

HELPING THE UK THRIVE

CBI/PEARSON EDUCATION AND SKILLS SURVEY 2017

JULY 2017



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For Pearson, contact:
Martin O'Donovan
Director, Strategic Communications
Pearson UK
One90 High Holborn
London WC1V 7BH
United Kingdom

D: +44 (0)20 7190 5372

E: martin.odonovan@pearson.com

W: www.pearson.com

CONTENTS

Forewords – CBI	4
– Pearson	6
Executive summary	8
Chapters	
1. <i>The education and skills landscape in 2017</i>	14
2. <i>Schools are making solid progress – but there’s more to do</i>	24
3. <i>Business-school partnerships are growing – but the system needs clarity</i>	36
4. <i>Businesses’ priority is tackling skill gaps and mismatches</i>	52
5. <i>Business is committed to apprenticeships, but the levy must deliver quality</i>	62
6. <i>Fostering talent is a business priority</i>	76
7. <i>High demand for graduates reflects the value of their skills</i>	86
Annexe – <i>The tenth education and skills survey</i>	94
References	97

The skills and ingenuity of our people are at the heart of prosperity. Improving them is the best growth strategy a nation can have.

As a mature economy, UK firms need to excel on quality and show their value in using innovation and technology to drive growth, which supports incomes for families across the country.

Education and skills are at the heart of this – enabling firms to succeed, but also opening the door to great careers and opportunities for individuals. This has been the case for many years, but the changes we face over the next decade make the issue more important than ever.

Leaving the EU – and the likely results in terms of labour mobility across Europe – is a key part of this. But there are other, longer-term challenges to face, especially on the effects of digitisation, the use of robots and the development of artificial intelligence.

The CBI is optimistic about these challenges – the potential exists to maintain high employment rates and improve skill and pay levels across the UK. But jobs will change – some will disappear, and new opportunities will form. As a country, we need to prepare people for this.

This survey shows there are challenges ahead. Well over half of all firms fear that there will not be enough people available with the skills needed to fill their high-skilled jobs. There are concerns about the quality of careers advice, whether enough young people are taking STEM courses, and the need to invest in young people's ability to navigate the world they face – not just their academic results.

The survey also highlights key answers: improving the linkages between education institutions and employers, investing effectively in the existing workforce, and ensuring the apprenticeship levy really improves outcomes for all learners by turning it into a more flexible skills levy across all four UK systems. All this activity needs to be underpinned by a strong partnership between business and government.

We are delighted to have been able to work with Pearson on this important survey once again. I hope its findings will help guide the consensus and co-operation we need to ensure our optimism about a highly competitive, innovative and productive future for the UK is well-founded. With a new focus on Industrial Strategy in government there is a fantastic opportunity to deliver real change.

Josh Hardie

A handwritten signature in black ink that reads "Josh Hardie". The signature is written in a cursive, slightly informal style.

Deputy director-general, CBI



This year's CBI/Pearson Skills Survey is published in the aftermath of another General Election, as the new government grapples with the prospect of delivering Brexit.

The Brexit debate generates plenty of heat, but it's the white heat of technological change that will mean huge change to the jobs of 2030. Add that to the obvious question about what skills we'll need to 'home grow' in the absence of free labour movement, and the skills gap is brought into sharper relief. Add to that, the persistent education under-achievement in parts of the country, and that skills gap starts to look like a skills crisis.

So the new government's plans to improve technical education are welcome, and their simplicity looks appealing. Students will choose academic routes on the one hand or technical routes on the other. But we need to beware simplicity becoming simplistic. Higher education after all is not only academic. Our best universities are the engines of engineering, design and technology. They have a key role to play in closing the skills gap. We must avoid a bifurcated system of rigid tracks. We need a coherent education system that delivers high quality and flexible options for everyone to keep learning; a system of bridges and ladders that makes the most of our talent, and keeps us all learning with an ability to step off, work, and step back into education again.

We will need a system that delivers demanding high standards in three key pathways: the kind of academic skills we see in A levels, broader career preparation that we see in BTECs and specific occupation/job skills that will be represented by the government's planned T levels and more apprenticeships. These routes will all provide real opportunities for young people and - as this survey demonstrates once again - we know employers value all these different kinds of qualifications, often preferring a mixture of the academic and the technical to a purely academic or technical route.

As the government grapples with the Brexit negotiations, it might wish to think about how we undertake the long-term thinking that will meet this generational challenge. In the highly charged political situation we find ourselves in, I believe the government should consider the establishment of an independent body or commission that defines a strategy for our education system that meets the skills challenge over the long term. A system that can stand up to short term political pressures and rushed, ineffectual implementation; a system that puts the role of great teaching centre stage; one whose inclusive mission is to enable all sections of society to realise their true potential; one that ensures people can keep learning throughout their lives as they adapt to a radically changing workplace.

Ministers will continue to take decisions and advance legislation, but such a body would enable them to do so on the basis of evidence-based strategic thinking. The government's manifesto gives me hope that there is a steely determination to address the skills challenge. But no one group, including government, can provide all the answers. I hope the government will demand both collaboration and long term thinking from all of us in education who care about children and their futures, above all else.

Rod Bristow



President UK & Core, Pearson



The education and skills landscape in 2017

- Economic growth has continued, albeit at a slower pace, but employment has risen to the highest level since records began, opening more opportunities for people to gain jobs and progress at work
- Businesses are concerned about finding enough people with the right skills, with skills gaps seen by nearly two-thirds as a threat to the UK's competitiveness
- The UK needs to improve its productivity performance if it is to maintain its position among the leading economies, and education and skills are crucial to getting this right
- Many young people still leave school without the solid educational foundations needed for success in work and life: on the academic side alone, more than a third of candidates did not achieve a grade C or better in GCSE English (39.8%) and maths (39%)
- The transition from education to work needs focus if we are to minimise unemployment at this critical stage of life: although the trend is downward, some 800,000 people aged 16-24 are currently not in education, employment or training
- The biggest growth in jobs in the years ahead is expected to be in management, professional and technical roles to make up almost half of all employment (47%) by 2024: filling these jobs will open up new opportunities, provided young people and those already at work are equipped with the right skills
- Businesses are investing heavily in skills (more than £45bn a year), with well over half of all employees (63%) receiving some training during 2015
- Business is committed to investing in skills but the introduction of a levy to fund apprenticeships is a major change, and significant concerns remain about whether the policy will deliver the high-quality training businesses and apprentices need
- Getting businesses to invest more in skills and training depends on creating a stable and effective market for skills
- Tuition fees have not discouraged people from applying for higher education, but there are uncertainties over how the apprenticeship levy may affect future levels of graduate recruitment.

Schools are making solid progress – but there's more to do

- By far the most important factor employers consider when recruiting school and college leavers is their attitude to work (86%), followed by their aptitude for work (63%) and general academic ability (43%)
- Real progress has been made in improving standards by many of our schools, but addressing pockets of lower performance – for instance in 'Opportunity Areas' in England – and a focus on all young people is needed

- Schools and colleges are increasingly looking to develop young people more broadly in addition to their academic attainment, and businesses are positive about young people's teamwork (71% satisfied) and attitudes to work (67%) – but businesses remain concerned on skills of analysis (51% dissatisfied) and behaviours such as resilience and self-regulation (48%)
- In the time up to age 11 businesses believe the focus in schools should be on developing pupils' core skills such as literacy and numeracy (67%), self-management (41%) and communication skills (34%)
- Employers would also welcome primary schools increasing their engagement with business (27%) to fire pupils' interest in subjects like science and technology and help inspire them about possible future careers
- After the age of 11, businesses think there is scope for greater focus on work awareness and future possibilities, with more than a third (37%) highlighting the case for more engagement with business to boost young people's understanding and inspire them about future options and a third (33%) looking for careers advice to be improved as a priority
- Businesses believe that as well as helping young people after 11 to develop core competences of self-management (37%) and literacy and numeracy (36%), schools and colleges could be doing more to enable them to develop technical skills (25%) by applying science, technology, engineering and maths (STEM) knowledge
- Despite differences in the school systems, businesses in the devolved nations hold a shared view on the need for more engagement with business to raise young people's work awareness, to raise the quality of careers advice, and to improve young people's self-regulation
- The government must act to raise levels of awareness and understanding across business about the new GCSE grading system, as more than a third of businesses (35%) are wholly unaware of the GCSE grading reform in England
- Only a third (34%) of businesses rate as satisfactory the foreign language skills of school and college leavers entering the jobs market, with the major EU languages of French (51%), German (47%) and Spanish (45%) most commonly mentioned as in demand.

Business-school partnerships are growing – but the system needs clarity

- Four out of five (81%) businesses have at least some links with schools and/or colleges, with connections most widespread between businesses and secondary schools (66%) and FE colleges (63%)
- A positive balance of +31% of employers with established links to primary schools have increased their engagement over the past year, while even higher positive balances have increased their engagement with secondary schools (+35%) and FE colleges (+45%)

- The two leading areas of support for primary schools are providing talks to inspire pupils about opportunities in working life (55%) and encouraging interest in particular subjects, such as science or technology (55%)
- Four out of five firms (81%) with links to secondary schools are involved in delivering careers advice and talks, while almost as many businesses (78%) with links to schools offer work experience placements
- Work placements for a week or two remain by far the most widespread form of work experience, offered by more than nine in ten of those firms providing some type of work experience (92%)
- Over half (53%) also offer internships, normally geared to an older age group and running for longer periods
- Links between businesses and schools are mostly forged at local level (70% for primary schools and 63% for secondary schools) but almost two thirds of firms with links to colleges build them at either regional (31%) or national level (30%)
- Three quarters of businesses (75%) are willing to play a greater role in delivering careers advice in schools and colleges
- Expanding business engagement with schools can best be achieved by tackling the barriers reported by nearly three quarters of respondents (72%). Among businesses perceiving barriers nearly half (47%) report that local schools or their pupils do not appear to be interested and more than a third (35%) cite too little guidance and support on how to make work experience placements worthwhile for young people
- The Careers and Enterprise Company (CEC) is an important part of the solution, with the potential to give a major boost to outcomes for young people, but there is more to do to spread word about the CEC as only a fifth (21%) of businesses are currently aware of its activities
- More than four out of five businesses (84%) across the UK feel the quality of careers advice young people receive is not good enough.

Businesses' priority is tackling skill gaps and mismatches

- Three quarters of businesses (75%) expect to have more job openings for people with higher-level skills over the coming years while just 2% expect to have fewer
- This gives a positive balance of +74% of businesses expecting to grow their number of higher-skilled employees
- They also expect to need more people with intermediate-level and leadership and management skills (with balances of +34% and +69% respectively)
- In contrast, more businesses (29%) expect to cut back on the number of low skill jobs than expect to grow them (20%), producing a negative balance of -9%

- Well over half of businesses (61%) are not confident there will be enough people available in the future with the necessary skills to fill their high-skilled jobs
- These worries about the prospects of filling future high-skilled roles are shared by businesses across the UK (with the net balance of firms reporting they are confident minus those reporting not confident ranging from -25% in Scotland to -35% in Northern Ireland)
- Strong competition for candidates with appropriate qualifications (62%) and a lack of candidates with appropriate qualifications (55%) are identified as the most widespread causes of skills gaps, but ranking almost as high are lack of awareness among young people of education routes to enter particular careers (50%) and careers advice poorly aligned to the sector (49%).

Business is committed to apprenticeships, but the levy must deliver quality

- Businesses see apprenticeships as a valuable route to training and developing their workforces, with the number operating apprenticeship programmes climbing to more than four in five (83%)
- Sectors such as manufacturing and engineering have a long tradition of apprenticeship provision, but our findings show expansion of apprenticeships into 'non-traditional' sectors such as professional services (where 74% of respondents are now involved)
- While business are committed to investing in schemes, many struggle to fill places: almost half (49%) of respondents have experienced difficulty in recruiting apprentices or expect to do so in the next three years
- Imposition of the apprenticeship levy is causing businesses to rethink their approach to training: many will use the levy to invest in upskilling their workforce, with two-thirds (63%) planning to reconfigure their existing training into apprenticeships
- Because of the narrow design of the levy to cover only off-the-job, external training, around a quarter of businesses will be cutting back on non-apprentice training (27%) or curbing their graduate intakes (23%)
- Businesses identify the chance to develop existing staff through new training as the single biggest opportunity generated by the levy (cited by 37%) followed by increasing access to new talent (20%)
- A third of businesses (33%) see the lack of clear guidance on the new system as the biggest challenge they face in the first year of the levy's operation, while nearly as many (29%) highlight the inflexibility of the funding rules.

Fostering talent is a business priority

- Fostering talent and developing people's skills is a priority for virtually all companies (99%), achieved through policies such as encouraging employees to discuss development with their line managers (80%) and mentoring and coaching opportunities (66%)
- More than three quarters of businesses (77%) have a learning and development strategy, underpinned by a dedicated training and development budget (76%)
- Employers frequently have to pick up where things have not worked in the education system: close to half of UK employers (45%) say that they have had to organise training in at least one basic skill area for some adult employees recruited in the past 12 months
- Many businesses also have to address shortfalls in functional skills among young recruits, with two in five (41%) reporting they have organised remedial training for at least some school or college leavers and one in four businesses (25%) for at least some graduates in the past year
- The most frequently cited skills in need of attention in the past 12 months have been the basic IT skills of older recruits (38%) and numeracy for school and college leavers (26%)
- Businesses conduct most training of their workforces themselves, drawing on external providers on average for well under half (42%)
- At the same time more than three quarters of respondents (78%) supplement their in-house training by drawing on external training and development providers, most commonly private providers (used by 88% of those using an outside provider) followed by FE colleges (55%) and universities (36%)
- Businesses award private training providers the highest satisfaction ratings on most measures, but universities top the ranking for the quality of their training and development staff (with a balance of +87% of those businesses using these rating them as satisfactory)
- When recruiting school and college leavers, businesses value qualifications as demonstrating effort, capability and readiness to learn, but mostly they either have no particular preference between academic and vocational qualifications (48%) or prefer recruits to hold a mix of both (31%).

High demand for graduates reflects the value of their skills

- The value graduates bring to business is clear, with graduates having higher levels of employment, lower levels of economic inactivity, and higher levels of earnings on average compared to non-graduates
- Over the past 12 months more than eight in ten businesses (85%) have maintained or increased their levels of graduate recruitment

- Every year for the past five years more businesses have expanded their graduate intakes than have cut back on graduate recruitment, cumulatively raising the number of graduate openings
- Firms across the UK are creating new graduate opportunities: the number of businesses in London increasing their graduate intakes over the past year exceeded those cutting back by a balance of +6%, but the positive balance of businesses growing their graduate recruitment was equally strong among those with employees in the North (+6%) and stronger still in the South West (+11%) and Scotland (+10%)
- Employers focus above all on the attitudes and aptitudes that will enable graduates to be effective in the workplace. This is by far the most widely cited consideration among graduate recruiters (cited as among the three most important factors by 90%) and for more than half it ranks as the single most important factor (55%)
- Businesses also want to see candidates demonstrate effort and general ability, so two thirds (65%) rate degree result as among their main factors in recruitment decisions
- For nearly two thirds of businesses the subject studied is also a top-three consideration (cited by 62%), particularly in sectors such as manufacturing (70%)
- Relevant work experience or having taken up a placement related to the sector are important advantages for graduates when seeking career openings, ranking as an important consideration for most (59%) of those recruiting graduates
- Most businesses are satisfied with graduates' basic skills and general readiness for employment, with more than nine in ten firms reporting satisfaction or better with graduates' IT skills (96%), literacy/use of English skills (92%) and numeracy (91%)
- Areas where graduate job seekers are often seen as having weaknesses are in their international cultural awareness and business and customer awareness (with 39% and 40% of recruiters reporting dissatisfaction with these respectively) and a third (32%) dissatisfied with graduates' attitudes and behaviours of self-management and resilience.

The tenth education and skills survey

- The survey was conducted during the period February to April 2017, with responses received from more than 340 organisations
- Participants ranged in size from firms with fewer than 50 employees to those with more than 5,000; SMEs accounted for nearly a third of respondents (30%)
- Respondents were drawn from all sectors of the economy, ranging from manufacturing (14%) and education (14%) to professional services (11%) and construction (10%)
- There were responses from all parts of the UK, with almost half of participants (47%) having at least some employees in Northern Ireland, Scotland and/or Wales.

The education and skills landscape in 2017

The tenth CBI education and skills survey, run in partnership with Pearson, was conducted against the backdrop of increased uncertainty for businesses, both in the global economy and on the outcome of UK-EU negotiations. Despite these potential headwinds, employment has risen to record levels and skills shortages are becoming more widespread. At the same time, technological change is shifting the nature of work. Education and skills are critical to how we navigate these changing times. A successful system is one which prepares all our young people for the rapidly changing world of work and upskills those already in work – so they can develop their full potential in terms of knowledge, skills and capabilities.

KEY POINTS

- Economic growth has continued, albeit at a slower pace, but employment has risen to the highest level since records began, opening more opportunities for people to gain jobs and progress at work
- Businesses are concerned about finding enough people with the right skills, with skills gaps seen by nearly two-thirds as a threat to the UK's competitiveness
- The UK needs to improve its productivity performance if it is to maintain its position among the leading economies, and education and skills are crucial to getting this right
- Many young people still leave school without the solid educational foundations needed for success in work and life: on the academic side alone, more than a third of candidates did not achieve a grade C or better in GCSE English (39.8%) and maths (39%)
- The transition from education to work needs focus if we are to minimise unemployment at this critical stage of life: although the trend is downward, some 800,000 people aged 16-24 are currently not in education, employment or training
- The biggest growth in jobs in the years ahead is expected to be in management, professional and technical roles to make up almost half of all employment (47%) by 2024: filling these jobs will open up new opportunities, provided young people and those already at work are equipped with the right skills
- Businesses are investing heavily in skills (more than £45bn a year), with well over half of all employees (63%) receiving some training during 2015
- Business is committed to investing in skills but the introduction of a levy to fund apprenticeships is a major change, and significant concerns remain about whether the policy will deliver the high-quality training businesses and apprentices need

- Getting businesses to invest more in skills and training depends on creating a stable and effective market for skills
- Tuition fees have not discouraged people from applying for higher education, but there are uncertainties over how the apprenticeship levy may affect future levels of graduate recruitment.

While economic growth is slowing, employment is at record levels...

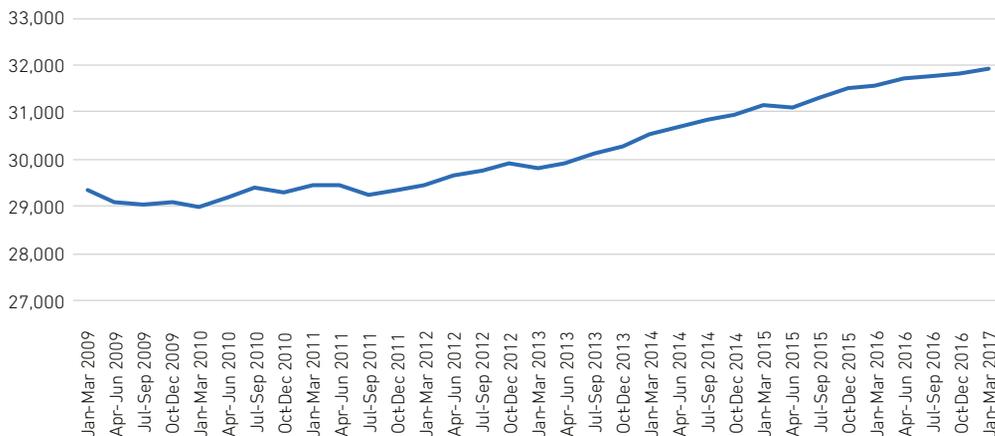
The UK economy grew by 0.2% in the first quarter of 2017 according to revised estimates.¹ This was significantly slower than during the previous quarter (0.7%), and well below the quarterly average of the past three years (0.5%).

This was the 17th successive quarter of positive GDP growth, albeit at a slower pace relative to the average of the last few years. It took GDP to a level 9% above its pre-downturn peak in Q1 2008. The UK economy is expected to continue to grow – but at a slower rate – through the rest of 2017 and 2018, as higher inflation eats into real incomes and household spending, and uncertainty around EU negotiations weighs on business’ investment plans.²

Employment has continued on a rising trend (**Exhibit 1.1**). In the three months to March 2017 employment climbed to a record high of over 31.9 million. This was more than 380,000 higher than a year earlier.³ The employment rate (the proportion of people aged from 16 to 64 who were in work) was 74.8%, the highest since comparable records began in 1971. The growth in employment is partly due to ongoing changes to the state pension age for women resulting in fewer women retiring between the ages of 60 and 65.

The unemployment rate fell to 4.6% in the three months to March 2017, the lowest since 1975.⁴

Exhibit 1.1 Employment 2009-17 (000s)



Source: ONS

...but we have yet to resume sustained productivity growth

A troubling feature of the economy since the recession has been the poor track record on productivity. Historically, UK labour productivity has grown by around 2% a year, but since the 2008-09 recession it has stagnated. Despite some indications of a pick-up in 2015, productivity at the start of 2017 was 17% below a continuation of its pre-crisis trend.⁵ The UK's ability to improve its standard of living over time is almost entirely dependent on productivity growth.

Skills shortages are a leading concern for businesses...

Businesses are concerned about finding enough people with the right skills: nearly two-thirds see skills gaps as a threat to the UK's competitiveness.⁶ The process of the UK leaving the EU, and the likely restriction of free movement as result, amplifies these challenges. Businesses need employees at all skill levels, with firms as worried about looming labour shortages in key non-graduate roles as filling higher skilled positions.

...so improving education and skills performance is essential for future success

The UK's recent performance on economic growth and employment should not lull us into complacency. Businesses know that if we are to sustain growth in an increasingly competitive world – and to resume the path of productivity growth – there is no more important issue than getting our education and skills system right.

Across the world, current and emerging competitor nations are looking to grow talent through their education and training systems. They recognise that a skilled workforce is essential for competitiveness, innovation and growth. They are seeking to put policies in place that will facilitate these goals. While the UK is performing well at present on measures such as INSEAD's global talent competitiveness index (**Exhibit 1.2**),⁷ our competitors are striving to push their rankings ahead of the UK in the years ahead.

Tackling remaining weaknesses in basic skills among young people is recognised as a priority

In today's world, education has become a lifelong process through which people regularly upgrade their skills to adapt to fast-changing environments. But the foundations for advanced skills need to be laid at an early age – writing, reading, maths and science are core subjects on which learning should be built, combined with the development of those behaviours essential for success in work and life, such as resilience, enthusiasm, curiosity and creativity.

Exhibit 1.2 The INSEAD global talent competitiveness index places the UK among the leaders

INSEAD, the international business school, compiles an index designed to take account of a wide range of factors ranging from the quality of education at all levels and apprenticeships to the extent to which the regulatory framework facilitates talent development. The talent competitiveness index measures policies and practices that enable a country to attract, develop and retain the human capital that contributes to the productivity of a country.

The UK ranks third in the world based on measures used in the 2017 rankings, the same position as in 2014-15. This place us behind Singapore and Switzerland but ahead of many of our European competitors – Germany for example ranks at 17 and France at 24.

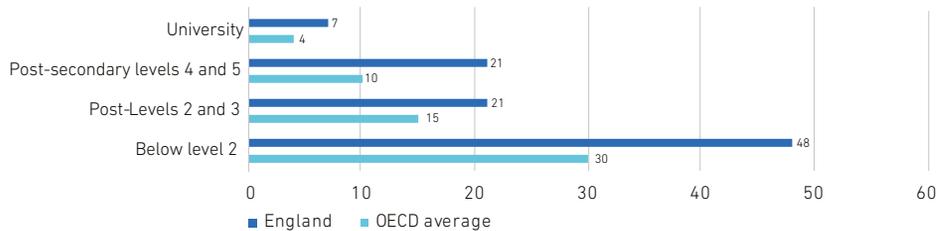
Country	Rank
Switzerland	1
Singapore	2
UK	3
USA	4
Sweden	5
Australia	6
Luxembourg	7
Denmark	8
Finland	9
Norway	10

Source: INSEAD

Across the UK there is recognition of the need to achieve improvement in terms of basic skills performance. While we have made a lot of progress, our systems are still too tolerant of a long tail of underachievement. At every qualification level including among graduates, low basic skills are more common among young people in England than in many competitor nations (**Exhibit 1.3**). The proportion of low-skilled people among those aged 16-19 in England is three times higher than in the best-performing countries such as Finland, Japan and the Netherlands.⁸ Much of this arises from weak numeracy (and to a lesser extent literacy) performance on average. In 2012 in England, only 70% of 16-19 year-olds were participating in education or training leading to a formal qualification, compared with nearly universal participation in many other OECD countries.

The OECD has rightly urged that the highest priority should be to improve the standard of basic schooling in terms of both average and minimum standards. At every stage and level, schools across the UK are looking to manage teaching and learning in ways that help young people improve their basic skills of numeracy, literacy, self-management and communication.

Exhibit 1.3 Young adults age 16 to 34 with low basic skills by qualification level (%)



Source: OECD

Looking at the traditional GCSE benchmark of at least a grade C, in 2016 more than a third of students did not achieve this level in Maths (39%).⁹ An even higher proportion (39.8%) fell short of the benchmark grade in English. Weaknesses in these basic skills risk holding back people throughout their adult lives. As we highlight in **Chapter 2**, we need a focus on high quality senior leadership and educational outcomes in all schools to close the attainment gap.

All young people also need effective support in the transition to work

Helping young people develop at least core skills and right attitudes is an essential first step. But as their time in school or college comes to an end, young people must be supported in their transitions into employment, training or continued education. There has been some progress, but current arrangements are still allowing too many young people to slip through the net into unemployment.

The number of 16-24 year-olds not in education, employment or training (NEET) stood at 800,000 in the three months to March 2017, down 68,000 from a year earlier (**Exhibit 1.4**). This is the lowest level since Q1 of 2004 and represents a 36% fall from the peak in the three months to September 2011.¹⁰

The decline is encouraging. But there is more to do to minimise the number of young people unemployed at this critical stage in their lives, with all the damaging effects that flow from it.¹¹

We need to ensure effective support for young people making the transition from education and training to employment. As we discuss in **Chapter 3**, business-school partnerships can play a key role in supporting the transition to work, but it is vital that high-quality careers advice and guidance are available to all young people.

Exhibit 1.4 16-24 year-olds not in education, employment or training (000s) 2009-17

Source: ONS

The jobs of the future call for higher levels of skill

The shape of the UK economy is constantly evolving. Globalisation means the UK must compete on quality rather than on cost alone. And technological change means the level of skills required to do different jobs is rising. These are positive trends, and as a result the average job is increasingly skilled and better paid. But there are also challenges. The digital age is likely to reduce the number jobs of process and create more jobs based on judgement.¹²

Reflecting these trends, the biggest growth in jobs in the years ahead is expected to be in management, professional and technical roles (**Exhibit 1.5**). Almost half of all employment (47%) is set to be in managerial, professional or associate professional and technical jobs by 2024.¹³ These jobs demand better levels of education and skills, so raising standards among all young people will be essential if they are to be able to take advantage of these growing opportunities.

The other area of employment growth is forecast to be caring and personal service jobs (a 13% rise is expected over the period 2014 to 2024). Job openings here too call for different and better levels of skills – such as communications skills – from those required by many traditional jobs.

As well as the implications for young people, the pace of change and longer working lives mean people already at work also need to be encouraged and supported in adding to their skills in order to benefit from new openings. Business will need to, and is ready to help to make that transition, by giving adults already in work opportunities to upskill and retrain. Future prosperity for the UK depends on developing a skilled, flexible workforce that can compete successfully in global markets.

Exhibit 1.5 Change in occupational structure 1994-2024 (% share)

Occupation	1994	2004	2014	2019	2024	% change in number of jobs 2014-24*
Managers and senior officials	8	9	10	11	11	+15
Professional occupations	15	17	20	21	21	+13
Associate professional and technical	12	13	14	15	15	+12
Administrative and secretarial	15	13	11	19	9	-11
Skilled trades occupations	15	12	11	10	9	-3
Caring, leisure and personal services	6	8	9	10	10	+13
Sales and customer service occupations	8	8	8	8	7	0
Machine and transport operatives	9	7	6	6	6	-6
Elementary occupations	13	12	11	11	11	-3

Source: UKCES

*Data reflects changes in numbers employed

Businesses already invest heavily in training and development...

Businesses are well aware of the value of providing training and investing in the skills of their workforces. Well over half of all employees received training in 2015 (63%), with the average amount of training per trainee standing at 6.8 days. However, businesses place primary value on competence and effectiveness in performing the job.

In all, the volume of training is estimated at 118 million days a year and total employer expenditure on training increased to more than £45bn.

...but building a more effective skills market is vital to encourage further investment

The UK's skills gaps are growing and action to tackle them is increasingly urgent. Apprenticeships are one of the key routes that develop the trained people wanted by businesses and set them up for a career. Over recent years and through successive reviews, there have been calls for the system to become more responsive and relevant to businesses priorities.

In July 2015, the government announced introduction of an apprenticeship levy to fund the government's target of three million apprenticeship starts by 2020 and reductions in the budget of the Department for Business. As our survey makes clear, business is deeply concerned about then being able to meet skill needs in the future (**Chapter 4**) and has been increasingly engaged with apprenticeship programmes in recent years (**Chapter 5**).

With the levy having been introduced in April 2017, the emerging indications are that it could have potentially damaging impacts on quality of training more widely as well as on apprenticeship provision. The focus on numerical targets – both for apprenticeship starts and the £3bn revenue the levy brings – and the limited scope in terms of what the levy will fund risks delivering the wrong outcomes.

Businesses want to create quality schemes providing good training that launches careers. As it stands, the levy encourages quantity over quality, by making apprenticeship provision more expensive and discouraging firms that go over and above.

This is a particular worry given the need to grow higher skills provision, which is often more complex and costly. There has been a welcome increase in levels of take-up of higher apprenticeships more recently, including a 35% increase between 2014/15 and 2015/16, but they still form only a small proportion of overall starts (**Exhibit 1.6**). Their continued rapid growth will depend in large part on the successful implementation of the levy. This will directly impact the extent to which the UK transitions to become a higher-skilled economy.

Businesses know best when it comes to training. Firms must have confidence that the levy system, and their money, can deliver what everyone wants to see – quality training that opens the way to great careers for individuals. Creating an effective market for provision is critical if the reforms to the skills system – including both the levy and implementation of new ‘T Levels’ – are to encourage employers to spend even more on quality training.

Exhibit 1.6 UK Apprenticeship starts (000s) 2009/10 – 2015/16

	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	Rise over period
Intermediate	191	301	329	293	287	298	291	52%
Advanced	88	154	188	208	145	182	191	117%
Higher	2	2	4	10	9	20	27	1250%

Source: Skills funding agency

There need to be more routes to higher skills

The changing occupational structure means that by 2024 almost half of all jobs will require workers to have completed some form of higher education (level 4 and higher, though not necessarily at level 6). This could take many forms, such as a degree, a higher apprenticeship, a Higher National Certificate (HNC), or a Higher National Diploma (HND) in a college or university. The government’s backing for the expansion of higher and degree apprenticeships is part of the solution. But there is more to do to ensure levels 4 and 5 vocational skills are developed on the scale needed by business and in flexible forms to open up progression ladders for individuals. Government support and funding commitments towards the creation of new T levels – the high-quality technical route to sit alongside A Levels at age 18 – is therefore a welcome step.

There is also more to do to boost the core skills of those already in the workforce or looking for work. The government is rightly using the adult education budget – some £1.5bn a year – more effectively through local commissioning.¹⁴ It will be essential for commissioners to involve businesses in setting priorities if that funding is to be used to best effect to meet pressing needs and enable people to benefit from new opportunities.

Graduate-level skills are essential for our future economic success

Increases in tuition fees have not deterred applicants to higher education (**Exhibit 1.7**).¹⁵ This reflects widespread recognition that a university education typically boosts the career prospects of individuals. In all, university applications from UK citizens stood at 591,000 in 2016, some 9% up on 2012.

Compared with 2012 levels, UK applications so far for undergraduate courses starting in 2017/18 are up by 2% overall.¹⁶ But recognising the good career prospects and earnings potential, applications to study many key scientific and technical subjects have risen more strongly (**Exhibit 1.8**). They are up, for example, by 23% for biological sciences, 24% for engineering, and 35% for computer sciences.

The concern for the future is that the apprenticeship levy may discourage businesses from recruiting and developing graduate talent.

Exhibit 1.7 UK applicants to higher education 2012-16 (000s)

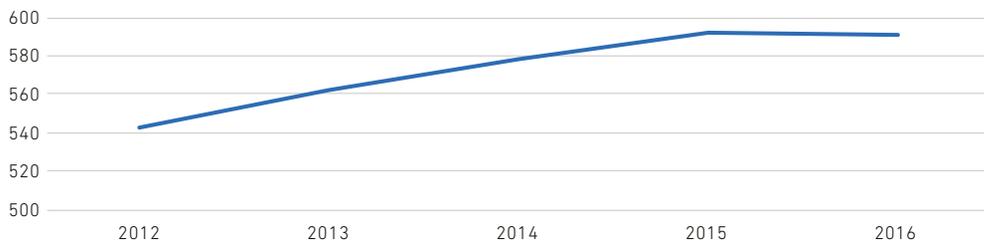
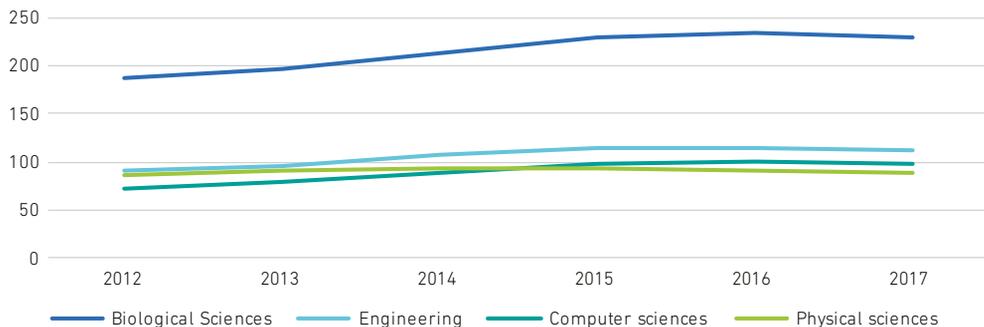


Exhibit 1.8 UK applicants* to higher education for STEM subjects 2012-17 (000s)



*As at end March each year



A successful system is one which prepares all our young people for the rapidly changing world of work and upskills those already in work – so they can develop their full potential in terms of knowledge, skills and capabilities. ”



Schools are making solid progress – but there's more to do

The personal qualities and knowledge that young people develop during their time at school lay the foundations for the rest of their lives. Developing the right behaviours for success in all aspects of life is just as important as securing the right exam grades. It is more important than ever to make sure that every child, from every background, in every part of the UK, gets a world-class education. Schools and colleges, with growing support and engagement from business, have made some solid progress in recent years but there is more to do to support high quality teaching, which is at the heart of improving performance.

KEY FINDINGS

- By far the most important factor employers consider when recruiting school and college leavers is their attitude to work (86%), followed by their aptitude for work (63%) and general academic ability (43%)
- Real progress has been made in improving standards by many of our schools, but addressing pockets of lower performance – for instance in 'Opportunity Areas' in England – and a focus on all young people is needed
- Schools and colleges are increasingly looking to develop young people more broadly in addition to their academic attainment, and businesses are positive about young people's teamwork (71% satisfied) and attitudes to work (67%) – but businesses remain concerned on skills of analysis (51% dissatisfied) and behaviours such as resilience and self-regulation (48%)
- In the time up to age 11, businesses believe the focus in schools should be on developing pupils' core skills such as literacy and numeracy (67%), self-management (41%) and communication skills (34%)
- Employers would also welcome primary schools increasing their engagement with business (27%) to fire pupils' interest in subjects like science and technology and help inspire them about possible future careers
- After the age of 11, businesses think there is scope for greater focus on work awareness and future possibilities, with more than a third (37%) highlighting the case for more engagement with business to boost young people's understanding and inspire them about future options, and a third (33%) looking for careers advice to be improved as a priority

- Businesses believe that as well as helping young people after 11 to develop core competences of self-management (37%) and literacy and numeracy (36%), schools and colleges could be doing more to enable them to develop technical skills (25%) by applying science, technology, engineering and maths (STEM) knowledge
- Despite differences in the school systems, businesses in the devolved nations hold a shared view on the need for more engagement with business to raise young people's work awareness, to raise the quality of careers advice, and to improve young people's self-regulation
- The government must act to raise levels of awareness and understanding across business about the new GCSE grading system, as more than a third of businesses (35%) are wholly unaware of the GCSE grading reform in England
- Only a third (34%) of businesses rate as satisfactory the foreign language skills of school and college leavers entering the jobs market, with the major EU languages of French (51%), German (47%) and Spanish (45%) most commonly mentioned as in demand.

It is vital to set up young people for success

Education is fundamental to the success of individuals and our wider society. A good education can open opportunities and enrich individual lives. If we are to deliver a fairer society, in which opportunity is open to all, we must strive for the highest standards of education for every young person, regardless of their background.

Education is also the essential underpin for economic growth. The UK lags behind on international comparisons of productivity and there are wide disparities between different regions and areas of the UK. Education – and the skills that flow from it – are major drivers of productivity improvement.¹⁷ Indeed, the CBI's Unlocking Regional Growth showed how education is the biggest driver of variations in regional productivity across the country. So if our young people, businesses and economy are to thrive, we need to ensure we are building truly world-class school systems in every part of the UK. That means closing the gap with other leading nations and then maintaining a position as one of the global leaders. Our future prosperity depends on high-quality education.

Young people need skills and qualities that go beyond formal qualifications

Formal qualifications are valuable indicators of achievement and ability. But businesses are clear that the biggest drivers of success for young people are attitudes and attributes such as resilience, enthusiasm and creativity.

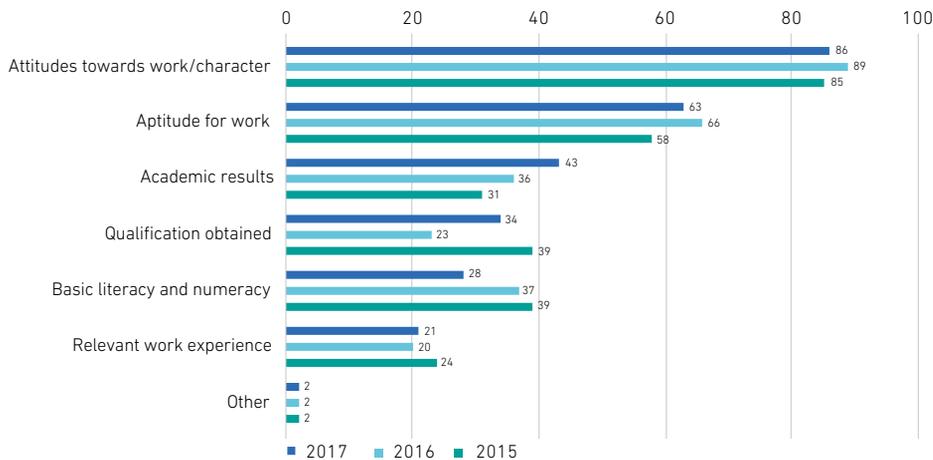
Year after year, our survey results show the importance of young people's attitude to work in determining their job prospects and future success (**Exhibit 2.1**). More than four out of five employers (86%) rate this as one of their three most important considerations. Indeed, it ranks as the single most important factor for half (51%) of businesses when recruiting school and college leavers.

The CBI has long pointed to the central importance of a positive attitude and resilience for success at work and more generally in life.¹⁸ That attitude involves for example a readiness to take part, openness to new ideas and activities, and a desire to achieve. It also involves recognition that hard work, persistence and effort yield results.

Young people’s aptitude for work is also highly rated, cited as an important consideration by nearly two thirds of survey participants (63%). Also ranking ahead of specific formal qualifications are general academic results: these show a young person’s capacity to learn the skills and knowledge needed for particular jobs (cited by 43% as among the three most important factors). While a third of businesses (34%) view the qualifications secured by young people as among the three top considerations when recruiting, only a slightly smaller proportion (28%) focus on their basic practical literacy and numeracy.

Our findings consistently show that with solid basic skills and the right approach, a young person can build a successful working life. Personal attitudes, aptitude, readiness to learn, effective communication skills and a sufficient capacity to cope with numerical data are the key enablers. It is critically important that all young people are helped to develop as fully as possible in these areas.

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



Real progress is being made by many of our schools...

The CBI has long made the case for improving the quality and nature of education young people receive.¹⁹ And many schools have been successfully raising standards. One measure of this is the rising proportion of good or outstanding schools in England.²⁰ Much of this progress has been driven by improving teaching. For example the use of ‘mastery’ principles in Maths – building sound understanding and competence in the core principles.²¹

...and we need to find ways to help lower-achieving schools boost their attainment

Levels of attainment in our best schools and among high-performing pupils in the UK match or exceed those anywhere else in the world. But there remains a substantial challenge in how best to support those schools lagging behind. Major benefits would flow from helping to raise overall levels of attainment closer to the average.

At present, children from higher-income households typically do better at every stage of schooling than those from less well-off backgrounds.²² There is nothing inevitable about this attainment gap – the best schools close it effectively. Their progress has been based on actions such as promoting an ethos of attainment for all pupils, a focus on high-quality teaching and on outcomes for individual pupils, and effective use of data and frequent assessments.²³

Young people would benefit from a broader definition of successful outcomes

It is essential that every young person gets the support they need to fulfil their potential. Stretching academic standards are important but should not be the sole focus (**Exhibit 2.2**). The right behaviours and experiences are as valuable as the right grades.

However, in a system where performance is judged almost entirely by academic results and progress, the broader personal development aspects risk being pushed to the sidelines. Changing the way we measure and judge schools – across all four UK nations – would help to ensure the importance of wider development of attitudes and aptitudes becomes embedded in the overall culture of every school.

We have started to see progress. The reformed Ofsted inspection framework in England has introduced a judgement on 'personal development, behaviour and welfare' that impacts on the overall grading for a school.²⁴ But this does not yet go far enough. The same is true in Scotland, where Curriculum for Excellence sets out a strong framework – but there are questions about how effectively this is delivered in secondary schools.

To make the wider development of young people a real focus for schools it must be embedded in all aspects of school life – not just something that happens in extra-curricular activities, but something that is present in the learning and teaching of core academic subjects. This needs to be government's focus – looking at outcomes for students rather than structures of schools.

Exhibit 2.2 We need to focus on more than just exam results

Our findings show that employers rate attitude and aptitude for work as the most important factors when recruiting school and college leavers. These characteristics are ranked more highly than academic grades and formal qualifications, underlining the importance for young people to develop capabilities such as resilience, critical thinking, ambition, and leadership in order to succeed in later life.

The school system needs to reflect the importance of these skills, with greater focus placed on students' personal development. There is increasing evidence that developing children's cognitive and social skills assists them in their later learning.²⁵ By embedding personal development in the primary curriculum, students will likely see cumulative gains to their learning throughout secondary school and beyond. For example the Education Endowment Foundation reports that the meta-cognition and self-regulation programmes are a high-impact low-cost strategy, with pupils making an average of eight months' additional progress as a result.

In addition to these skills, young people need experience of the world of work to facilitate a smooth transition into employment. Research shows that young people who have four or more encounters with employers at school are 86% less likely to end up not in education, employment or training (NEET)²⁶ than those who do not. High-quality careers education including business involvement is a vital part of developing young people's attitudes and aptitudes for the workplace, and must be embedded within the curriculum alongside academic subjects.

Developing their attitudes, behaviours and skills gives young people a solid foundation...

The results from our survey show the importance of young people developing more broadly in addition to enhancing their academic attainment. Many young people are leaving school and college equipped with most of the skills and attributes essential for their success, but there are others with some serious weaknesses (**Exhibit 2.3**).

Just over half of businesses (52%) are satisfied with school and college leavers' attitudes and behaviours, such as their resilience and self-management, but almost as many (48%) would like to see improvements. And a third (33%) are concerned about young people's attitudes to work.

Since attitudes towards work and other aspects of character are by far the most important considerations in the recruitment of school and college leavers seeking that critical first job opening, schools need to ensure every young person hears and grasps that message.

There are also concerns among some businesses on a range of other core skills essential for work and life. Nearly half (49%) are satisfied with young people's skills of analysis but a slightly higher proportion (51%) want to see these strengthened. Despite progress, there is still more to do to ensure weaknesses in literacy and numeracy among some young people

are effectively addressed. Around a third of businesses this year report they are unhappy with standards among their young applicants in their basic literacy/use of English (33%) and a slightly smaller proportion (29%) identify shortcomings in basic numeracy. In these and other areas, it is essential to help lower achievers achieve results more in line with what most young people are achieving.

...and better understanding of working life would greatly help

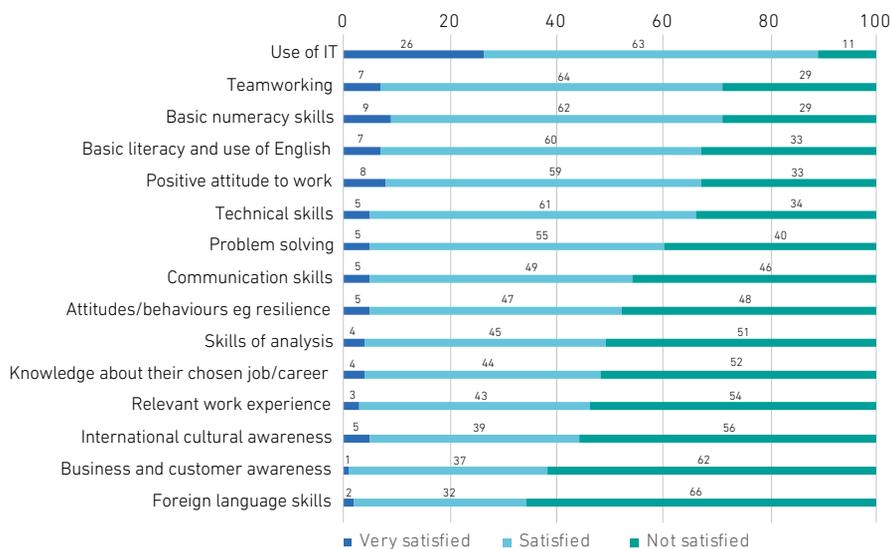
Businesses have long seen a need to enhance young people’s work experience and their grasp of what working life involves. Government’s decision in 2012 to end the statutory duty on schools in England to provide every pupil at Key Stage 4 with work-related learning was disappointing. While not all placements were of uniformly high quality, the emphasis should have been on improving schemes, not abandoning them.

Subsequent reviews have rightly called for all young people to have the chance to take part in meaningful work experience.²⁷ And at schools that have continued to offer well-managed work experience in Key Stage 4, school leaders report its valuable, positive impact on students’ attitudes.²⁸

The need for action to reinvigorate work experience and ensure it adds real value for all young people is clear from our survey results. Over half of businesses (54%) are not satisfied with school and college leavers’ work experience. And over half (52%) report that young job seekers don’t have enough knowledge about their chosen field of work. Work experience placements form an essential bridge between education and the world of work, giving insight into life in the workplace, the skills required and the opportunities available.

Work experience can also help develop young people’s business and customer awareness and their alertness to international cultural diversity – both of them seen as areas for improvement among school and college leavers (by 62% and 56% of businesses respectively).

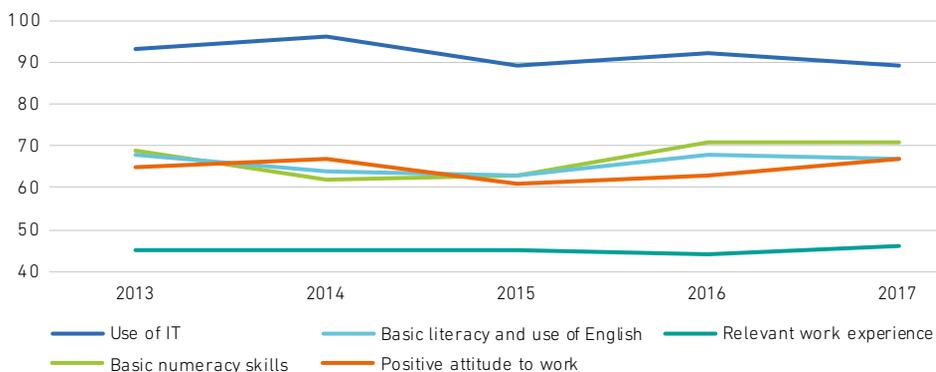
Exhibit 2.3 Employer satisfaction with school/college leavers’ skills (%)



Core skills and attitudes need to remain a focus

Taking a five-year perspective (**Exhibit 2.4**), businesses report there is little evidence yet of improvements coming through – though we should recall the long lead time that changes in education policy have before businesses are able to observe it. So it is important that we retain our focus. Today, levels of satisfaction among businesses are greatest in relation to the IT skills of young people (with 89% of businesses reporting school and college leavers' skills as satisfactory or better in 2017).

Exhibit 2.4 Employer satisfaction with key skills of school/college leavers 2013-17 (%)



Businesses favour a focus on core skills and personal behaviour up to age 11...

In the primary phase of education up to age 11, businesses above all are keen to see schools developing pupils' skills of literacy and numeracy (**Exhibit 2.5**). Asked to identify their three top priorities for this age group, two thirds of respondents (67%) point to the value of clearly defined goals on literacy and numeracy, with the intention that every young person should have a solid foundation in these essential areas.

Without sustained progress in these areas during their time at primary school, evidence shows that young people will find it almost impossible catch up. There is no room for complacency.

Also ranking high as a priority (cited by 41% of businesses) is the value of developing pupils' capacities for self-management and appropriate personal behaviour. Shortfalls in these can limit their ability to study, interact with others, and present challenges in later life. Young people greatly benefit from the opportunity to develop these capacities during their time at school, enabling them to thrive later in life. In a similar spirit, more than one in three (34%) respondents highlights the importance of young people acquiring good communication skills.

...and business engagement gives learning a boost

More engagement with business to give primary school pupils a better understanding of the world of work is also seen as important (identified as a top three priority by 27%). Firing interest in areas ranging from science and technology to the creative industries can help enthuse children to learn as well as potentially sparking ambition. It is never too early to introduce children to successful people working in different roles and industries, broadening their horizons and helping inspire them about possible future careers.²⁹

Exhibit 2.5 Top three priority areas for action up to age 11 (%)



Priorities after age 11 should prepare young people for success

For young people after the age of 11, businesses would welcome a greater focus on work awareness and helping young people develop a clear sense of future direction (**Exhibit 2.6**).

Asked to identify their three priority areas for action by schools and colleges for this age group, over a third of respondents (37%) highlight the value of more engagement with businesses. More extensive engagement should improve young people's understanding of the skills and attitudes required at work and inspire them about their options. Almost the same proportion of respondents (33%) also want to see an improvement in the quality of careers advice running alongside higher levels of business engagement. There is widespread recognition that current approaches to guidance, advice and inspiration are not as effective as they should be (we return to this important topic in the next chapter).

Together with developing greater work awareness among those in secondary education, businesses would also like schools and colleges to help young people build the core competencies of self-management and appropriate personal behaviour (37%), literacy and numeracy (36%), and communication skills (24%) that are essential regardless of what route you follow.

Many businesses also favour more being done to help young people develop technology skills (with 25% ranking this as a top-three priority). Greater exposure to the hands-on application of STEM knowledge can help foster greater appreciation of its importance. And many young people would welcome a change of this type: 29% of students in the UK report that they expect to work in an occupation that requires further science training beyond compulsory education (higher than the OECD average of 24%).³⁰

Exhibit 2.6 Priority areas for action from 11 onwards (%)

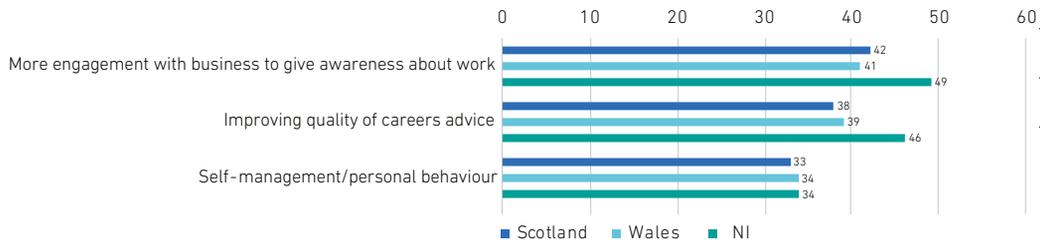


The top priorities for business are shared in all UK nations

Despite the differences in school systems across the UK, businesses in the devolved nations share a common view on the leading priority areas for improvement in secondary schooling (**Exhibit 2.7**). The importance of more engagement with business to strengthen young people's awareness about work heads the list. Among businesses with employees in the devolved nations, this is cited even more frequently (ranging from 41% in Wales to 49% in Northern Ireland) than for businesses in the UK as a whole (37%).

The case for improvement in the quality of careers advice is also seen as pressing. More than two in five businesses with employees in Scotland (42%) cite this as one of their three priorities, rising to nearly half of those in Northern Ireland (49%). Again these are above the all-UK level (33%). And the third leading priority among businesses with employees in the devolved nations is the need to help young people develop better self-management and personal behaviour. This is a priority for around a third of respondents in each nation (33% in Scotland and 34% in both Wales and Northern Ireland).

Exhibit 2.7 Top priority areas for action from 11 onwards in the devolved nations (%)

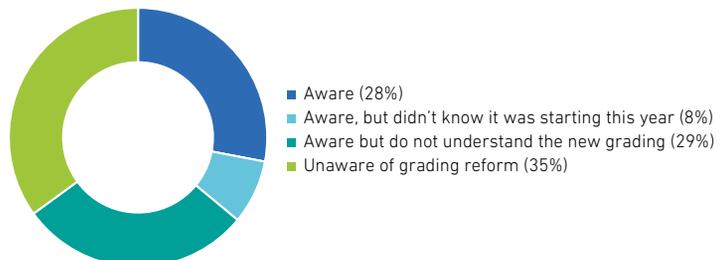


Only one in four employers understand the new GCSE grading system

There is an urgent need for government action to raise levels of awareness and understanding across business about the new GCSE grading system in England (**Exhibit 2.8**). The first of the new GCSEs – in English and maths – are being awarded in August 2017, with further subjects to follow over the next three years. The new qualifications will be graded 9-1 instead of A*-G, with 9 the highest grade. The new grading scale is intended to better recognise the achievements of high-attaining pupils and to give greater clarity over how young people perform in their exams. It is also intended to distinguish the redesigned, more challenging GCSEs from the previous ones.³¹

Our results show only just over one business in four (28%) is fully aware of the new system, while more than a third of businesses (35%) are wholly unaware of the GCSE grading reform. Among those with some awareness, nearly one in three (29%) are aware that reforms are under way but do not understand the new grading structure, while others (8%) did not realise the new system is being phased in from this year. Among those believing they have some knowledge of the new system, nearly one on five (19%) think grade 1 is the top grade rather than the lowest. There is clearly much to be done not only to get the revamped qualifications bedded in to schools but to spread understanding among businesses and the wider public about what the results mean.

Exhibit 2.8 Awareness of new GCSE grading structure (%)

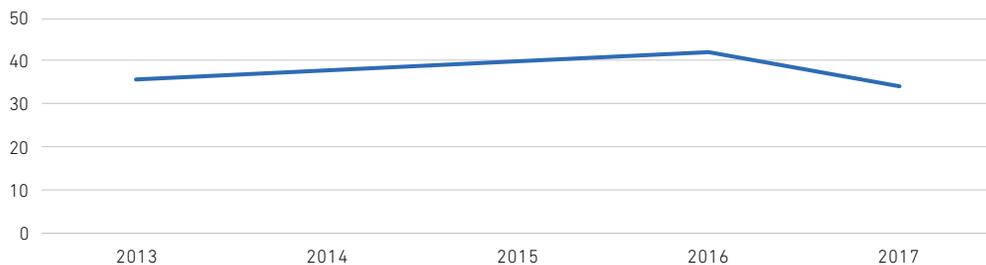


Language skills are needed by businesses...

Learning a foreign language can greatly benefit young people. It can provide an opening to other cultures, fostering pupils' curiosity and deepening their understanding of the world. There is much to be gained from being able to express thoughts in another language and to understand and respond to its speakers to at least some extent. And British businesses are well aware of the advantages of employees being able to communicate with at least basic proficiency in the language of clients, customers and suppliers. But there is currently a major shortfall in levels of foreign language accomplishment (**Exhibit 2.9**).

Only a third (34%) of businesses are currently satisfied with the foreign language skills of school and college leavers entering the jobs market. And levels of satisfaction are on a declining trend. If the UK is to be successful as a globally open trading nation, it will need more of its people to be able to communicate adequately in those new markets.

Exhibit 2.9 Employer satisfaction with foreign language skills of school/college leavers 2013-17 (%)



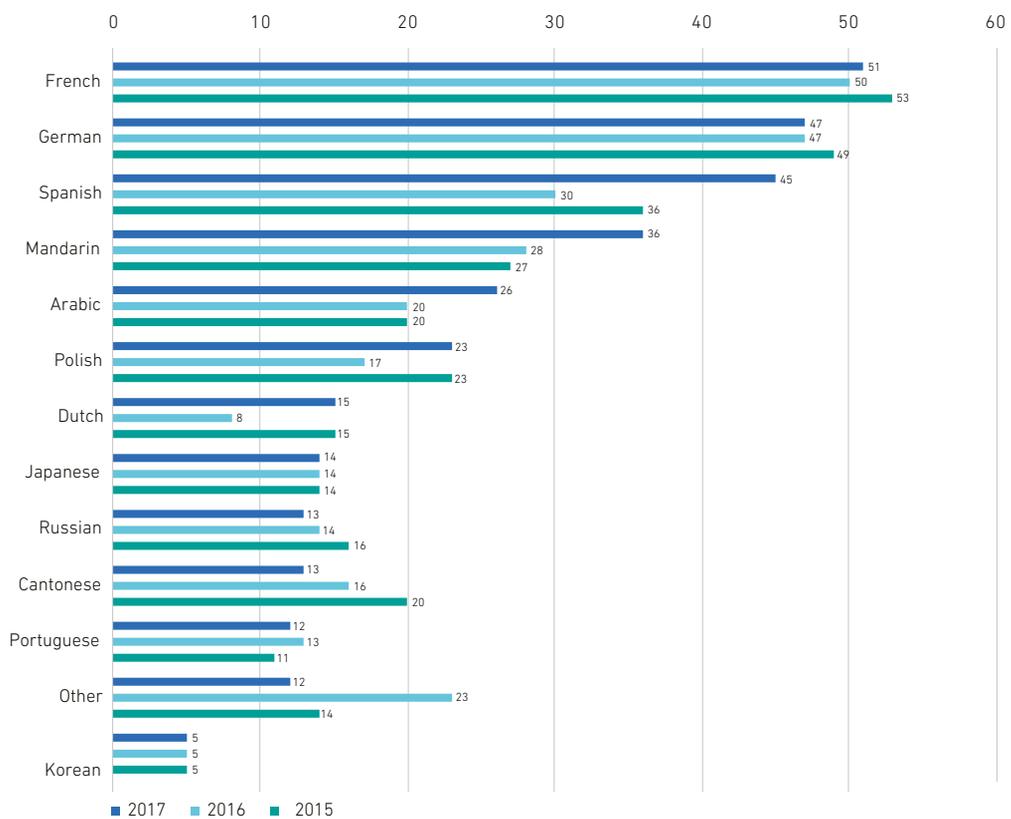
...and the major EU languages remain in greatest demand

The major European languages are those most commonly mentioned as being in demand (**Exhibit 2.10**), led by French (51%) and German (47%). The major European economies are still the largest export markets for British goods and are likely to remain so after Brexit. Spanish is now cited as useful by close to half of respondents (45%), reflecting its use both in Europe and in the Spanish-speaking New World. The UK has maintained a trade surplus with South America since 2011 and there is scope for the UK to build on that track record.³² Perhaps unsurprisingly, Mandarin continues its rising trend of recent years in the 2017 survey.

The emphasis on European languages is rightly reflected in schools, with teaching of French far-outstripping other languages in primary schools in England, followed by Spanish.³³ While the drive to increase language learning at primary level is welcome, only just over a third (36%) of primary schools in England yet have a specialist language teacher on the staff, while another 6% rely on a freelance language teacher.



Exhibit 2.10 Foreign languages rated as useful to the business 2015-17 (%)



Business-school partnerships are growing – but the system needs clarity

Effective school and college partnerships with businesses have a key role to play in raising levels of attainment and easing the transition to work. There is already a strong track record, and businesses stand ready to do more. There is plenty of scope to expand initiatives. As part of this, a framework for engagement is essential, and the Careers and Enterprise Company can supply this. But visibility of how firms can help is still too low, as is the profile of careers advice.

KEY FINDINGS

- Four out of five (81%) businesses have at least some links with schools and/or colleges, with connections most widespread between businesses and secondary schools (66%) and FE colleges (63%)
- A positive balance of +31% of employers with established links to primary schools have increased their engagement over the past year, while even higher positive balances have increased their engagement with secondary schools (+35%) and FE colleges (+45%)
- The two leading areas of support for primary schools are providing talks to inspire pupils about opportunities in working life (55%) and encouraging interest in particular subjects, such as science or technology (55%)
- Four out of five firms (81%) with links to secondary schools are involved in delivering careers advice and talks, while almost as many businesses (78%) with links to schools offer work experience placements
- Work placements for a week or two remain by far the most widespread form of work experience, offered by more than nine in ten of those firms providing some type of work experience (92%)
- Over half (53%) also offer internships, normally geared to an older age group and running for longer periods
- Links between businesses and schools are mostly forged at local level (70% for primary schools and 63% for secondary schools) but almost two thirds of firms with links to colleges build them at either regional (31%) or national level (30%)
- Three quarters of businesses (75%) are willing to play a greater role in delivering careers advice in schools and colleges

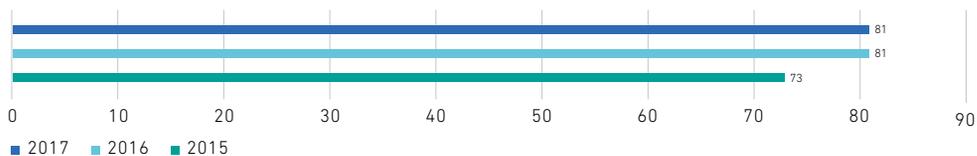
- Expanding business engagement with schools can best be achieved by tackling the barriers reported by nearly three quarters of respondents (72%). Among businesses perceiving barriers nearly half (47%) report that local schools or their pupils do not appear to be interested and more than a third (35%) cite too little guidance and support on how to make work experience placements worthwhile for young people
- The Careers and Enterprise Company (CEC) is an important part of the solution, with the potential to give a major boost to outcomes for young people, but there is more to do to spread word about the CEC as only a fifth (21%) of businesses are currently aware of its activities
- More than four out of five businesses (84%) across the UK feel the quality of careers advice young people receive is not good enough.

Business/school partnerships are now firmly established across the UK...

The growth of business partnerships with schools and colleges has been an important and valuable development over recent years. Businesses can help schools raise levels of ambition among young people and inspire them about opportunities available to them. They can also support their learning and show the value of specific subjects such as STEM courses. Through their direct involvement, businesses can spread the message about the value of personal development for every young person alongside academic attainment. In colleges, businesses' role should be much more robust, given the work-related nature of much of the learning the FE sector offers.

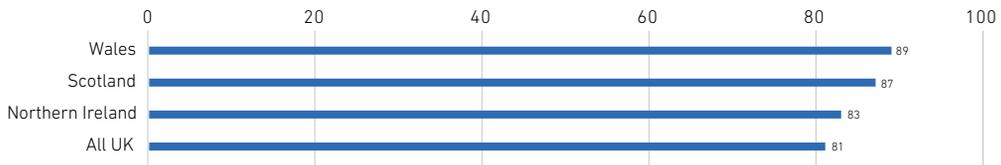
It is therefore highly encouraging that more than four out of five (81%) of our respondents have at least some links with schools and/or colleges (**Exhibit 3.1**).

Exhibit 3.1 Employers linked with schools/colleges 2015-17 (%)



Moreover, links between businesses and schools/colleges are extensive in all parts of the UK (**Exhibit 3.2**). More than eight in ten firms report connections in the devolved nations, reaching nearly nine in ten (89%) among respondents with employees in Wales.

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



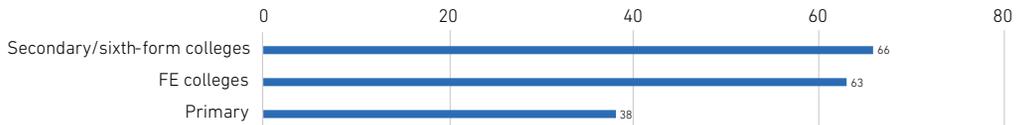
...with the most extensive ties to secondary schools

Connections are most widespread between businesses and secondary schools (66%) followed by FE colleges (63%) (Exhibit 3.3). This reflects the priority employers attach to raising levels of work awareness and careers advice among young people in the 14-19 age group (see Chapter 2). It is something of a surprise that colleges score less well than secondary schools – and emphasises the challenge of achieving better engagement between FE and businesses.

Links at the level of primary schooling remain less common but are increasing. In all, more than a third (38%) of businesses now report links of some type at this level. This is encouraging.

In the past the case for links to primaries seems to have been something of a business blind spot. But the CBI has long urged the value of strengthening ties between business and primary schools.³⁴ It is at primary school that young people’s attitudes, aptitudes and basic competencies are being developed. Critically important foundations are being laid that will in due course feed through into later life. And it is never too early to spark pupils with inspiration and ambition around future careers.

Exhibit 3.3 Employers linked with schools/colleges 2017 (%)

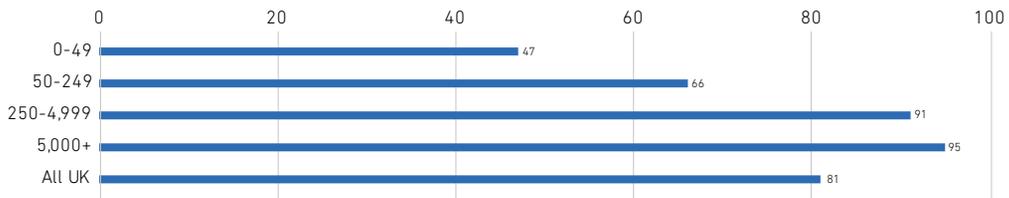


Businesses of all sizes see the value of engaging with schools and colleges...

Among the largest businesses with 5,000 employees and above, well over nine out of ten firms (95%) have links with schools and colleges (Exhibit 3.4). Although partnerships with secondary schools are the most widespread (reported by 82% of those with some education links), nearly half (47%) report links to primary schools.

Even among SMEs with under 250 employees more than half (55%) have links of some type with at least one school or college – a third to primary schools (34%) and two thirds to secondary schools (66%) and FE colleges (68%). These are encouraging levels of engagement.

Exhibit 3.4 Employers linked with schools/colleges by workforce size (%)

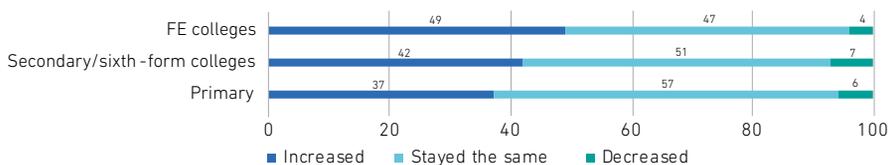


...and the links are becoming stronger

Those schools and businesses that have active links are making them wider and deeper as they gain more experience of the value to be gained (Exhibit 3.5). Over a third of employers (37%) with links at primary school level report they have increased their engagement over the past year, while just 6% have cut back. This means the balance of firms increasing their links over those reducing them stands at +31%.

The expansion of ties between businesses and FE colleges is even more marked: a positive balance of +45% of businesses with links to colleges report increasing the scale of those links over the past year. The scale of links with secondary schools and sixth-form colleges has also been stepped up (by a balance of +35% of those with links).

Exhibit 3.5 Change in scale of links with schools/colleges over past year (%)

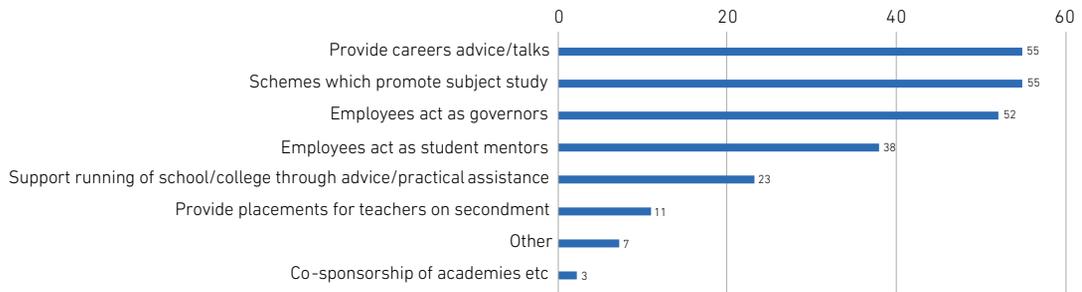


Engagement at primary level focuses on subject inspiration...

The two leading areas of business support for primary schools are providing talks to inspire pupils and help bring subjects to life (55%) and engagement to encourage interest in particular subjects, such as science or technology (55%) (Exhibit 3.6). Over half of those firms with links at primary level also have employees who act as school governors, bringing business expertise into school decision making.

Another important contribution is the involvement of employees in primary schools to provide support through mentoring activities and help, for example, with learning to read (38%).

Exhibit 3.6 Nature of employers' work with primary schools (%)*



*Based on those businesses with links at primary level

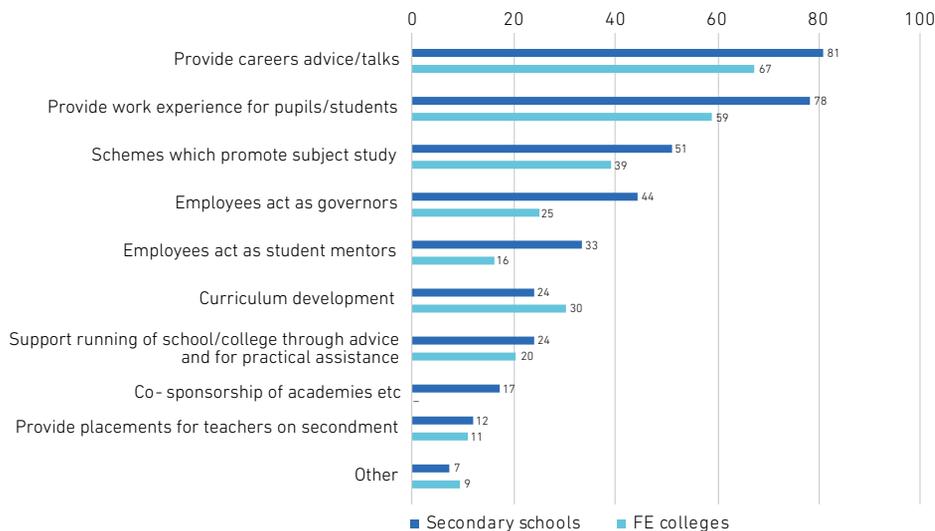
...while for older students the emphasis is on career options and work experience

Business support for secondary schools and FE colleges is primarily focused on careers advice for young people and providing work experience placements (**Exhibit 3.7**). These are rightly priorities, given the need for young people to gain more work experience and the shortcomings in the provision of careers guidance discussed below.

Across our survey respondents, four out of five (81%) of those with links to secondary schools are involved in delivering careers advice and talks. Almost as many businesses (78%) with links to schools offer work experience placements. These types of business involvement are essential if young people are to have a sound grasp of options and opportunities available, and of the skills and qualities that employers value.

Businesses also give other types of practical support to secondary schools...

Promoting study of particular subjects is an area of activity that has seen substantial growth in terms of business involvement with schools in recent years. Links of this kind are now widespread, with more than half of businesses (51%) working with schools taking this approach. There has been a big expansion in initiatives to enthuse and inspire young people, especially girls, about studying STEM subjects as part of the drive to tackle future growth in demand for these skills (**Exhibit 3.8**).

Exhibit 3.7 Nature of employers' work with secondary schools and FE colleges (%)*

*Based on those businesses with links to secondary schools and FE colleges respectively

School governance is another area where business involvement can have a real impact. Close to half of businesses (44%) report having members of staff acting as governors. Building a world-class school system depends on excellence in its leaders, backed and challenged by confident, supportive and capable governing bodies that act as a bridge to businesses and the wider community. This contribution is an important one as many schools find the recruitment and retention of highly capable governors is a serious challenge, particularly in some of the poorest areas of the country.³⁵

Another form of business support is enabling employees to act as student mentors (33%). This can be valuable both in raising aspirations among young people from deprived backgrounds and in the personal development of those employees acting as mentors. Programmes in secondary schools have achieved measurable improvements in young people's confidence, self-efficacy and employability while nearly 90% of mentors report they too have benefitted.³⁶

...and there is widespread engagement with FE colleges on areas including the curriculum

The major areas in which businesses engage with FE colleges are broadly similar to their involvement in secondary schools (**Exhibit 3.7**). For example, two thirds of those businesses with links to colleges provide careers talks and advice (67%) and over half offer work experience placements (59%) – though this is well below the level of work experience links with schools.

The main area where businesses are more heavily involved with FE colleges than secondary schools is curriculum development (with 30% involved in FE compared with 24% in schools). In FE particularly however, we would want to see this figure much higher. It is also a concern that – in a system that expects post-16 work experience in England, at least – the number of firms offering work experience to college students is lower than that for schools. This will need to change if the Sainsbury reforms are to be successful. Greater business engagement around curriculum development will also be vital. This type of involvement is important to ensure that the content of programmes are aligned to the needs of employers and equips young people with the skills that will enable them to succeed. Other forms of engagement include sponsoring technical skills challenge events and student achievement awards.

Exhibit 3.8 Empowering school-business partnership on STEM study

Some sectors of the labour market experiencing employee shortages suffer particularly acutely from poor quality careers advice. Science, Technology, Engineering, and Maths (STEM) industries consistently report a lack of qualified graduates, while young people are often under-informed about STEM careers and the qualifications they need. Businesses and employees working in STEM industries are ideally placed to provide expert advice and insight.

The CBI has partnered with The Royal Society to publish a practical guide to support businesses in their STEM engagement with schools.³⁷ From case studies of effective business-school engagement, to a register of brokerage organisations, *Making Education Your Business* establishes the building blocks to empower both business employees and teachers in developing effective, impactful business-school collaborations.

Businesses are offering tastes of work geared to different phases of education

Businesses point to widespread weaknesses in practical work experience opportunities school and college leavers have (**Chapter 2**). So it is important for businesses to offer opportunities to gain a taste of work suited to different age groups and at different stages of education from school through to graduation (**Exhibit 3.9**).

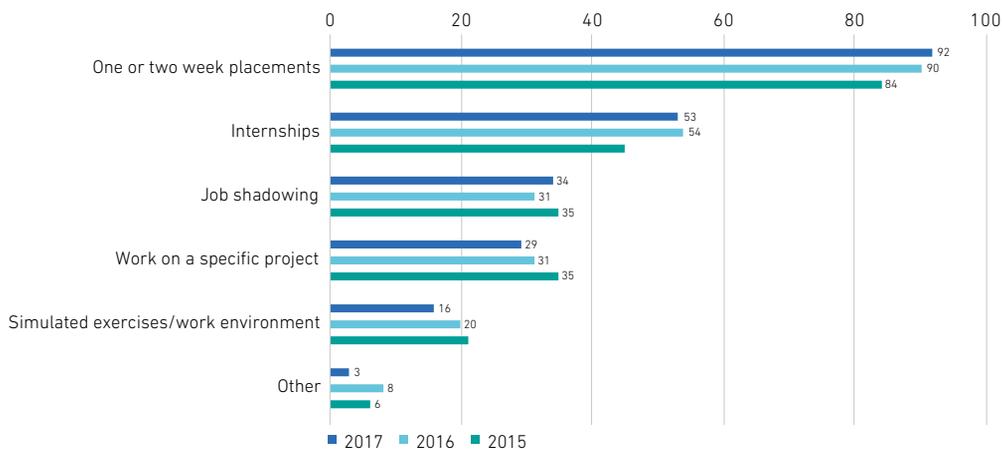
Work placements for a week or two remain by far the most widespread form of work experience offered by businesses. These are offered by more than nine in ten of those firms providing some type of work experience (92%). They give many school pupils their first taste of the workplace. As such, they are a valuable introduction. Schools and colleges identify multiple benefits of work-experience activities, particularly improvement in areas such as communication and interpersonal skills and increased self-confidence.³⁸ But the limited nature of short placements means they can achieve only so much.

Over half of respondents (53%) also offer internships, normally geared to an older age group and running for longer periods. These can help students develop the work-relevant skills and attitudes that are so important for their future careers in any field. They also give young people the chance to gain a taste of a particular career or area of work so they can better judge whether it is right for them. The benefits of internships are well established. But it is important for businesses to ensure they are properly managed so access is open to those from diverse backgrounds and that they are maximise the range and value of experience interns gain.³⁹

Other approaches adopted to give young people a better understanding of work include job shadowing (34%), work on a specific project (29%) and simulated exercises or working environments (16%).

The increasingly varied approaches taken to providing work experience should be encouraged. More experiences of the workplace and of what a successful working life requires can help young people understand the value of their learning and enable them to develop the skills that will set them up well for the future.

Exhibit 3.9 Types of work experience offered (%)*



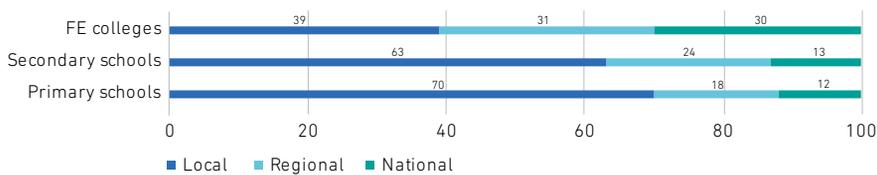
*Based on those organisations offering some form of work experience

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

The links businesses build with schools and colleges are mostly forged at local level (**Exhibit 3.10**). This is particularly true for links to primary schools (70%) and secondary schools and sixth-form colleges (63%). A local link can be very valuable in that there is a shared understanding of local issues and priorities. But it can place schools in the most deprived neighbourhoods – where pupils often have the most to gain from the type of inspiration and guidance businesses can offer – at a disadvantage if there fewer potential business partners available.

Business links with FE colleges are less focused on the local level (39%). Almost two in three firms with links to colleges builds them at regional (31%) or national level (30%). This in part reflects that the links at FE level are often related to particular sectors rather than locality. The development of national partnerships – for instance the recent partnership between Collab Group and Kier – helps firms operating across the country to train young people effectively. As we move into a new era with the Apprenticeship Levy, building up local and sectoral links between employers and key providers will be essential.

Exhibit 3.10 Level of links to schools and colleges (%)*

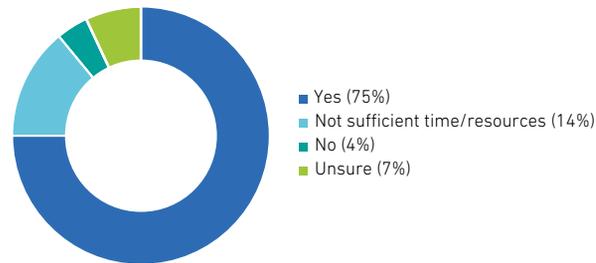


*Based on those businesses with links

...and businesses stand ready to do more

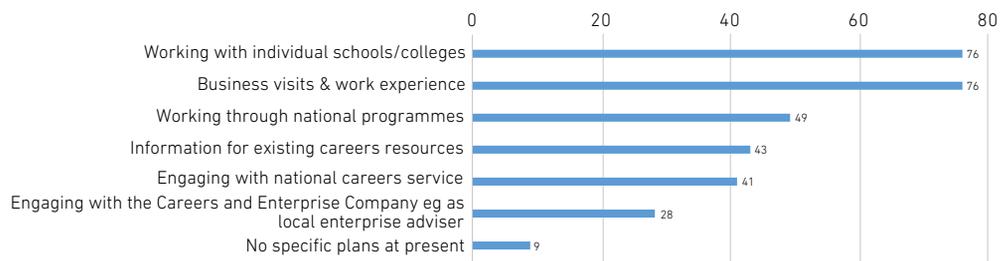
There is widespread consensus that young people need inspiration as much as advice – and they are most likely to gain that from real-life contact with a range of businesses and business people. Business involvement is essential in providing that component, ensuring aspirations and advice are grounded in the opportunities of our evolving labour market.

Our results show that businesses stand ready to step up their commitment (**Exhibit 3.11**). Three quarters of businesses (75%) are willing to play a greater role in the delivery of careers advice in schools and colleges. Among the largest firms with over 5,000 employees, more than four in five (82%) are willing to increase their engagement. So there is plenty of scope to boost existing initiatives.

Exhibit 3.11 Employers willing to play a greater role in delivering careers advice (%)

Among those businesses willing to play a greater role, three quarters (76%) (**Exhibit 3.12**) would aim to extend the existing dominant pattern of working with individual schools and colleges. The form of engagement would most typically involve offering business visits and work experience opportunities (76%).

Encouragingly, nearly half (49%) say they would be ready to become more involved through national programmes such as Inspiring the Future⁴⁰ and the Business Class initiative.⁴¹ The benefit of national schemes is that they can potentially be accessed by schools in even the most disadvantaged areas. Other ways in which businesses would be prepared to increase their engagement include disseminating information through existing careers resources such as Prospects (43%), and more involvement with the national careers service (41%). A number of respondents also report readiness to engage with the CEC (28%). It is clear that there is still some way to go to build knowledge among businesses as a whole of the CEC and its activities.

Exhibit 3.12 Types of advice involvement employers ready to offer (%)

Successful expansion depends on tackling the obstacles

As our results show, there is scope to extend business involvement with schools and colleges further. That can best be achieved by tackling current barriers effectively (**Exhibit 3.13**). Our findings reveal that there are still problems to be resolved, with nearly three quarters of businesses (72%) reporting there are at least some barriers to their involvement with schools and/or colleges.

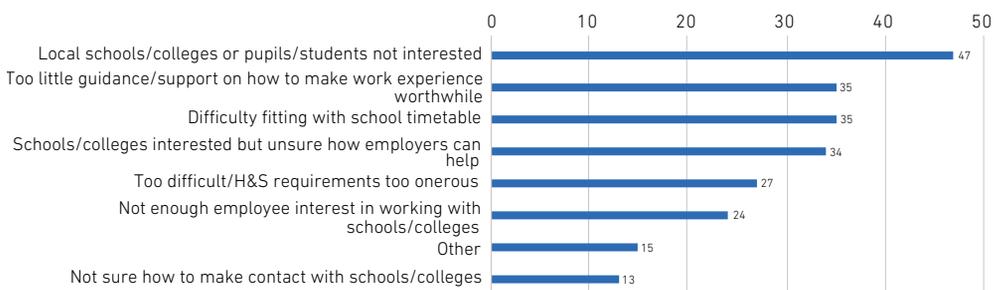
Lack of interest is seen as a widespread, worrying barrier. Close to half (47%) of those respondent businesses perceiving barriers report that local schools or colleges, or their pupils, do not appear to be interested in building relationships with business. The current pressure on schools and young people to focus on academic results to the exclusion of other areas, an issue highlighted earlier (**Chapter 2**), may contribute to this. The careers strategy expected from the government in due course should aim to help tackle this challenge.

More than a third of those reporting barriers (35%) also point to fitting work experience or other involvement into the school timetable as a problem. This may again reflect that current incentives and performance measures pressure schools to focus on academic results to the potential detriment of personal development. The two should be seen as complementary. It is also important to assess how the new T-levels – and work placements within these – fit into this landscape.

Shortage of guidance and support on how to make work experience placements worthwhile for young people is seen as an equally common problem (by 35% of those perceiving barriers to greater engagement). This has long been a concern among businesses – and ending compulsory work experience in England reinforced doubts over the value of placements. An important part of the solution is to provide more practical advice and guidance on how best to reinvigorate work experience, ensuring it adds real value for young people.

Other problems include uncertainty among schools and colleges about how best businesses can help their young people (34%) and the perception that involvement will be unduly onerous (27%). Better information, advice and practical guidance could help in both these areas. The CEC and its enterprise advisers can play a valuable part, as we discuss below.

Exhibit 3.13 Barriers to building links with schools/colleges



The Careers and Enterprise Company is part of the solution – but too few firms know them

2015 saw the launch of the CEC in England (**Exhibit 3.14**). It has the potential to give a major boost to outcomes for young people, and it has made huge progress in its first couple of years. But there is still a considerable way to go (**Exhibit 3.15**).

Exhibit 3.14 The CEC rightly focuses on practical, enabling solutions with support from business

While education providers will always play a key role in facilitating young people's career success, business has much to offer too. Effective engagement with business can provide young people with insight into careers beyond their current horizons, while giving business employees a platform to develop skills such as mentorship. Businesses are often enthusiastic about supporting education but report facing barriers, often in the form of difficulties in finding interested schools and a lack of guidance and support in getting started.

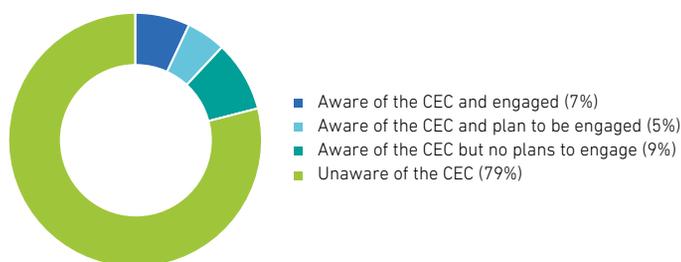
The Careers and Enterprise Company (CEC) was set up in 2015 as an independent body to drive school-business engagement. The CBI fully supports their work which has a focus on practical, enabling solutions. For example, through The Enterprise Adviser Network, Enterprise Advisers help schools find businesses to partner with and provide bespoke support for their engagement – tackling those issues which businesses cite as prime barriers.

The CEC has also launched a regional analysis of careers provision in the UK,⁴² highlighting 'cold spots' where school-business engagement is low, young people are less likely to be prepared for the world of work, and there is a high percentage of young people NEET.

Many CBI members are already engaged in local school partnerships, recognising the important role business can play in raising aspirations, providing information, and supporting young people into employment. However it is clear there is more to do to ensure all young people in the UK receive excellent careers education and address regional disparities in provision and quality. The CBI continues to make this a priority and supports the CEC's work in achieving this aim.

A fifth of businesses (21%) were already aware of the CEC prior to our survey. And 12% of businesses are already engaging with the CEC or plan to do so. This figure rises to nearly a fifth (17%) among firms with more than 5,000 employees. This is a substantial start, but there is clearly much more to do to spread word about the CEC and the help it can offer in building positive links between the business community and our schools and colleges. Underpinned by sufficient resources, the CEC should play a major role in England in supporting schools and businesses to develop productive relationships to the benefit of young people. Raising the profile of the CEC, and gaining clear commitment from business to engage, should be the focus for the coming year.

Exhibit 3.15 Business awareness of Careers and Enterprise Company (%)



Careers advice and guidance need radical improvement

Young people need insightful, relevant guidance to help them make decisions about future career options and routes into them. Ensuring they have access to the right sources of advice and guiding them towards those options that will best enable them to fulfil their potential can make a huge difference. But current systems are failing to deliver this (**Exhibit 3.16**).

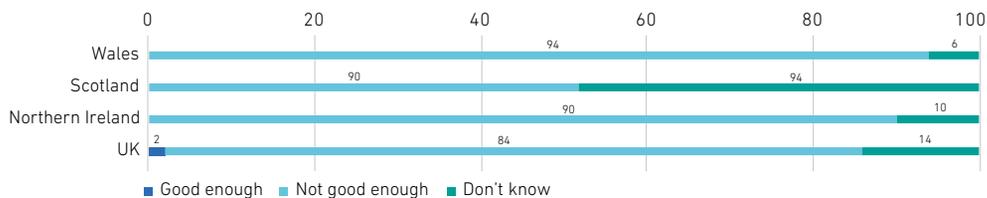
Businesses are clear that at present careers guidance and inspiration arrangements are simply not up to the mark. More than four out of five businesses (84%) across the UK now feel the quality of careers advice young people receive is not good enough. Just 2% consider the quality of current careers advice to be adequate. This gives a negative balance of -82% of businesses viewing the systems as inadequate – a new low point. These are seriously troubling results. They highlight the urgent need for radical improvement. If we are to make the most of people's talents and ambitions, we need fresh approaches. Publication of the government's expected careers strategy should be a priority.

Exhibit 3.16 Business views on the quality of advice about careers for young people (%)

...and improvement is needed across every part of the UK

Not a single respondent business with employees in the devolved nations considers the quality of careers advice available to young people good enough (**Exhibit 3.17**). Across Wales, Scotland and Northern Ireland, nine in ten firms or more do not believe the quality of careers advice young people receive is good enough to help them make informed decisions about future career options.

It would be hard to conceive of a stronger signal for urgent attention to be paid by politicians and policy-makers to the systems for careers guidance, advice and inspiration in every part of the UK.

Exhibit 3.17 Business views on the quality of careers advice by nation (%)

This long-standing problem has to be tackled

It is essential that across the UK the careers provision available to young people – and indeed to adults as well – keeps abreast of changes in the world of work. The pace and scale of change is deeply unsettling for many people. So helping young people recognise their ability to cope with change and to thrive in dynamic, innovative workplaces is important for their future success as part of well-integrated communities.

The need for a step change in careers education, information, advice and guidance systems is widely recognised.⁴³ Handing the responsibility to individual schools in England without extra resource or backing has failed to produce a system that adequately supports every young person to progress through education, into employment, and ultimately to success in life. But that recognition needs to result in practical steps to bring about rapid, radical improvement.



Effective school and college partnerships with businesses have a key role to play in raising levels of attainment and easing the transition to work. There is already a strong track record, and businesses stand ready to do more. ””

The moves to strengthen the statutory guidance for schools on careers have been positive, particularly the references to strong employer engagement.⁴⁴ And the introduction of destination measures in the performance metrics of schools should also help.⁴⁵ But the biggest change should come as and when the government publishes its much delayed careers strategy, which will develop its aims for careers guidance for the period ahead.

A focus on careers from senior school leaders is also vital. This must be encouraged and incentivised. There are some encouraging initiatives already under way in particular localities, such as the *London ambitions careers offer*.⁴⁶ This aims to transform the landscape of careers and employment support for young people, tackling the challenges of diversity and fragmented provision across London's huge variety of schools and colleges. On a smaller scale, the Skills for Stroud Employability Charter illustrates what can be achieved within a district to enhance employability and career awareness among young people.⁴⁷ These programmes can offer inspiration and inform other development across the UK.

81%

Four out of five businesses have at least some links with schools and/or colleges

Businesses' priority is tackling skill gaps and mismatches

Skills are an increasingly urgent priority. The drive towards a more productive, higher-value economy means the UK will require a workforce equipped with more and higher levels of skills. Businesses, however, are already reporting skills shortages across the UK's nations and regions – and when it comes to filling skilled roles in the future, businesses are not confident they will be able to find sufficient recruits. At such an early stage it is not clear how access to skilled migrants might change as the UK leaves the EU. But tackling domestic skills shortfalls and mismatches effectively is key.

KEY FINDINGS

- Three quarters of businesses (75%) expect to have more job openings for people with higher-level skills over the coming years while just 2% expect to have fewer
- This gives a positive balance of +74% of businesses expecting to grow their number of higher-skilled employees
- They also expect to need more people with intermediate-level and leadership and management skills (with balances of +34% and +69% respectively)
- In contrast, more businesses (29%) expect to cut back on the number of low skill jobs than expect to grow them (20%), producing a negative balance of -9%
- Well over half of businesses (61%) are not confident there will be enough people available in the future with the necessary skills to fill their high-skilled jobs
- These worries about the prospects of filling future high-skilled roles are shared by businesses across the UK (with the net balance of firms reporting they are confident minus those reporting not confident ranging from -25% in Scotland to -35% in Northern Ireland)
- Strong competition for candidates with appropriate qualifications (62%) and a lack of candidates with appropriate qualifications (55%) are identified as the most widespread causes of skills gaps, but ranking almost as high are lack of awareness among young people of education routes to enter particular careers (50%) and careers advice poorly aligned to the sector (49%).

Changing technologies and labour markets demand rising levels of skills...

As technology, products, services and markets evolve, UK businesses need increasingly skilled workforces (**Exhibit 4.1**). Levels of skills that were adequate in the past will not suffice in future, with the digital age likely to reduce the number of jobs of 'process' and create more jobs of 'choice'. This reflects the 'new middle' in the labour market: middle-skilled jobs require higher skills than they have previously.⁴⁸ UK businesses will need more people able to fill skilled jobs in the years ahead. Changing demographics are also impacting on the UK's labour market. With the majority of people who will be working in 2030 already in the workforce, policymakers need to focus on upskilling as part of the shift toward lifelong learning.

The nature of the UK's future relationship with the EU is currently unclear, but it will almost certainly impact on access to talent and skills. However, businesses have been clear about what their domestic priorities and concerns are – and these continue to hold true. Over the next three to five years, three quarters of businesses (75%) expect to increase the number of employees using higher-level skills in their jobs, while just 2% expect to reduce their number of higher-skilled employees. This gives a positive net balance of +73% of businesses expecting to grow their number of higher-skilled employees – a positive balance in line with previous years (74% in 2016).

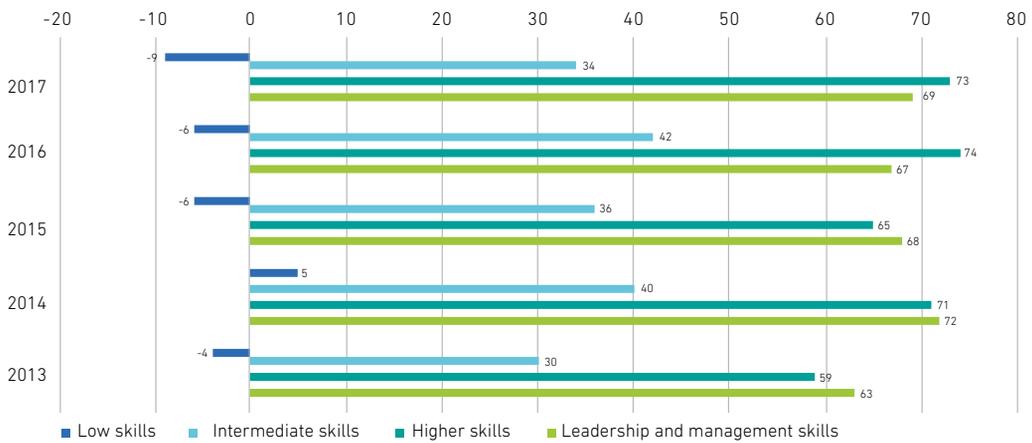
The positive balance of firms expecting to need more employees with leadership and management skills has been above +60% every year since 2010. The balance stands at +69% in 2017, with more than seven in ten respondents (71%) expecting to grow the number of people with leadership and management skills over the next three to five years and just 2% expecting reductions. These results should come as no surprise given the central importance of leadership and management to business performance. There will also continue to be opportunities for those with intermediate-level skills, with a balance of +34% of firms expecting to need to fill more jobs at this level.

The results of our survey show the strength of this drive towards a higher-skill, higher-value economy and the anticipated impact in terms of changing future skill mixes. However, that drive will not be possible unless the right numbers of people with the right skills are available. And individuals will be missing out on the opportunities for career and earnings progression that come with a move into more highly skilled work. It is essential to find ways to add to people's skills both to meet business needs and to enable individuals to progress into higher-skilled, better-paid work.

...while those with the lowest skill levels continue to be most at risk

In the lowest skills category, opportunities are likely to shrink in the coming years. While over half (51%) of employers expect no change in their number, more businesses (29%) expect to cut back on the number of low skill jobs than expect to grow them (20%). This gives a net balance of -9%. As these results show, the importance of gaining skills to secure pathways to employment and income security is clear. These challenges apply to people of all ages; policy solutions must focus on improving careers advice and education pathways for young people and giving adults already in work opportunities to upskill and retrain.

Exhibit 4.1 Business demand for different skills levels over next 3-5 years (%)*



* Firms reporting increased demand minus those reporting decreased demand

75%

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

Business demand for skills is set to be strong across all sectors...

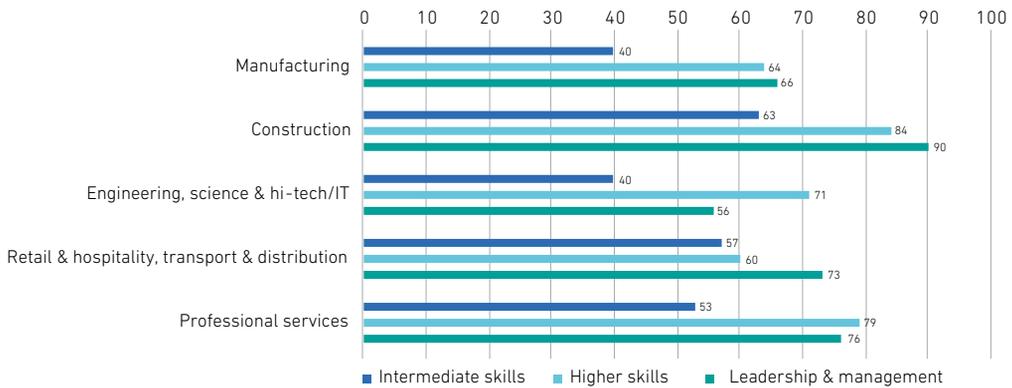
Employer demand for people with enhanced levels of skill is expected to grow across virtually all sectors of the economy in the years ahead (**Exhibit 4.2**).

In sectors as diverse as manufacturing, professional services, and services such as retail & hospitality and transport & distribution, positive balances of +40% and above anticipate needing more people with skills at intermediate levels in the years ahead.

Demand for people to fill higher-skilled roles and jobs needing leadership and management skills are expected to grow even more strongly. In construction the balance of firms believing they will be looking to recruit more people with higher skills stands at +84%. A balance of two thirds of manufacturing firms (+66%), foresee needing more people with leadership and management skills in the next three to five years, rising to nine in ten (+90%) among construction businesses.

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

Exhibit 4.2 Increased demand for skills over next 3-5 years by sector (%)*



Firms reporting increased demand minus those reporting decreased demand

...but businesses fear growing shortages of skilled people

Many firms are concerned that there will not be sufficient people available to fill their growing numbers of skilled roles in the future.

While the majority of firms remain confident in their ability to recruit to low skilled and intermediate skilled roles – at +51% and +16% respectively (**Exhibits 4.3** and **4.4**) – this is not the case across all sectors. For example, in the construction sector, a balance of -22% of businesses are not confident about the supply of those with the intermediate skills they need.

When it comes to filling high-skilled jobs in future, there are widespread concerns (**Exhibit 4.5**). As we establish ourselves outside the EU, we are likely to face an increase in labour market tightness if there is reduced access to migrant skills. Twice as many businesses are not confident they will be able to recruit enough high-skill employees as are confident, giving a negative confidence balance of -30%.

Exhibit 4.3 Employer confidence about accessing low-skilled employees in future (%)

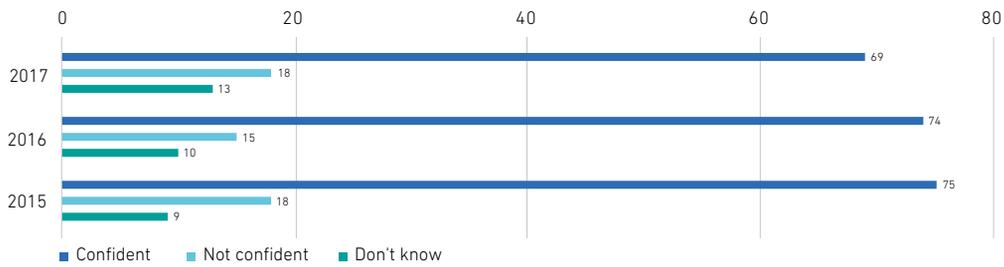


Exhibit 4.4 Employer confidence about accessing intermediate-skilled employees in future (%)

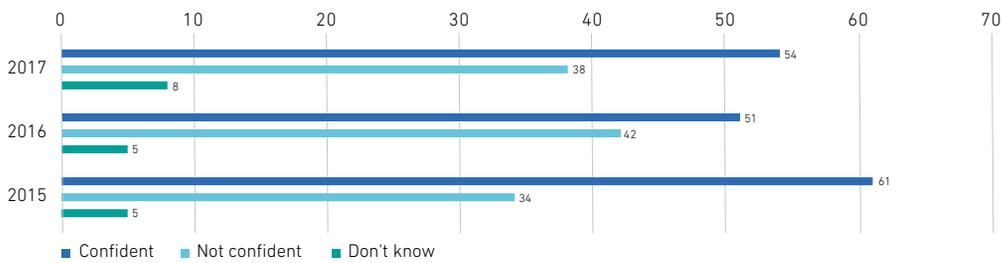
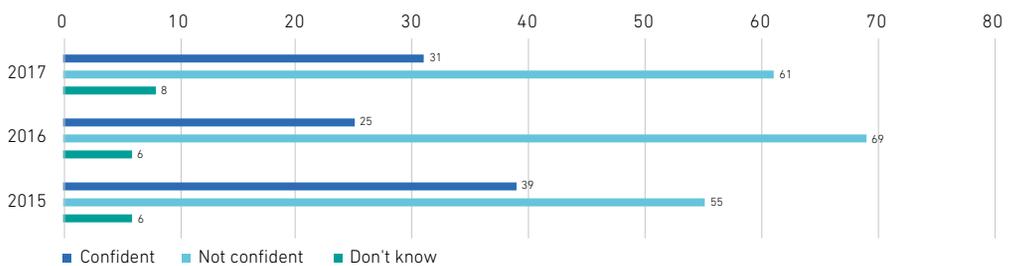


Exhibit 4.5 Employer confidence about accessing high-skilled employees in future (%)



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

Levels of confidence about being able to access sufficient high-skilled employees in future are negative across all parts of the UK (**Exhibit 4.6**). The biggest shortfall in confidence is among those businesses with employees in Northern Ireland (a heavily negative -35%), but negative balances of confidence stand at -25% or more in every nation of the UK. While the trend over the past few years is of rising concern – there is a fall in concern levels since last year. This may reflect progress in the past year on the reform of the Apprenticeship Levy and greater political commitment to more high quality vocational options for 16-18 year olds.

Exhibit 4.6 Employer confidence in accessing high-skilled employees in future by nation and region (%)*

	2017	2016	2015	2014
Wales	-29	-43	-29	-24
Northern Ireland	-35	-51	-27	-27
Scotland	-25	-44	-20	-24
England	-28	-42	-13	-24
ALL UK	-30	-44	-16	-23

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

...affecting firms of all sizes and key sectors

Concerns about filling future high-skilled openings affect firms of all sizes. Just over a third of SMEs (38%) are confident there will be enough of the right people available. But more than half of SMEs (53%) fear that in the coming years there will not be enough people to fill their high-skill jobs (giving a negative confidence balance of -15%). Among the largest businesses with 5,000 or more employees, the negative balance of confidence about the future availability of high-skilled people climbs to -34%.

In manufacturing (**Exhibit 4.7**), confidence about being able to recruit sufficient highly skilled staff in future remains overwhelmingly negative (with a negative balance of -49% in 2017). Similarly, among construction businesses the confidence balance stands at -49%. Among professional services firms, confidence about the future availability of high-skilled people has dropped from a positive confidence balance of +3% in 2015 to -13% in 2017.

Exhibit 4.7 Employer confidence in accessing high-skilled employees in the future by sector (%)*

	2017	2016	2015
Manufacturing	-49	-58	-47
Construction	-49	-74	-18
Engineering, Science, Hi-Tech & IT	-22	-72	-42
Professional services	-13	-11	3

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

61%

Employers not confident of being able to recruit sufficient high-skill employees in the future

Skills gaps are driven by a range of factors...

We asked respondents to identify the main drivers of skills gaps in their businesses. The answers point to a range of concerns among businesses overall (**Exhibit 4.8**) and across sectors (**Exhibit 4.9**).

Strong competition for candidates with appropriate qualifications (62%) and a lack of candidates with appropriate qualifications (55%) are identified as the most widespread issues employers face. Ranking almost as high are the lack of awareness among young people of education routes to enter particular careers (50%) and careers advice poorly aligned to the sector (49%). More than a third (35%) also report changes in the nature of the work not being reflected in education or training. These findings highlight the need to improve careers advice (see **Chapter 3**). They also show businesses and providers of education and training must work much more closely together to ensure apprenticeship and other technical or professional programmes properly reflect business needs.

The poor alignment of careers advice is seen as a particularly widespread concern in certain sectors (**Exhibit 4.9**). For example more than half of manufacturing firms (56%) and three quarters of construction businesses (77%) see this as a main driver of skills gaps in their sectors.

...so we need a modern Industrial Strategy to build a skills base for the next generation

These findings highlight the urgent need for more action to boost skills. They also show the growing opportunities open to those who develop the right skill sets. In the face of such low levels of employer confidence about the future availability of people with the right skills, there is a real risk that investment plans may be put on hold. And some operations could be transferred overseas to locations with a more reliable skills supply.

In particular, shortages of people with technical skills have been a long-standing concern for businesses across the UK (**Exhibit 4.10**). These must be tackled effectively by business and government through the partnership approach of a modern Industrial Strategy if the UK is to thrive as new opportunities and challenges open up in the wake of Brexit.



The drive towards a more productive, higher-value economy means the UK will require a workforce equipped with more and higher levels of skills. ””

Exhibit 4.8 Main drivers of skills gaps (%)

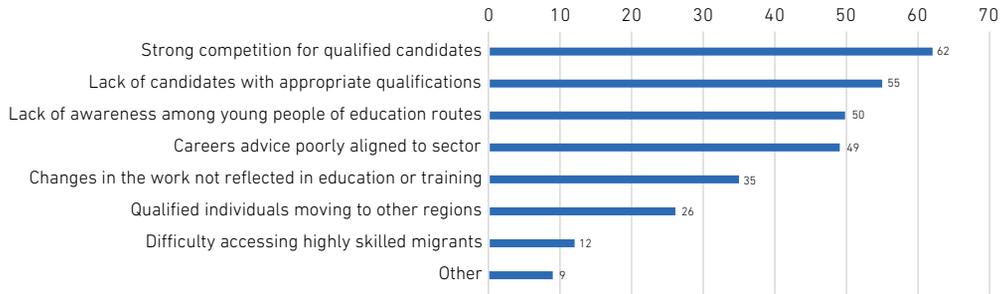


Exhibit 4.9 Main drivers of skills gaps by sector (%)

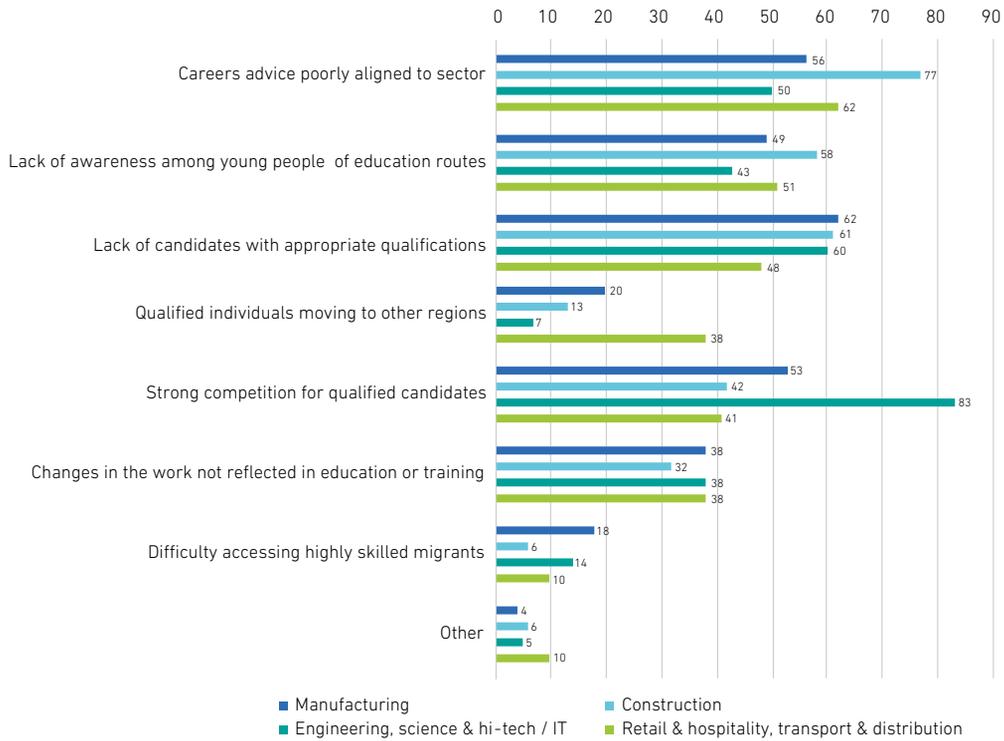


Exhibit 4.10 A high-quality technical education system should be a priority

Business has long called for the creation of a high-quality technical route to sit alongside A Levels at age 18, and the reforms currently underway present the opportunity to deliver this transformative change.

The Sainsbury Review of Technical Education recommended the creation of 15 'pathways', each linked to a group of professions, including a substantial work placement and resulting in a high-quality qualification that sets learners up for further study, an apprenticeship, or employment.

There will be big challenges in making this a reality, however the commitment displayed by government and announcement of an extra £500m to support delivery of these pathways is a welcome signal of the drive to get them in place.

Employers stand ready to play their part in making this a success, but Government must not underestimate the scale of the challenge ahead. Establishing clear routes for engagement – particularly through the Institute for Apprenticeships and Technical Education – will be vital in making these reforms work for all and ensuring training is aligned to the needs of the economy.

Business is committed to apprenticeships, but the levy must deliver quality

Businesses are keenly aware of the importance of investing in training and development. And apprenticeships are a great route that can act as a springboard to a good career. Firms of all sizes and in every sector are strongly committed to apprenticeships. But with the apprenticeship levy taking effect this year, there is concern as to whether it will help in delivering the high-quality training businesses and apprentices want to see. If the levy is to be effective, it needs to create a stable market for skills, encouraging investment in quality by employers and providers alike.

KEY FINDINGS

- Businesses see apprenticeships as a valuable route to training and developing their workforces, with the number operating apprenticeship programmes climbing to more than four in five (83%)
- Sectors such as manufacturing and engineering have a long tradition of apprenticeship provision, but our findings show expansion of apprenticeships into 'non-traditional' sectors such as professional services (where 74% of respondents are now involved)
- While business are committed to investing in schemes, many struggle to fill places: almost half (49%) of respondents have experienced difficulty in recruiting apprentices or expect to do so in the next three years
- Imposition of the apprenticeship levy is causing businesses to rethink their approach to training: many will use the levy to invest in upskilling their workforce, with two-thirds (63%) planning to reconfigure their existing training into apprenticeships
- Because of the narrow design of the levy to cover only off-the-job, external training, around a quarter of businesses will be cutting back on non-apprentice training (27%) or curbing their graduate intakes (23%)
- Businesses identify the chance to develop existing staff through new training as the single biggest opportunity generated by the levy (cited by 37%) followed by increasing access to new talent (20%)
- A third of businesses (33%) see the lack of clear guidance on the new system as the biggest challenge they face in the first year of the levy's operation, while nearly as many (29%) highlight the inflexibility of the funding rules.

The apprenticeship levy represents a major shift in skills funding

While firms have long been making the case for greater control and ownership of skills development, the introduction of the apprenticeship levy is a major shift in how skills are funded. From April 2017, employers across all sectors are paying a levy at 0.5% of paybill above £3m a year to fund apprenticeship training. Ultimately, the levy itself is just a tax to pay for skills, and what will be crucial to its success is the design of the skills system built around it, and whether it meets business needs and helps earners progress.

For much of 2016 and 2017 the Government has focused on building an operational system for the levy against a tight timescale. But now that the policy has been introduced, there is concern amongst businesses and providers about the readiness of the new system to deliver the high-quality training that businesses and learners need. This is why the CBI has consistently called for the first two years of the new system to be treated as a transitional period.

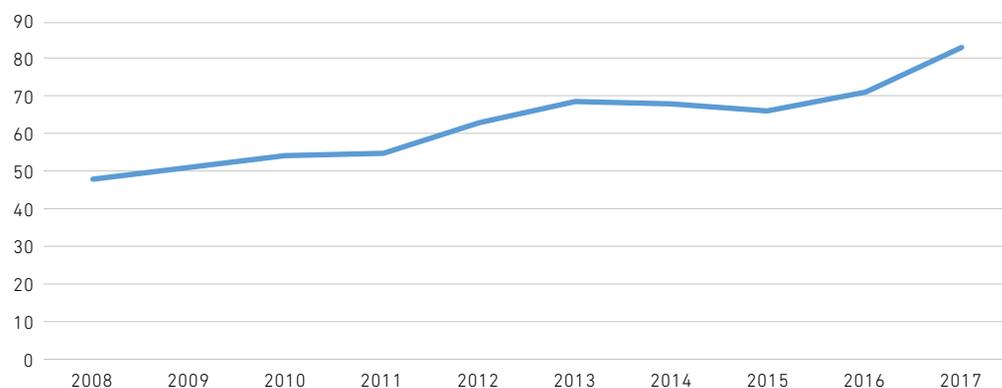
This survey was in the field just before the launch of the levy, as businesses were getting ready for implementation in April 2017. So it gives a strong indication of how employers are responding to the new system by adapting their training profiles in response to the levy.

Apprenticeship numbers have continued to grow steadily...

Almost 510,000 people embarked on apprenticeship programmes in 2015/16, a steady 2% increase in total starts compared to the previous 12 months.⁴⁹ Encouragingly, there was also an increase in the number of higher level starts, which now represent 5% of all total starts in 2015/16. To make progress in closing the overall skills gaps this proportion must grow, with lower-level programmes acting as a stepping stone to further skills development and training.

Our results show strong growth in business engagement with apprenticeships amongst our respondents. More than four out of five (83%) of organisations confirm that they are involved in an apprenticeship programme, 12% higher than in last year's survey (**Exhibit 5.1**).

Exhibit 5.1 Employers involved in apprenticeships 2008-17 (%)

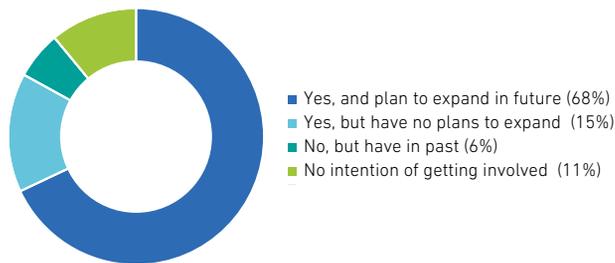


...and business are committed to apprenticeships

Business is already heavily invested in apprenticeships and committed to doing more to meet business needs. Across our respondents this year, 83% are either already running an apprenticeship programme or are planning to expand one (**Exhibit 5.2**). However, worryingly the number of businesses that have no intention of getting involved has doubled from 8% last year to 17%.⁵⁰

The widespread business engagement in apprenticeships and positive plans for the future have driven business concerns about the levy. Committed apprenticeship employers, those with existing schemes and those looking to expand them, struggle to see how the levy will benefit their current training approach. To give the levy the best chance of success it will need to build on what works and how business training operates currently – with skills outcomes as the primary goal.

Exhibit 5.2 Employer plans for apprenticeship training schemes 2017 (%)



All sectors recognise the value of apprenticeships – including non-traditional sectors

Apprenticeships are a great training route to for people to develop their skills and make a strong start to their career. Apprenticeship programmes also reap benefits for businesses, by addressing skills gaps within their operations and fostering loyalty among apprentice cohorts, aiding employee retention.

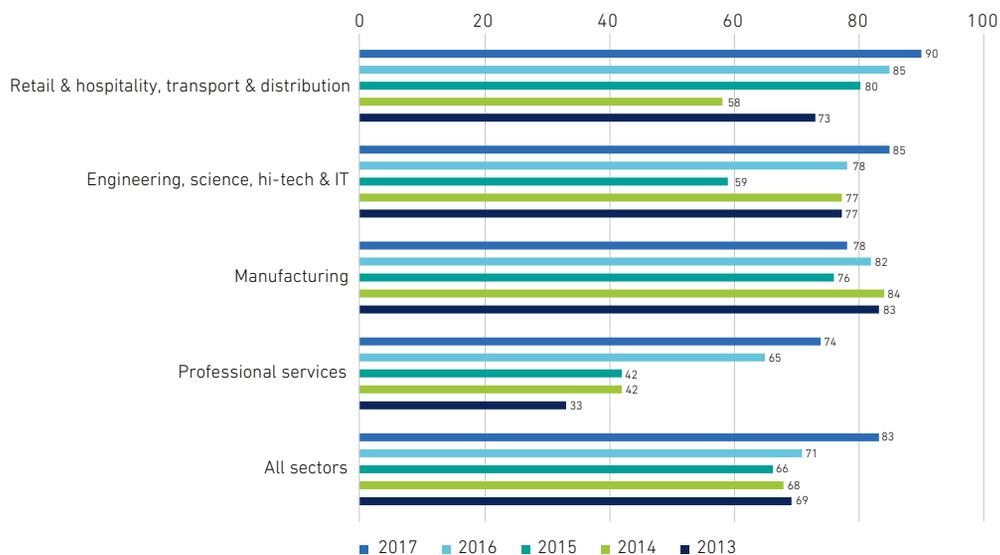
Our survey findings show that companies across the economy are engaging with apprenticeships and using them to develop the skills that they need (**Exhibit 5.3**). Sectors such as manufacturing or engineering have a long tradition of apprenticeship provision, but the findings show a further expansion of apprenticeships into 'non-traditional' sectors.

Retail & hospitality and transport & distribution businesses are making the most use of apprenticeships, with nine in ten respondents (90%) now involved in an apprenticeship programme. Manufacturing, as well as engineering and science, hi-tech and IT, have more than three quarters of businesses delivering programmes (78% and 85% respectively).

In professional services almost three quarters of respondents (74%) are involved, a significant increase from last year (65%), and more than double since 2013 (33%). This shows that employers across all sectors are making increasing use of apprenticeship standards developed through the Trailblazer programme to offer more opportunities and deliver the training they need.⁵¹

Each sector has very different skills needs, structures and routes to progression. So provision within each sector, and individual business, varies considerably. To maintain and increase apprenticeship provision across all sectors it is vital the new levy system takes account of different sector approaches, giving them the flexibility to train according to their specific needs.

Exhibit 5.3 Business involvement in apprenticeship programmes by sector (%)



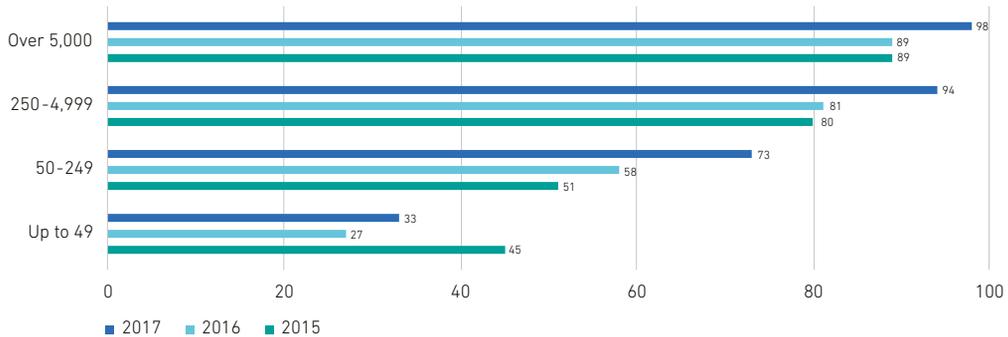
Larger companies lead on apprenticeship provision

Larger businesses are investing heavily in apprenticeships but engagement among small firms remains at more modest levels (**Exhibit 5.4**). The largest businesses with 5,000 or more employees lead the way, with 98% of respondents involved in apprentice programmes (up from 89% in 2016). Firms with between 250 and 4,999 employees are almost equally engaged (94%).

These companies represent the majority of levy-paying employers, many of whom have the existing infrastructure and institutional knowledge to support scaling-up their apprenticeship provision. Increasing numbers of medium-sized businesses (MSBs) are also involved in apprenticeships (73%, up from 58% last year).

The greatest scope for growth is amongst small businesses. Our survey shows that only a third (33%) of small business respondents currently participate in apprenticeship schemes. These results reflect some of the funding uncertainty for non-levy payers and more limited awareness among smaller businesses of the potential benefits of apprenticeships. Effective action to grow apprenticeship provision must reflect the needs of these firms.

Exhibit 5.4 Business involvement in apprenticeship programmes by size (%)



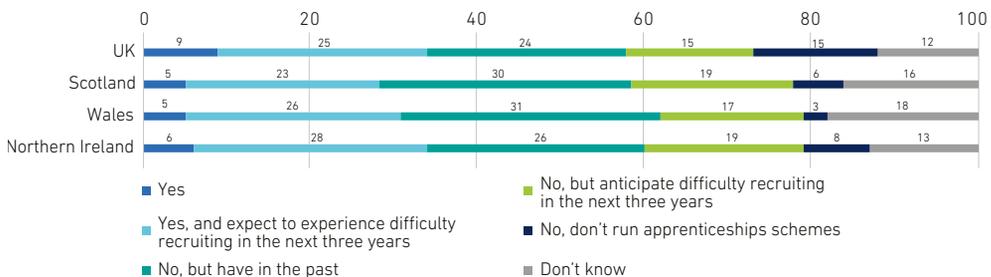
Apprentice recruitment is a longstanding and growing challenge for many firms

While business are committed to investing in schemes, when it comes to recruiting apprentices, our survey shows that many businesses struggle to fill places (**Exhibit 5.5**). Almost half (49%) of respondents have experienced difficulty in recruiting apprentices or expect to do so in the next three years.

These are worrying findings. Work-based, relevant training apprenticeships open up a huge range of opportunities for those who complete them. Unfortunately, many young people and their parents are not aware of this when they make their choices, and teachers or career advisers may not encourage students to explore work-based learning routes. It is vital for young people to be signposted towards apprenticeships at appropriate stages of their education (see **Chapter 3**), through good quality careers advice.

This is a UK-wide issue: around half of businesses operating in Scotland (47%), Wales (48%) and Northern Ireland (53%) experience difficulty already, or anticipate it in the next three years (**Exhibit 5.5**). Devolved governments need to ensure that education and careers systems raise awareness of the opportunities and pathways available to young adults to help them make the right choices (see **Chapter 3**).

Exhibit 5.5 Organisations that experience, or anticipate experiencing, difficulty recruiting individuals for apprenticeships (%)



Employer behaviour is changing in response to the levy...

The levy is a major reform that will drive changes in behaviour as businesses look to maximise the value of their levy funds. Businesses share the government's aim of raising skill levels and addressing skills gaps, but the focus must be on quality rather than just numbers. It is vital to work closely together during the two-year transition to the levy to monitor the system's performance. Understanding what's going on at this stage is vital, and our findings give a clear indication of how businesses are adapting. Ensuring that the levy becomes more flexible and responsive to employers' skills needs will be central to its success.

We asked respondents about the anticipated impact of the levy on their business. It's clear from our findings that employers are looking at how to make the best use of the levy (**Exhibit 5.6**).

Many businesses will use introduction of the levy to adapt their approach to apprenticeship provision. Firms are going to spend their money on what is most valuable to them, with close to two-thirds (63%) of respondents reconfiguring their existing training into apprenticeships. Business has wanted the flexibility to spend on what best delivers the skills they need, and the changes to Equivalent and Lower Qualifications (ELQs) were a positive response to the CBI's call for more flexibility. The lack of flexibility to spend on other parts of training makes additional hires very complex and expensive, so using the levy funds on existing training and workforce development is a good investment.

While almost six out of ten (58%) of respondents plan to create new apprenticeship programmes and nearly half (46%) expect to increase apprenticeship places, much of this will be substitution of existing training or adapting schemes to become apprenticeships. Many companies are doing this reluctantly, as their apprenticeship programme have always been a very distinct part of their training. But the design of the levy – which seeks to drive numerical volume, not necessarily quality – means that upskilling offers the best return for many employers. The CBI has set out a range of policy proposals designed to ensure the levy drives both upskilling and training for new workers.

...with an impact on costs and cut-backs in other areas of training

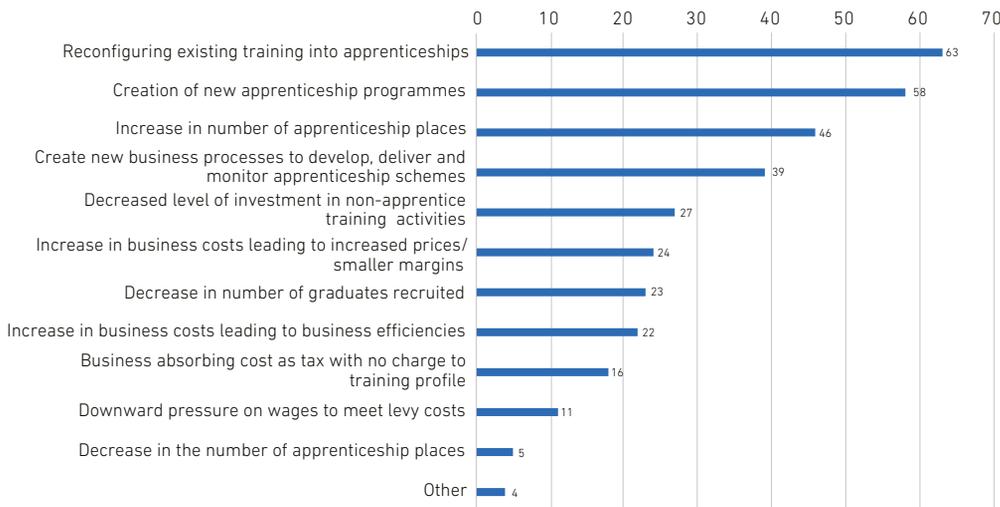
Employers expect managing the levy system and navigating its processes to be complex, given the impact it will have on financial and people management. Nearly two fifths (39%) of respondents are expecting to create new business processes to develop, deliver and monitor apprenticeship schemes.

Given the narrow design of the levy – which only allows spending on off-the-job, externally delivered training – some employers will make big changes to their training profiles. This is demonstrated in the findings that around a quarter are cutting back on non-apprenticeship training (27%) or reducing the number of graduates they recruit (23%).

With the limited ability to cost recover, many companies will be forced to meet the levy costs from elsewhere in the business. The number of companies expecting the increase in business costs will lead to business efficiencies stands at around a quarter (22%). There is also a clear risk to pay, with one in ten employers (11%) expecting downward pressure on wages as a result of the levy. The Office for Budget Responsibility (OBR) estimates that the levy will reduce aggregate wages by 0.3% by 2020–21.⁵²

While businesses remain committed to apprenticeships, the findings call into question whether the policy will lead to increased business engagement with apprenticeships overall, particularly as almost one in five respondents (18%) do not anticipate any changes to their training as a result of the levy. At this stage, based on their preparations for the new system, they are deeply concerned about the potential outcomes, which do not align with either the overarching government aim or what businesses and learners need.

Exhibit 5.6 Expected impact of introduction of the apprenticeship levy (%)



The size of a business affects how it is responding to the levy

Our findings show that the impact of the apprenticeship levy varies according to the size of company (**Exhibit 5.7**).

The biggest expected impact for SMEs paying the levy will be the creation of new apprenticeship programmes (34%), closely followed by the number that will reconfigure existing training into apprenticeships (32%). Yet while a quarter (24%) of SMEs expect to increase their number of apprenticeship places, 16% will reduce their investment in non-apprenticeship training.

Amongst medium-sized businesses (with 50-249 employees) the tight timescales for the new system may have impacted on employers' plans. The most common response, at just one third (33%), is that respondents will reconfigure existing training. Just three in ten (30%) expect to create new apprenticeship programmes, provision which itself may be rebadging of existing training.

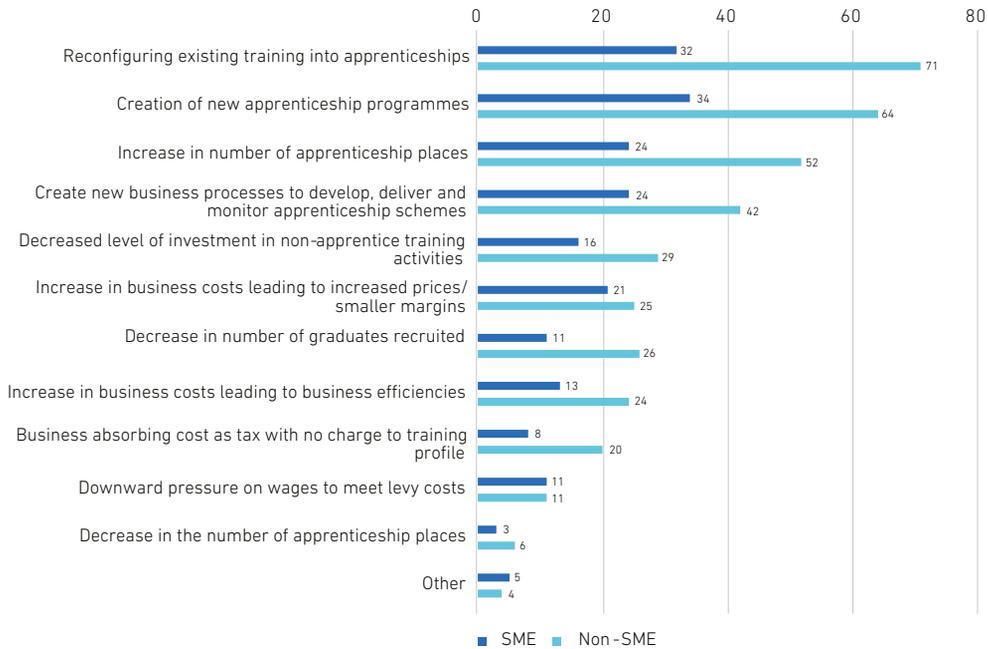
Given the scope for apprenticeship growth within these fast-growing 'gazelle' companies, as well as their position in the UK economy as job creators, it is concerning that they may deliver little new provision. Over a quarter (26%) of these firms expect the levy will mean that they will have to increase their prices and reduce their margins.

Non-SME businesses are likely to lead on provision. Seven in ten (71%) will reconfigure existing training into apprenticeship programmes and two-thirds (64%) will create new apprenticeship programmes, but much of this will be for their existing workforce.

Our findings also demonstrate that investment by non-SMEs in apprenticeships will be at the expense of other training or absorbed as a cost within the business. Three in ten (29%) will decrease the level of investment in non-apprenticeship training activities, and a quarter (26%) also expect the levy will cause them to decrease their investment in graduate training programmes.

This range of views from larger businesses reflects the size of their levy obligation, which will make investment in new provision particularly difficult. If the levy is intended to drive quality provision, not just meet the government target of three million apprenticeship starts by 2020, businesses must be able to recoup some of the associated costs – such as management, administration and trainer time – which contribute to high-quality schemes.

Exhibit 5.7 Expected impact of introduction of the apprenticeship levy by company size (%)



63%

Employers planning to reconfigure existing training into apprenticeships

Business see some opportunities from the levy in the first year...

Employers have always said that they want to try and make a success of the levy – within the constraints of the current system. Our findings show that businesses as a whole (**Exhibit 5.8**) and across all sizes (**Exhibit 5.9**) see some opportunities arising from the levy in its first year of operation.

Upskilling is identified as the single biggest opportunity across all sizes of business, with nearly two-fifths (37% of all respondents, and 28% of medium-sized business rising to 38% of large) identifying the chance to develop existing staff through new training.

Businesses have a range of different needs, and want to be able to use levy funds in the way that best suits their business models. Just one fifth (20%) of employers identify increasing access to new talent through new apprenticeship schemes as the main opportunity in the first year, reflecting employer concerns that the system as it stands will not lead to an increase in quality provision. This shows the need for the Institute for Apprenticeships and Technical Education (IFATE) to work with business to develop a set of success measures focused on improving quality provision alongside the ambition of growing apprenticeship numbers, with the body taking on a more strategic role in the system.

Exhibit 5.8 Biggest opportunity for businesses in the first year of the levy's operation (%)

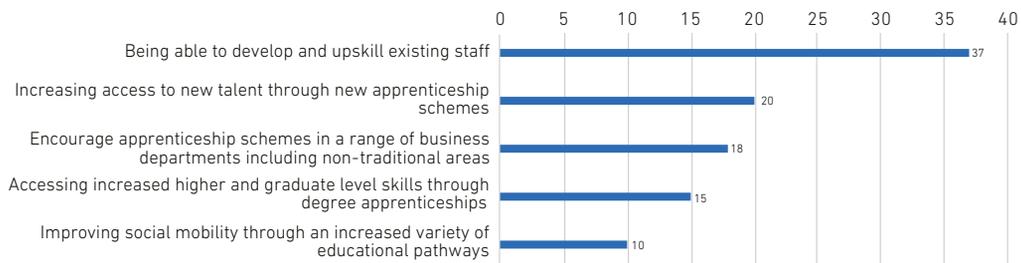
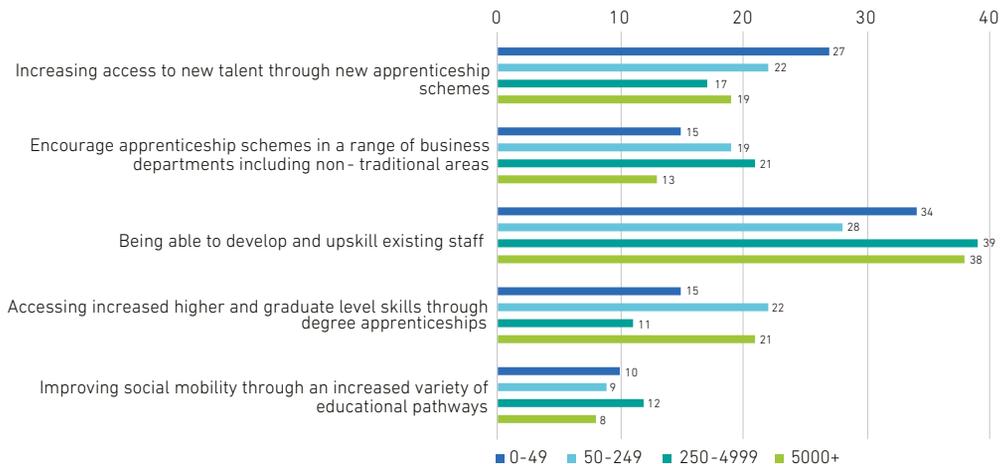


Exhibit 5.9 Biggest opportunity for business in the first year of the levy's operation by size (employee) (%)



...but limited guidance and inflexibility are significant barriers to quality provision

We asked respondents about the main challenge they expect to face facing in the first year of the levy's operation. The findings across all firms (**Exhibit 5.10**) and analysed by size (**Exhibit 5.11**) underline issues the CBI has raised about implementing a major reform on tight timescales.

Employers have struggled to understand the volume of complex information and rules underpinning the new apprenticeship system. The late delivery of much of this information – much of it new – has also been challenging for firms. Worryingly, the results show that one third (33%) of all businesses see the lack of clear guidance about the operation of the new system as their main challenge, rising to nearly half (48%) of small businesses. This has not been helped by the tight timescales for implementation, with 16% of all respondents citing it as the main concern (rising to 21% among the largest employers). These findings show the need to give employers more information and a clearer line of sight of future changes as the system evolves.

There is widespread concern at the narrow definition of what the levy can be spent on in year one. More than a quarter of all respondents (29%) highlight the inflexibility of the funding rules as the challenge, rising to a third (34%) among medium-sized businesses. More flexibility in the use of levy funds, such as the ability to transfer money within their supply chain or use it for broader types of quality training, would help the system succeed.

Many employers are now paying the levy, but are unable to access suitable training programmes or the providers they need. One in five (19%) of the largest employers cite the lack of standards or slow progress in their approval as their main challenge in the first year. Increasing the pace of approval of new apprenticeship standards across all industries must be a key priority of the IFATE's in its first year.

Exhibit 5.10 Biggest challenge for business in the first year of the levy's operation (%)

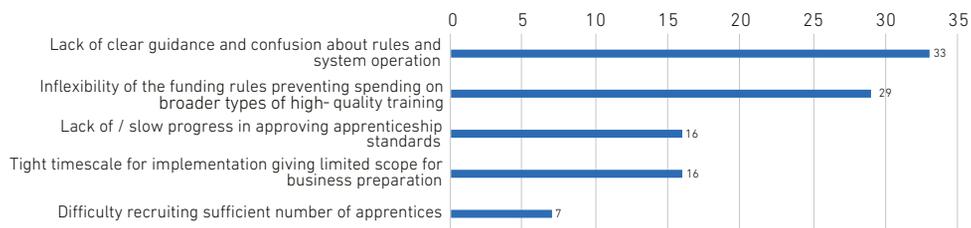
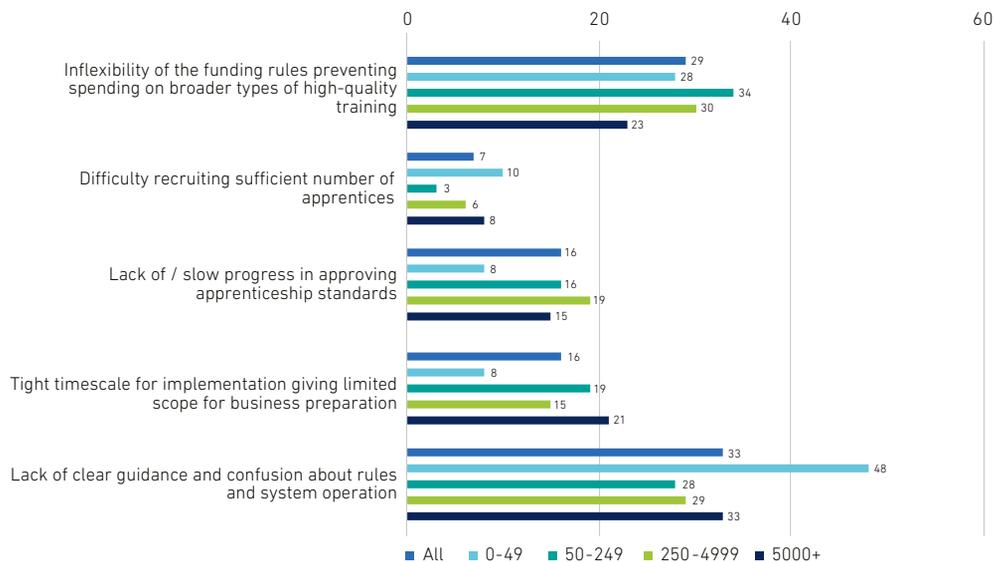


Exhibit 5.11 Biggest challenge for business in the first year of the levy's operation by size (employee) (%)



33%

Employers citing lack of clear guidance and confusion about apprenticeship levy rules and system operation as their main challenge

It's time to focus on quality – in both content and delivery

Tackling skills shortages is essential for the UK's future success and prosperity. Business wants to see an increase in quality apprenticeships and stands ready to work with the government to achieve this.

With the government working quickly to get the apprenticeship levy in place for launch this year, its focus has predominantly been on building an operational system that works. But significant concerns remain about whether the policy will deliver the high-quality training businesses and apprentices need. Now the policy has been introduced, and employers are paying and reclaiming the levy, the time has come to focus on quality training that meets company and apprentice needs.



The CBI repeated its call to broaden the focus of the levy in April 2017, prioritising quality and long-term success measures alongside growing apprentice numbers. For the levy to be a success, it must deliver long-lasting careers and close skills gaps, not just create more apprenticeships. Over the longer-term, the government should consider a more flexible skills levy, to not only support apprentices but also spending on other types of quality training. It is important that the new technical education pathways link up with apprenticeships, and funding would be a good way to do that. Government should also take the time to work with businesses in the devolved nations (**Exhibit 5.12**).

Exhibit 5.12 Business needs a skills system responsive to need in the devolved nations

While the levy applies to all employers in the United Kingdom, how the levy money is spent in the devolved nations is the responsibility of the devolved nations' governments. Businesses in the devolved nations are committed to investing in skills, but don't feel that the implementation of the levy yet meets their expectation that the system should be more responsive to business needs. There remain significant outstanding issues with how the four UK skills systems interact on apprenticeships where companies employ people in more than one nation and pay the levy for all their staff.

Having a coherent, simple system across the UK is essential. As each of the devolved nations determines how the levy will interact with their skill system, it is vital that levy funds are seen as business's money – not just part of the fiscal settlement with Westminster – and there is the flexibility to use them as each business needs. The devolved nations governments should also work closely with the Department of Education in London to address these issues and deliver a solution that focuses on raising skills levels, wherever the apprentice is from.

Shifting the focus onto quality is essential to delivering much needed stability to England's skills system. Business wants to work with the Government and IFATE to get this right.

This also means quality of provision. Shifting the focus to a more demand-led system through the levy is just a part of the picture. Providers – including FE and private training organisations – also need to step up their game. A more effective market for provision that responds to demand, is focused on driving up quality, and that is linked in closely with employers (particularly in the local area) is vital to success (**Exhibit 5.13**).

Exhibit 5.13 Aligning the market for skills with business demand

Access to the skills and talent needed to boost productivity and growth is a top priority for businesses – even more so in the light of the UK's vote to leave the EU. But there are still real challenges in our skills system: far too often, the provision of training is not matching up with the skills demanded by employers – particularly on a local and regional level.

Exploring the reasons behind the blockages in the system, and understanding how regionally-focused approaches can help to solve the issues faced is a key focus for the CBI this year, with the relationships between employers and providers, the information and guidance provided to learners, and the framework of incentives set by government all emerging as major challenges that need to be tackled.

Creating an effective market for provision is critical if reforms to skills – including the implementation of the apprenticeship levy and new T Levels – are to have a genuine positive and long-lasting impacts on outcomes for individuals and businesses.

Fostering talent is a business priority

Education, training and development don't end on the day young people leave school or college. These days it has to be a continuing process throughout people's working lives. Gaining new skills and knowledge, getting to grips with changes in technology, and preparing to take on new roles in the workplace all demand a readiness to go on learning and developing. Businesses are keenly aware of the need to foster talent within their workforces. And they must equip their employees to succeed in a world where the pace of change is accelerating. Only if skills are regularly updated and enhanced will businesses and their employees prosper in the dynamic global marketplace.

KEY FINDINGS

- Fostering talent and developing people's skills is a priority for virtually all companies (99%), achieved through policies such as encouraging employees to discuss development with their line managers (80%) and mentoring and coaching opportunities (66%)
- More than three quarters of businesses (77%) have a learning and development strategy, underpinned by a dedicated training and development budget (76%)
- Employers frequently have to pick things have not worked in the education system: close to half of UK employers (45%) say that they have had to organise training in at least one basic skill area for some adult employees recruited in the past 12 months
- Many businesses also have to address shortfalls in functional skills among young recruits, with two in five (41%) reporting they have organised remedial training for at least some school or college leavers and one in four businesses (25%) for at least some graduates in the past year
- The most frequently cited skills in need of attention in the past 12 months have been the basic IT skills of older recruits (38%) and numeracy for school and college leavers (26%)
- Businesses conduct most training of their workforces themselves, drawing on external providers on average for well under half (42%)
- At the same time more than three quarters of respondents (78%) supplement their in-house training by drawing on external training and development providers, most commonly private providers (used by 88% of those using an outside provider) followed by FE colleges (55%) and universities (36%)

- Businesses award private training providers the highest satisfaction ratings on most measures, but universities top the ranking for the quality of their training and development staff (with a balance of +87% of those businesses using these rating them as satisfactory)
- When recruiting school and college leavers, businesses value qualifications as demonstrating effort, capability and readiness to learn, but mostly they either have no particular preference between academic and vocational qualifications (48%) or prefer recruits to hold a mix of both (31%).

Changing workplaces demand continuing learning and development – and new approaches

The changing world of work – new technologies, new products and services, and rapidly changing markets – means that jobs and career paths are constantly changing too. This opens up new opportunities and challenges for businesses and individuals alike.

As a result, fostering talent and developing people's skills are a priority for companies. And businesses have a crucial role to play in nurturing a supportive environment for individuals to develop their skills and progress in their careers, with visible – and senior – commitment backed by actions and policies to deliver.

Each company approaches talent and people development differently. And different approaches are needed to reflect changes in the workplace. Nowadays it is likely that only about 10% of learning in companies is through training courses, with 70% happening 'on the job' and 20% through mentoring and coaching.⁵³ The days when skill development could be measured simply by days sitting in the classroom or training centre are long gone.

Businesses aim for a culture that nurtures and develops talent...

Virtually every business (99%) views the development of talent among its employees as a priority. And developing talent depends on having the right framework of policies and practices in place (**Exhibit 6.1**).

Line managers are the people who bring policies to life within a business and are in a position to spot and nurture potential. Reflecting this, the most widespread approach to talent building is to encourage employees to discuss development with their line managers. In all, four in five businesses take this approach (80%). This is underpinned by learning and development strategies in over three quarters of respondents (77%) and a dedicated training and development budget is similarly common (76%) to ring-fence investment in skills.

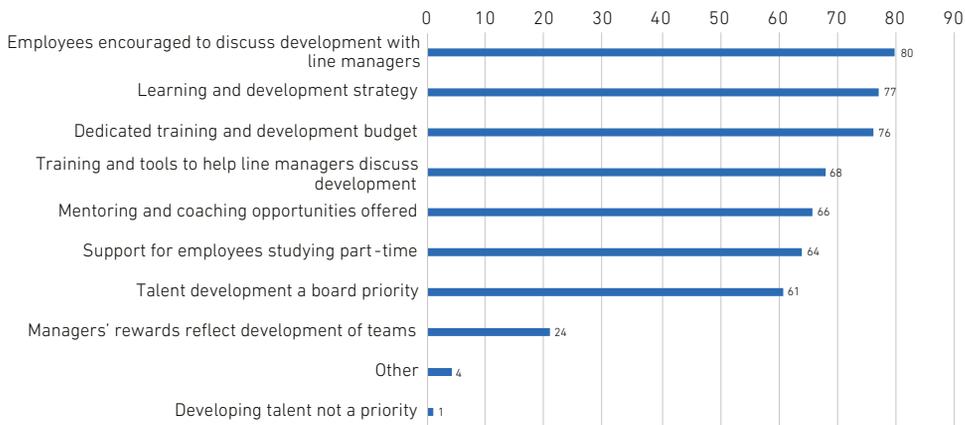
These systematic, long-term approaches are even more common among larger firms. Among businesses with 250 employees or more, nine out of ten (90%) have an explicit learning and development strategy, while almost as many (86%) draw on a dedicated training and development budget to help deliver the strategy.

...enabling individuals to progress in their careers

Businesses are actively supporting their employees to gain skills and progress at work. More than two thirds of respondents (68%) provide training and tools to help line managers in discussing development. Mentoring and coaching opportunities are also widespread to help employees develop and prepare to take on bigger roles (66%). Two thirds of respondents (64%) also offer support for employees studying part-time to gain additional qualifications. This can take forms such as assistance with fees for relevant courses and time off for study or exams.

Commitment from the top is important in sending positive messages about the value of enhanced skills and creating a climate in which talent development thrives. Encouragingly, nearly two thirds of organisations (61%) report that talent development is a priority championed by the board. Among the largest businesses with over 5,000 employees, more than three quarters (79%) report board-level championing. This type of commitment is important in building a culture where learning and development are integral to the organisation.

Exhibit 6.1 Approaches taken to talent development (%)



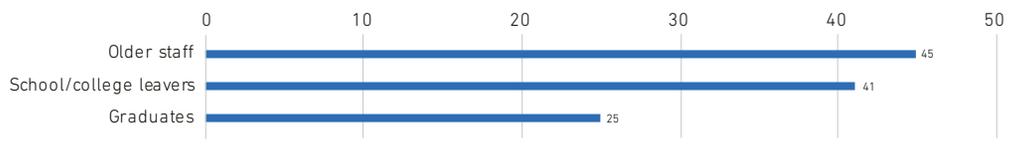
Too often businesses are having to make up for things not working well in education...

The practical experience of employers highlights past and current weaknesses in education and skills levels of some. Close to half of UK employers (45%) say that they have had to organise training in at least one basic skill area for some adult employees recruited in the past 12 months (**Exhibit 6.2**).

Many businesses also have to address shortfalls in core skills among their young recruits: two in five businesses (41%) report they have organised remedial training for at least some young people joining them from school or college. Perhaps most troubling is the need for remedial basic skills training for some graduates. In all, one in four businesses (25%) reports having provided remedial support for at least some graduates in the past year.

Businesses are having to help some employees with in basic education in every part of the UK. Among businesses with employees in Scotland and Wales, for example, close to half (45% and 49% respectively) report having to provide basic skills training for at least some adult employees, rising to 50% in Northern Ireland.

Exhibit 6.2 Employers providing remedial training in basic skills for staff recruited in past 12 months (%)



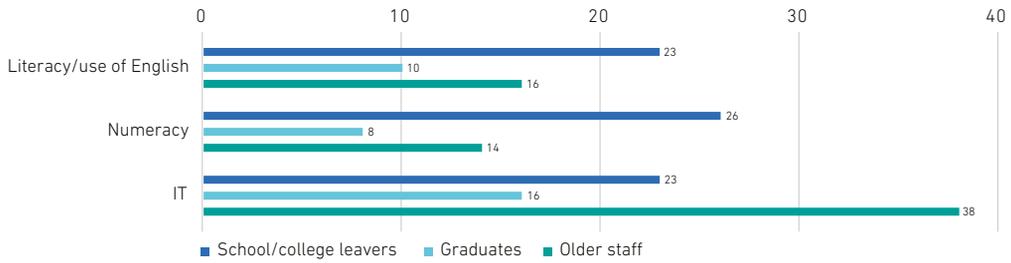
...with IT skills for adults and numeracy for school leavers topping the list of needs

The most frequently cited skills in need of attention are the basic IT skills of older recruits (**Exhibit 6.3**). Nearly two in five businesses (38%) report they have had to provide elementary IT training for at least some adult employees in the past year. There has been less activity on literacy/use of English (16%) and numeracy (14%).

For school and college leavers the area where businesses have most commonly had to provide basic training in the past 12 months has been numeracy (26%). This has ranked just ahead of literacy/use of English (23%) and, rather surprisingly, IT skills (23%).

These results highlight the consequences of young people missing out at critical stages in our schools. Employers find themselves having to divert resources to address weaknesses which should have been tackled at much earlier stages. This is true even among graduate recruits, albeit on a more modest scale. Even for this group 16% of businesses report having to provide remedial training in IT for at least some recruits in the past year and one in ten (10%) have had to support some graduates in improving their literacy/use of English.

Exhibit 6.3 Types of low-level training provided for recruits (%)

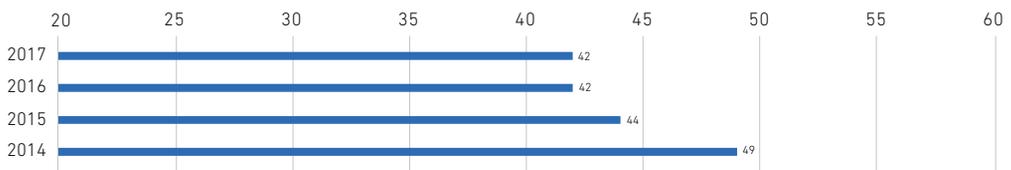


Most training is delivered in-house...

Businesses conduct most training themselves (**Exhibit 6.4**). On average, they draw on external providers for well under half of the training of their workforces (42%). This in part reflects the fact that every business is different, with its own distinctive processes, culture and procedures, and training people in these is best handled in-house. It also reflects the extent of commitment to ongoing development of employees noted above.

With the bulk of training being delivered through in-house expertise, the emphasis in the apprenticeship levy system on recouping costs for externally provided training fails to match existing business practice. It risks pushing businesses to use external approved providers and solely apprenticeship-style training, even though these may not be able to offer the most relevant skills or development.

Exhibit 6.4 Proportion of training delivered by external providers (mean %)

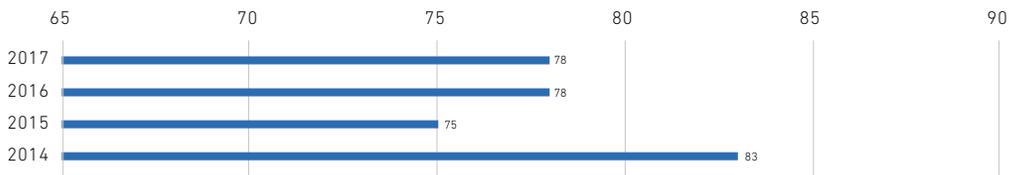


...but external trainers can bring added expertise and fresh approaches

More than three quarters of respondents to our survey (78%) make at least some use of external training and development providers (**Exhibit 6.5**). These can often offer specialist, up-to-date skills and help spread new techniques and best practice between organisations. They can therefore act as valuable catalysts to boost productivity and performance.

Among businesses with 250 employees and more, the proportion making at least some use of external trainers stands at more than four in five (84%), rising to more than nine in ten (93%) among the largest firms with 5,000 employees and above. Although these large organisations draw on their own in-house expertise to deliver most training, they therefore also make widespread use of external specialist support in developing their workforces.

Exhibit 6.5 Businesses making use of external training providers (%)

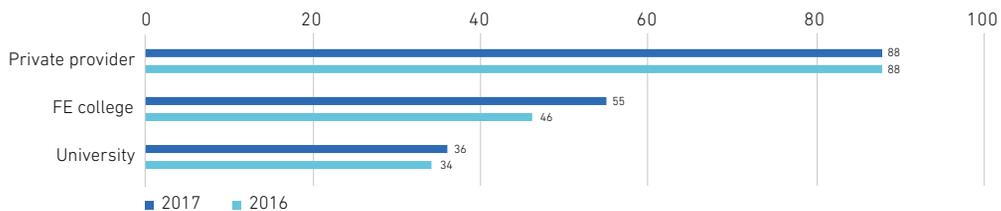


Businesses draw most heavily on private training providers and FE colleges...

The most commonly used external training partners are private providers of various kinds (**Exhibit 6.6**). More than four in five (88%) of those businesses drawing on external training expertise look to private trainers. These are often used to deliver short, unaccredited courses to address particular needs or changes.

FE colleges are also used by more than half (55%) of those respondents using any training external provider. FE colleges have long been active in supporting delivery of apprenticeship programmes and similar technical skills training. Although less commonly used, many universities have a growing role in working with businesses. Among those firms using outside providers, more than a third (36%) report drawing on universities for at least some development programmes. This often includes collaboration on course design drawing on specialisms and academic expertise, geared to the needs of managers or for employees engaged with advanced technology.⁵⁴

Exhibit 6.6 Type of external providers used 2016-17(%)



...and businesses are looking for responsive trainers offering high-quality, relevant programmes

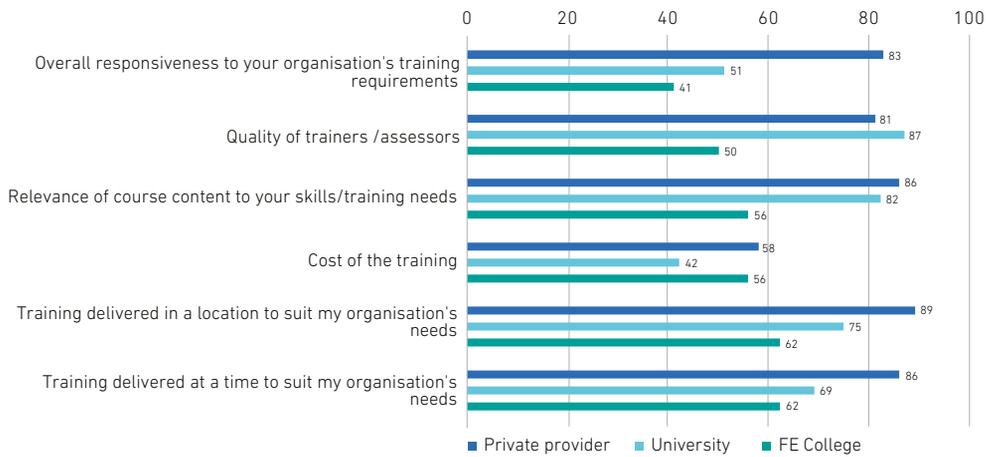
Asked to evaluate training provision, businesses give private providers the highest satisfaction ratings on almost every measure (**Exhibit 6.7**). On overall responsiveness to training requirements, for example, a balance of +83% are satisfied with private providers as compared with +51% for universities and +41% for FE colleges.

When it comes to quality of the trainers, universities receive particularly positive ratings. A balance of +87% of those drawing on higher education to provide training and development programmes are satisfied with the quality of those delivering them, ahead of private providers (+81%) and far ahead of FE colleges (+50%).

Encouragingly, businesses give relatively high satisfaction ratings for the relevance of course content to their skills and training needs. Both private providers and universities have balances of more than +80% of businesses viewing the relevance as satisfactory or better. Again, FE colleges perform less well, with a balance of +56% of businesses satisfied.

Cost is always a concern for businesses – and it is an aspect of training with which our survey respondents have relatively low levels of satisfaction. The positive balance of those businesses satisfied with the cost of programmes ranges from only +42% for university programmes to +58% for private providers.

Exhibit 6.7 Balance of employer satisfaction with training providers (%)*



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

Education and training providers must respond better to fast-changing requirements

Our findings point to the need for FE colleges to up their game, but universities too should be looking to improve their responsiveness in particular. The landscape of skills is constantly shifting. Introduction of the apprenticeship levy is sending shockwaves through the system. More change will follow from the report into technical education by Lord Sainsbury, which recommended simplifying the system so technical education is provided through just 15 high-quality routes.⁵⁵

Within this changing framework, providers – working with employers – will need to plan and take action so the UK builds a truly world-class system of skills development. A drive to more and higher levels of skill will be essential to enable UK businesses and their employees to prosper in the years ahead.

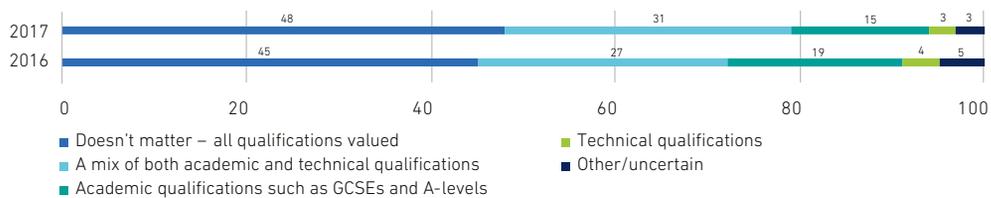
Employers value qualifications, where they accurately reflect competencies

As seen earlier (Chapter 2), businesses look beyond formal qualifications to wider attitudes and aptitudes when recruiting school and college leavers. But that doesn't mean qualifications are unimportant. By securing them young people demonstrate the effort, capability and readiness to learn that businesses want to see in their employees. Those with no qualifications are far less likely to be in work than those with at least some qualifications. And higher levels of qualification generally enable people to progress up the career ladder.⁵⁶

Over the years the UK has experienced a shifting, often confusing, qualifications landscape. The changes resulting from the Sainsbury review should play a major part in resolving this problem, but these and the changes to GCSEs have yet to come into effect. Nonetheless the general principle stands that young people gain valuable skills and knowledge through programmes leading to qualifications.

Reflecting this, the great majority of businesses either value academic and vocational qualifications without a particular preference between them (48%) or prefer recruits to hold a mix of both academic and vocational qualifications (31%). Only one business in six (15%) prefers purely academic qualifications such as GCSEs and A-levels when recruiting school and college leavers.

Exhibit 6.8 Qualifications preferred by businesses when recruiting school/college leavers (%)





Businesses are keenly aware of the need to foster talent within their workforces. And they must equip their employees to succeed in a world where the pace of change is accelerating.





High demand for graduates reflects the value of their skills

British businesses need and value the skills that graduates bring. And as our economy is reshaped to become a higher-value one reaching out to markets across the world, businesses will need more people with the higher-level skills developed through university education. So there are excellent career prospects for graduates – provided they are equipped with the right attitudes, skills and knowledge to take advantage of those opportunities. Most graduates entering the jobs market are showing many of the qualities that recruiters are seeking. But there is still more that could be done to ensure all graduates have the range of skills to set them up for career success.

KEY FINDINGS

- The value graduates bring to business is clear, with graduates having higher levels of employment, lower levels of economic inactivity, and higher levels of earnings on average compared to non-graduates
- Over the past 12 months more than eight in ten businesses (85%) have maintained or increased their levels of graduate recruitment
- Every year for the past five years more businesses have expanded their graduate intakes than have cut back on graduate recruitment, cumulatively raising the number of graduate openings
- Firms across the UK are creating new graduate opportunities: the number of businesses in London increasing their graduate intakes over the past year exceeded those cutting back by a balance of +6%, but the positive balance of businesses growing their graduate recruitment was equally strong among those with employees in the North (+6%) and stronger still in the South West (+11%) and Scotland (+10%)
- Employers focus above all on the attitudes and aptitudes that will enable graduates to be effective in the workplace. This is by far the most widely cited consideration among graduate recruiters (cited as among the three most important factors by 90%) and for more than half it ranks as the single most important factor (55%)
- Businesses also want to see candidates demonstrate effort and general ability, so two thirds (65%) rate degree result as among their main factors in recruitment decisions
- For nearly two thirds of businesses the subject studied is also a top-three consideration (cited by 62%), particularly in sectors such as manufacturing (70%)

- Relevant work experience or having taken up a placement related to the sector are important advantages for graduates when seeking career openings, ranking as an important consideration for most (59%) of those recruiting graduates
- Most businesses are satisfied with graduates' basic skills and general readiness for employment, with more than nine in ten firms reporting satisfaction or better with graduates' IT skills (96%), literacy/use of English skills (92%) and numeracy (91%)
- Areas where graduate job seekers are often seen as having weaknesses are in their international cultural awareness and business and customer awareness (with 39% and 40% of recruiters reporting dissatisfaction with these respectively) and a third (32%) dissatisfied with graduates' attitudes and behaviours of self-management and resilience.

Businesses value the skills of graduates

British businesses need graduates and value their skills. Across the economy, businesses have rapidly increased their demand over recent years for the type of skills and capabilities that higher education aims to develop in students. And our survey results (**Chapter 4**) show that further rises in demand for people equipped with higher-level skills and with leadership and management skills can be expected in the years ahead. If the UK economy is to grow successfully in the wake of Brexit, it is critically important that our businesses are not starved of the high-level skills on which they depend.

The number of young people in higher education has stabilised in recent years following a long period of growth. By 2015/16 there were some 1.84 million students from the UK studying on graduate or undergraduate programmes of all types, together with more than 400,000 overseas students.⁵⁷

The demand for graduates and the value they bring to businesses is clear: over 87% of working-age graduates and postgraduates are in employment, compared to 70% of non-graduates.⁵⁸ Their unemployment and inactivity rates are less than half those for non-graduates. Graduates and postgraduates also enjoy large earnings premiums compared to non-graduates. In 2016 graduates typically earned £9,500 a year more than non-graduates, while those with postgraduate qualifications earned £6,000 more on average than graduates.

These value-added effects generated by those achieving higher education qualifications in part reflect the quality of UK universities. The UK's higher education institutions are world-leading and their quality and diversity are highly valued domestically and internationally. They act both as an important bridge to many other countries and as a major contributor to UK exports (**Exhibit 7.1**).

Exhibit 7.1 UK-China university links show the potential of international partnership

As the UK forges a new place in the world following the EU referendum, strong global links and openness to the brightest and best are vital for our prosperity. Universities, and the partnerships they are evolving, for example provide a key axis for UK-China relations to build on, explored in a new report by the CBI in partnership with Middlesex University.⁵⁹

Higher education is a bridge to the future: whether inspiring a desire for knowledge, researching as yet unsolved problems of nature or equipping students for success in their chosen field. The connections between UK and Chinese higher education are some of the best-developed and most innovative that exist between the two countries.

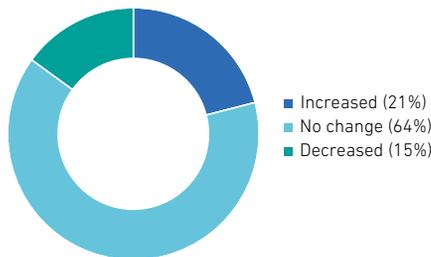
Growth is a term often associated with China. And in this area it is certainly the case – from the growing number of Chinese students who come to the UK to study, the growing range of partnerships between UK and Chinese universities, to China's ambition of significantly growing the R&D base. Growth is a term that should also be associated with higher education, as the economic strength of world-leading institutions often acts as an anchor for investment and jobs locally, regionally and nationally.

China and the UK now have a strong and growing research relationship, supported by a range of joint funding initiatives. For example, the volume of collaborative research output increased by 350% between 2003 and 2012, from around 1,000 papers per year to over 4,500 – and in 2012 the UK overtook Japan as China's second-largest research collaborator in terms of co-authored papers.

Graduate job opportunities are running at high levels...

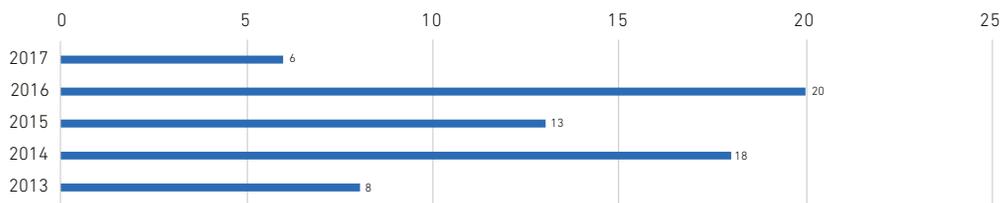
Our survey results show that graduate recruitment has continued to run at high levels over the past 12 months. In all, more than eight in ten businesses (85%) have maintained or increased their levels of graduate recruitment over the past year (**Exhibit 7.2**). Only 15% of businesses have cut back on graduate recruitment while more than one in five (21%) increased their graduate intakes, giving a positive balance of +6% increasing graduate recruitment.

Exhibit 7.2 Changes in levels of graduate recruitment in past year (%)



The expansion in graduate openings in the past 12 months builds on sustained growth in graduate recruitment over recent years (**Exhibit 7.3**). Every year for the past five years our surveys have shown far more firms expanding their graduate intakes than cutting back. The positive balance of those growing their graduate recruitment over those reducing it hit a high of +20% in 2016 before falling to +6% in our latest survey. But taking the latest growth together with the near two thirds (64%) of businesses maintaining their previous levels of graduate recruitment points to plenty of openings for those coming out of higher education.

Exhibit 7.3 Positive balance of businesses increasing graduate recruitment* (%)



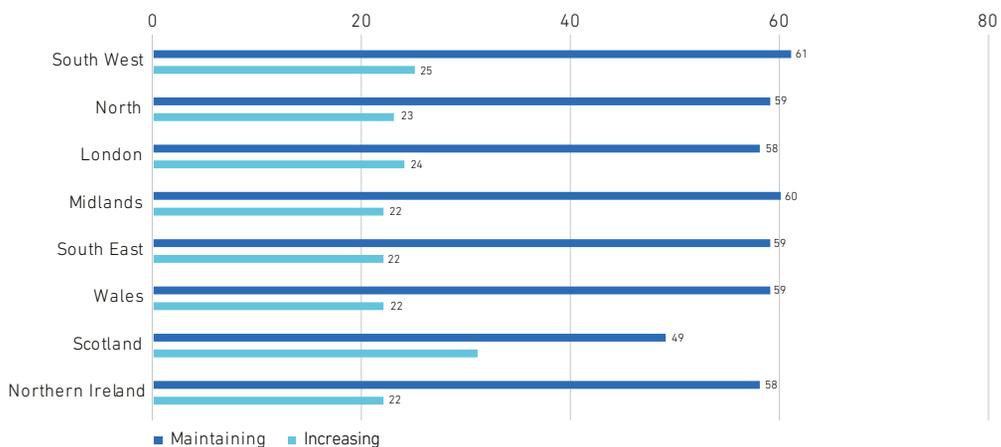
* Firms reporting increased recruitment minus those reporting decreased recruitment

...with more openings in every part of the UK

Graduate employment is traditionally seen as heavily concentrated in London. And the UK's capital certainly has large numbers of graduates among its population (in 2012 some 60% of the resident population of Inner London were graduates and 45% of Outer London).⁶⁰ But our results show firms across the UK are creating new graduate openings (**Exhibit 7.4**).

Firms with employees in London that increased their graduate intakes over the past year exceeded those cutting back by a balance of +6%. But the positive balance of businesses growing their graduate recruitment was equally strong among those with employees in the North (+6%) and stronger still in the South West (+11%) and Scotland (+10%). Even in the lowest growth area – Northern Ireland – a balance of +2% of businesses report higher graduate intakes.

Exhibit 7.4 Businesses maintaining or increasing graduate recruitment by region/nation (%)

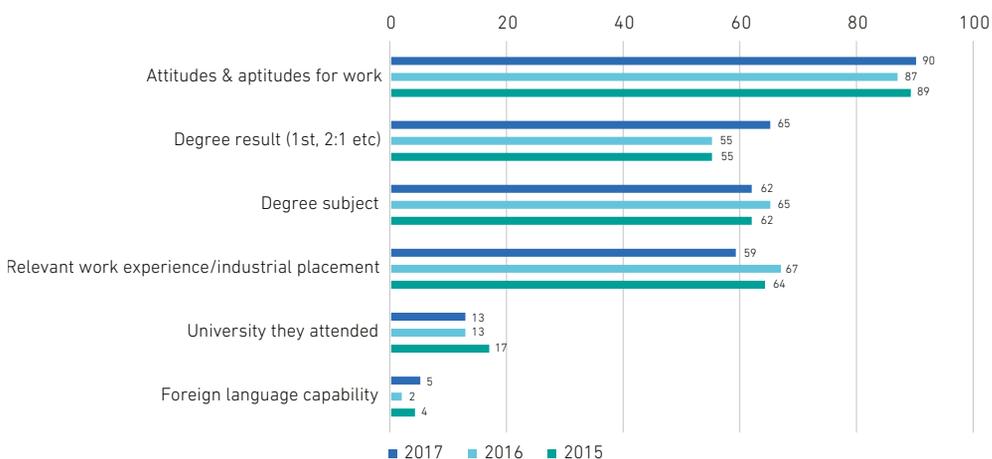


Businesses focus on graduates' attitudes and personal qualities when recruiting ...

Businesses look first and foremost at the qualities of the individual when selecting graduate recruits, not the particular institution they have attended (**Exhibit 7.5**). Above all, employers focus on the attitudes and aptitudes that will enable graduates to be effective in the workplace. This is by far the most widely cited consideration among graduate recruiters (cited as among their three most important factors by 90%). For more than half it ranks as the single most important factor (55%). In contrast, only one in eight (13%) view the university attended by the graduate as one of their three leading considerations.

Businesses also want to see candidates demonstrate effort and general ability. So two thirds (65%) rate the degree result as among their main factors in recruitment decisions.

Exhibit 7.5 Most important factors considered when recruiting graduates (%)



...but businesses also value relevant subjects – especially STEM

Two other factors stand out as equipping graduates for success in the jobs market: the subject studied at university and gaining work experience relevant to their future career field. For nearly two in three businesses the degree subject studied is among the top three considerations (cited by 62%). This is particularly the case in sectors such as manufacturing (where 70% of firms view the degree subject as one of the most important factors when recruiting graduates).

Over the years, our surveys have repeatedly shown that studying STEM subjects can give students an edge in competing for graduate career openings – and it is essential for many jobs in the high-growth sectors. This is reflected by the fact that graduates who have studied STEM subjects on average have higher employment rates – particularly in higher-skill jobs – and higher median salaries, plus lower unemployment, than the graduate population as a whole.⁶¹

If young people are to be able to study the right subjects in higher education for their favoured careers area, they need the right guidance at school or college. The weaknesses of the current guidance arrangements (highlighted in **Chapter 3**) must be addressed urgently so young people do not close off future career avenues unintentionally.

Gaining experience is valuable for graduates and businesses

Relevant work experience or having taken up a placement related to the sector give a valuable edge to graduates seeking career openings. These are an important consideration for most of those (59%) recruiting graduates.

Work experience gained through business placements and/or internships can play a useful part in strengthening students' employment readiness. Those opportunities also enable students to learn about a particular sector or type of work and see whether it is the right field for them. It helps businesses have more confidence about their choice of candidates if graduates can demonstrate some awareness of the sector or occupation.

Most graduates achieve the work-readiness required by businesses...

Most businesses give a positive evaluation of graduate applicants' basic skills and general readiness for employment (**Exhibit 7.6**).

Across all skills areas that we ask about, more than half of all businesses are satisfied or very satisfied with the capabilities of the graduates they employ or who have applied to them. For example, around nine in ten are satisfied with graduates' IT skills (96%), basic numerical skills (92%) and basic literacy and use of English (88%). As we saw earlier, however, many businesses find at least some individual graduate recruits showing weaknesses in these areas that require remedial action (**Chapter 6**).

As noted above, work-related attitudes are critical for securing career openings. It seems most graduates recognise this, with three quarters of businesses (75%) satisfied with graduates' communication skills and even more satisfied with their teamworking skills (79%) and positive attitude to work (78%).

Given the importance of relevant workplace experience to recruiters' decisions, it is encouraging that more than two thirds of businesses (69%) voice satisfaction with levels of experience among their applicants. And three quarters of businesses (73%) report graduates have a satisfactory or better level of knowledge about their chosen job or career.

...but there is scope to improve in some key areas

Those graduate candidates who can show a good grasp of the links between their learning and the demands of their future fields of work are plainly at an advantage in the jobs market. As hubs of learning and innovation, universities have an essential role to play in emphasising to students the importance of gaining relevant experience as well as understanding and absorbing the lessons students learn in the process.

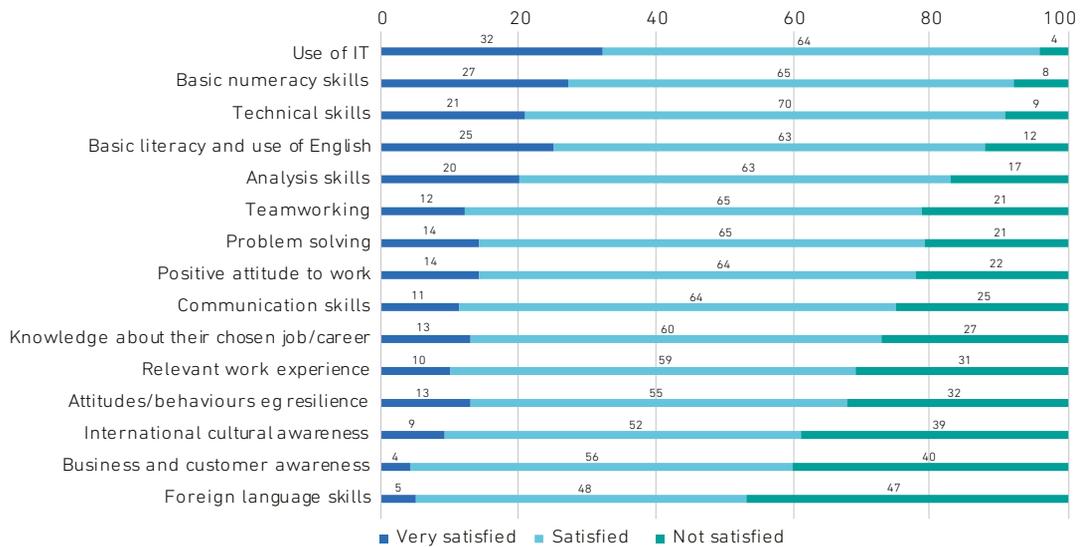


There are excellent career prospects for graduates – provided they are equipped with the right attitudes, skills and knowledge to take advantage of those opportunities.



Areas where graduate job seekers are widely seen as having weaknesses are in their levels of international cultural awareness and business and customer awareness (with 39% and 40% of graduate recruiters reporting dissatisfaction with these respectively). Perhaps of even greater concern is that a third of businesses (32%) voice dissatisfaction with graduates' attitudes and behaviours of self-management and resilience. Higher education should be well-positioned to help students develop in these areas, recognising their importance for future success in life and work.

Exhibit 7.6 Employer satisfaction with graduate applicants' work-relevant skills (%)



The tenth education and skills survey

This is the tenth CBI education and skills survey, run in partnership with Pearson, to give an authoritative picture of trends in business opinion, practice and future plans across a wide range of education and skills issues. It was conducted in the context of continued economic growth despite uncertainty over the future impact of Brexit. As British businesses look to pursue opportunities in markets across the globe, it will be more important than ever for the UK to develop the talents of its people to the full.

KEY POINTS

- The survey was conducted during the period February to April 2017, with responses received from more than 340 organisations
- Participants ranged in size from firms with fewer than 50 employees to those with more than 5,000; SMEs accounted for nearly a third of respondents (30%)
- Respondents were drawn from all sectors of the economy, ranging from manufacturing (14%) and education (14%) to professional services (11%) and construction (10%)
- There were responses from all parts of the UK, with almost half of participants (47%) having at least some employees in Northern Ireland, Scotland and/or Wales.

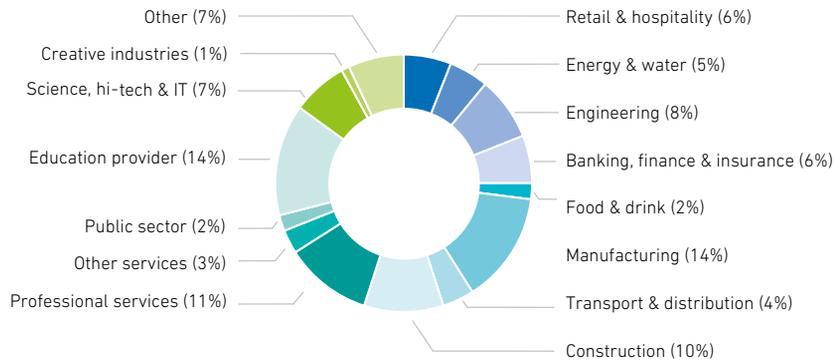
Conduct of the survey

The survey was conducted online during the period February to April 2017. Useable responses were received from 344 employers. Participant organisations were drawn from all sectors of the economy and range from very small firms to businesses with workforces in excess of 5,000 people.

The survey was completed by a senior executive in each organisation. In small and medium-sized companies, this was typically the managing director, chief executive or chairman. In larger firms, it was usually the human resources director or equivalent.

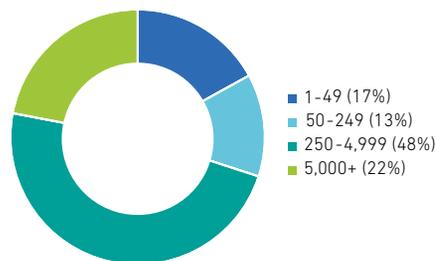
Respondents by sector

Responses were received from organisations in all sectors (**Exhibit 8.1**). Manufacturing firms and education providers of various types form the two largest groupings of respondents (both 14%), while construction and engineering firms are also well represented (10% and 8% respectively). Professional services businesses make up over a tenth of the sample (11%). Science, hi-tech and IT firms (7%) and banking, finance and insurance (6%) are also well represented. Private sector respondents make up the overwhelming majority of participants (98%).

Exhibit 8.1 Respondents by economic sector (%)**Respondents by company size**

Companies of all sizes participated in the survey. Around one in six (17%) employ under 50 staff while at the other end of the scale more than a fifth (22%) employ more than 5,000 people (**Exhibit 8.2**).

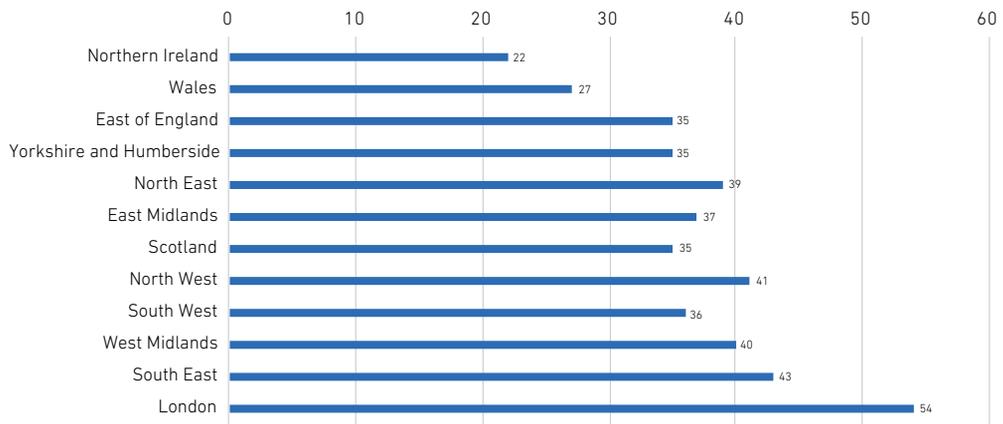
Using the official definition of small and medium enterprises (SMEs) as organisations employing fewer than 250 people, SMEs make up nearly a third (30%) of respondents.

Exhibit 8.2 Respondents by company size (employees) (%)**Respondents by location**

The majority of respondents have employees based in several or most regions and nations of the UK (**Exhibit 8.3**). Respondents most commonly have at least some employees in London (54%) and the South East (43%). Across other localities, the range is from more than two in five respondents with at least part of their workforces based in the North West (41%) to over a fifth with employees in Northern Ireland (22%).

Nearly half of respondents (47%) have employees based in Scotland, Northern Ireland or Wales, where schools, colleges and many qualifications are the responsibility of the devolved administrations.

Exhibit 8.3 Respondents by region (%)



47%

Respondents with employees in Scotland, Northern Ireland and/or Wales

30%

Respondents with fewer than 250 employees

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For further information on this report,
or for a copy in large text format contact:

Edward Richardson
Senior policy adviser
T: +44 (0)20 7395 8164
E: edward.richardson@cbi.org.uk

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