also required at sub-degree level. **The Department for Education urgently needs to deliver on the principles for flexible qualifications outlined in the *Review of post-16 qualifications at Level 3***, both through the recognition of prior learning and modular delivery of courses. “These are crucial to supporting adults to reskill and upskill whilst allowing them to fit study around existing responsibilities such as work and caring”¹³. The government’s response to *A New Further Education Funding and Accountability System* can also help lay the foundations for a more flexible skills system. **Providers need a multi-year funding settlement to partner with business on labour market needs, and clear incentives to develop more bitesize, flexible, and online training.**

3.3. Levy reform can leverage greater business investment in skills

85% of skills and capabilities training is currently delivered by business, but levels of investment have remained stagnant for the last decade¹⁴, standing at around £45bn pa. An additional £13bn is needed every year to 2030 to prevent widening skills gaps¹⁵. However, the apprenticeship levy in its current form is acting as a barrier to business investment in the skills people and our economy need. Levy paying employers are struggling to utilise funds and are encouraged by its design to rebadge training, including into less efficient formats, to use their funds. This is acting as a barrier to wider investment in training, with firms reticent to commit further resources while significant levy funds remain unspent – a view exacerbated by low awareness of cross-subsidy within the wider apprenticeship programme. It’s a policy trapped between funding valuable support for SME apprenticeships and trying to incentivise greater business investment in training. It can’t be both at once and is currently failing on both fronts. **The government should introduce a flexible skills levy**, retaining a use it or lose it nudge to maximise impact and spend. **For SMEs, the government should fund apprenticeship support through general taxation.** This approach can help to both turn the dial on business investment in the skills, and boost apprenticeships numbers amongst people of all ages.

CBI Education & Skills
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¹³ Review of post-16 qualifications at level 3 in England, Government consultation response (2021), DfE

¹⁴ UK training investment cost model (2019), McKinsey

¹⁵ Learning for life (2020), CBI/McKinsey