

# Ready to grow: business priorities for education and skills

**Education and skills survey 2010**



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## Foreword by Richard Lambert, CBI



Our survey is being published at a critical juncture in the economic and political cycle.

Businesses are now planning for growth, and regard investment in skills as vital to improving productivity and performance. Many are looking to build partnerships with schools and universities to achieve their long term goals.

With a new government starting work, businesses in our survey have sent very clear messages to all parts of the system – government, schools, colleges or universities – on the outcomes that must be achieved.

Youth unemployment has risen sharply in the last year, and it is essential that schools and colleges ensure that young people enter the labour market with a strong grasp of basic skills. Employers do not expect everyone to arrive at their door 'job ready', but at the very least they want young people who are literate and numerate and who have good employability skills.

Problem solving, team-working and time management skills are a necessary part of employment, and business will often consider these qualities to be as important as exam results and formal qualifications. Improving these skills was employers' top priority for the education system.

The need to improve employability skills does not end at the school gate. Businesses in our survey wanted to see government prioritise action to improve these skills at graduate level too. They recognise that they have a responsibility to help develop employability, which is why employers are working in partnership with schools and universities to provide work placements.

Our survey found employers calling for action to improve the quantity and quality of science, technology, engineering and maths (STEM) graduates, with almost half of firms still experiencing difficulties recruiting STEM skilled staff. These skills will be vital if the UK is to harness opportunities in growth areas such as green technologies and creative industries.

With government budgets under pressure, it is essential that publicly funded workforce training delivers economically valuable skills. Employers want a greater focus on intermediate and higher level skills, along with a drive to strip out levels of bureaucracy. The prominence given to apprenticeships in political debate is also welcome, with over half of the firms in our survey currently involved in apprenticeship programmes.

**Richard Lambert**  
Director-general, CBI

## Foreword by Nigel Snook, EDI



Investing in the employability skills of young people and developing the occupational skills of everyone in the workforce are essential to support the country's economic recovery and long term growth.

This year's CBI/EDI education and skills survey confirms the central challenges facing both the government and employers. For the government, ensuring that those leaving school, college and university have functional skills in numeracy, literacy and ICT is, yet again, highlighted as a fundamental requirement for the successful transition from full-time education into the world of work.

Employers have a critical role to play in providing work experience opportunities and apprenticeship places as a positive means of introducing young people to the work place in a way which complements their academic studies. It has long been accepted that learning programmes are more effective – and particularly for those who are not as comfortable with academic work – if they have a practical context. This can be a powerful tool to engage learners' efforts and embed the underlying skills necessary for their successful employment.

The government is making extensive changes to the way in which all vocational qualifications are structured and how functional skills are taught and assessed. It is also a clearly stated intention that government support for vocational training will, in future, be more closely aligned with employers' requirements and directed at work-based learning.

Despite economic pressures, employers continue to make a huge investment in workplace training, estimated at £39 billion a year, and work with a range of private and public sector organisations

to support skills delivery. However, it seems clear from the findings that for many employers the wide range of organisations involved and the complex funding and qualification arrangements can be a deterrent to getting more involved with government programmes.

Ensuring that the substantial investment in vocational training represents value for money and that the successful completion of training programmes is independently and reliably quality assured is a complex task. This is an area where accredited awarding bodies such as EDI can and do play an important role in providing a professional quality assurance service.

Often, assessment and certification schemes are seen as part of an unnecessary bureaucracy although this is usually because the qualifications in question are linked to government funding in some way. However, as this report demonstrates, employers are increasingly looking to establish partnerships with organisations like EDI. Many have mapped their internal training programmes to nationally recognised qualifications, and are, therefore, able to deliver training relevant to the business and provide employees with a full qualification.

More effective shaping of the arrangements for the funding, delivery and quality assurance of the vocational training supported by government and employers is a challenge for us all.

A handwritten signature in blue ink, appearing to read 'Nigel Snook', with a horizontal line underneath.

**Nigel Snook**  
Chief executive, EDI

# 1 Executive summary

## Priorities for the new government

A new government takes office at a time of major economic challenges, with a need to achieve reductions in public debt and to secure the recovery. Improving the skills of the workforce will play an important part in that process, by underpinning the competitiveness of UK business.

Employers in our survey are very clear about the outcomes they want from the education and skills system. There is a need to ensure school leavers entering a tough labour market have the underlying skills needed for success in any job – over two thirds (70%) of employers want action to improve the employability skills of school leavers, while 63% want action to raise standards of literacy and numeracy.

Similarly over four-fifths (81%) of employers believe ensuring graduates possess employability skills should be the priority for higher education, followed by 42% of firms who want steps to raise the quantity and quality of STEM (science, technology, engineering and maths) graduates. Looking at workforce training, three quarters (75%) of firms believe the focus should be on reducing the bureaucracy associated with government programmes, while almost half (49%) want public funding for the intermediate and higher level skills that will give business a competitive edge.

## Investing in skills through the upturn

As the economy begins the climb out of recession, employers are focusing their efforts on strategies to help them lay the foundations for future success. Almost two thirds (64%) of employers rank improving productivity and performance as their main priority for the next three years, with just over half (52%) looking to expand market share. Significantly almost two thirds (63%) of employers see investing in skills as vital to achieving these strategic objectives.

However with trading conditions remaining difficult, the majority (58%) of employers plan to leave training expenditure unchanged at present. In response to the squeeze on available resources, more than two thirds (69%) of employers say they will be seeking more cost-effective routes for delivering training, while 63% are maximising returns on their spend by targeting training more effectively.

## Getting the right mix of skills

In an increasingly competitive global market, it is essential firms have the right mix of skills – now and in the future. Employers are particularly concerned by the competencies of low skilled staff with less than half (46%) rating competency levels as good. In addition, firms continue to experience problems with basic skills – 52% are concerned about the literacy and 49% the numeracy of the current workforce.

Looking to the future, employers expect a continued shift towards higher skilled jobs. Business demand for lower level skills is expected to decline (-13%), with employers predicting increased demand for higher skills (+55%) and leadership and management skills (+69%). However despite this increased need, over half of employers (51%) are not confident that they will find enough people to fill high skilled jobs in future.

## The importance of employability skills

All employers are looking for young people with strong employability skills, including the ability to solve problems, work in teams, and manage their time effectively. But more needs to be done to address the weaknesses in the soft skills of school/college leavers and graduates.

Over two thirds (68%) of employers are not satisfied with the business and customer awareness of school/college leavers, with 57% unhappy with their time management skills. And while employers are generally more satisfied with the employability of graduates significant problems still remain. Almost half (46%) are dissatisfied with graduates' business and customer awareness, and a quarter are unhappy with graduates' time management (26%) and problem solving skills (24%).

## Business has a key role to play in the education system

Employers are actively engaged with education at all levels – almost two thirds (64%) have links with secondary schools and a quarter (25%) with primary. Over half (56%) of employers believe the best thing they can do to prepare young people for the transition from school to working life is to provide opportunities for work experience.

This provides an excellent chance for young people to develop employability skills, although many employers accept they could do better when providing work experience placements. Over a third (37%) of firms felt they provided high quality work placements, but 31% felt they could deliver better outcomes for young people. To improve the quality of work experience for school/college pupils almost half (48%) of employers want greater flexibility to deliver placements outside the traditional two-week block.

### Growing strong with science and maths

Science, technology, engineering and maths (STEM) skills are valued by employers across different sectors, with almost three quarters (72%) of firms employing STEM-skilled staff. In particular, STEM skills are vital to areas of future growth and employment including advanced manufacturing and low carbon industries. But skills shortages may hold back progress – 45% of employers are currently having difficulty recruiting STEM-skilled staff, with almost six in ten (59%) of firms expecting difficulty in the next three years.

Urgent action is needed to increase the number of young people studying STEM subjects. Over two thirds (69%) of employers want government to promote science and maths in schools, while half (52%) want to protect funding for STEM at university level. But business recognises it has a role in improving perceptions of science subjects – with 71% believing employers should provide work placements to give young people an insight into STEM careers.

### The value of HE-business partnership

Effective partnership between the higher education sector, business and government will be critical to maintaining the economic recovery and developing the UK's international competitiveness in the longer term. Three in ten (30%) jobs currently require degree level skills, with graduates rewarded with an average starting salary of £23,000 for managerial roles.

Employability skills are the most important factor for employers (77%) when recruiting graduates. Degree subject remains relevant with a quarter (25%) of graduate jobs requiring a specific degree discipline.

Two thirds (66%) of employers currently have links with universities, with almost half (47%) of firms providing work placements and 40% partnering with universities on research and innovation.

### Staying ahead on workforce skills

Employers invest £39 billion per year training their staff and the skills system must work in partnership with employers to increase economically valuable skills. Over half (54%) of employers in our survey are currently involved in apprenticeships but barriers to further employer involvement must be tackled. Almost half (46%) of employers are demanding action to strip out bureaucracy, while 41% want support for larger firms willing to train more apprentices than they need for the benefit of SMEs in their sector.

Our survey found only 30% of the training employers provide to their staff leads to recognised qualifications, with further reform of vocational qualifications essential. While 70% of firms wanted reform to focus on making the content of qualifications more business relevant, the same proportion welcomed the flexibility to mix and match different qualification units which the new Qualifications and Credit Framework will provide.

### The language of business

Language skills are increasingly important in a globalised economy. Linguistic proficiency helps firms to consolidate their relationships with existing overseas trading partners and develop contacts in new markets.

Most employers (65%) are looking for conversational ability – rather than fluency – to help break the ice with customers or suppliers. Businesses looking for language skills are still seeking traditional European languages such as French (49%), but employers are also increasingly looking further afield with increased demand for Mandarin/Cantonese (44%).

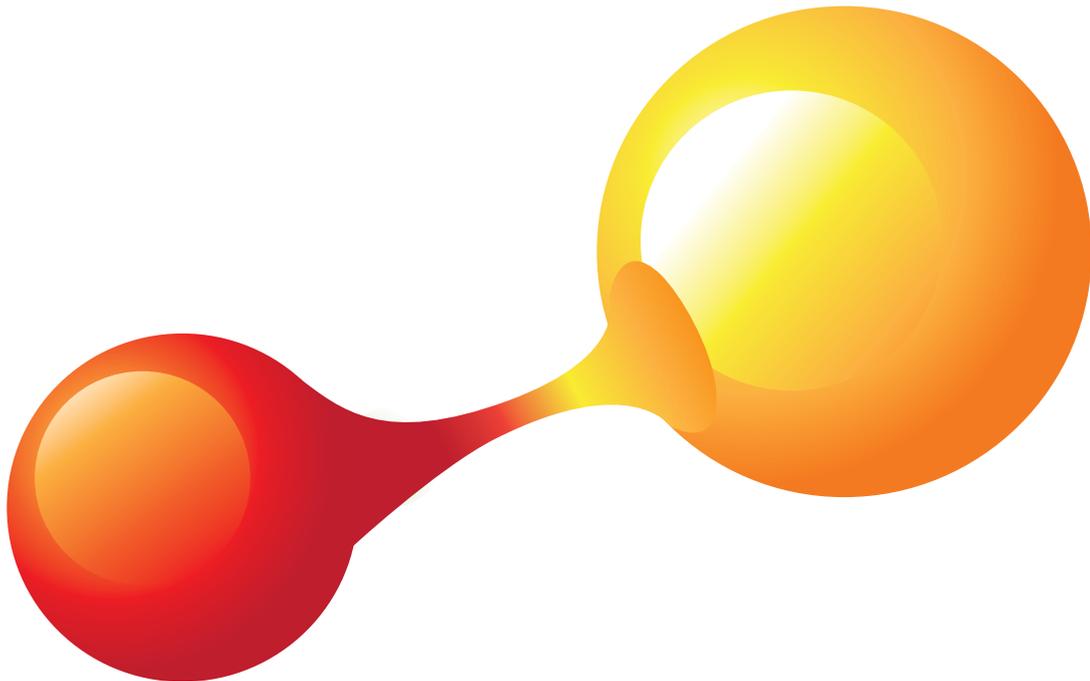
## 2 Respondents

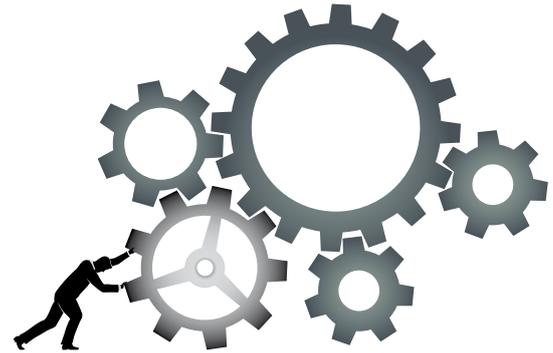
**The third education and skills survey is published at a time when economic recovery is fragile: firms are still facing tough trading conditions and an extended squeeze on public spending lies ahead to rebalance public finances. In this challenging environment, investing in skills has never been more important. In the short term, increased workforce skills will boost competitiveness and help firms emerge from the recession stronger. Looking to the longer term, widening and deepening the pool of higher skills is essential for the UK to maintain its place in an expanding global marketplace.**

The survey provides an authoritative barometer of business opinion on key education and skills issues. It was conducted in February 2010, with useable responses received from 694 employers, collectively employing over 2.4 million people, or 8% of all those in employment in the UK.<sup>1</sup> Participant organisations are drawn from all parts of the economy – spanning the public and private sectors – and are of all sizes, from very small firms to the organisations with workforces of more than 5,000 people.

The survey was completed by senior executives. In small and medium-sized companies, this tended to be the managing director, chief executive or chairman. In larger firms, it was the human resources director or equivalent.

The results have been weighted using data from the Office for National Statistics to ensure they accurately reflect practices across all sectors of the economy.





### Sectoral analysis

Responses were received from across all sectors of the economy (**Exhibit 1**), four fifths (81%) coming from the private sector and a fifth (19%) from the public sector. Manufacturing is the biggest single category (22% of respondents), reflecting that it contributes towards a fifth of GDP. Respondents from construction account for 9% of responses, while a range of service industries make up around a third of survey participants.

### Respondents by company size

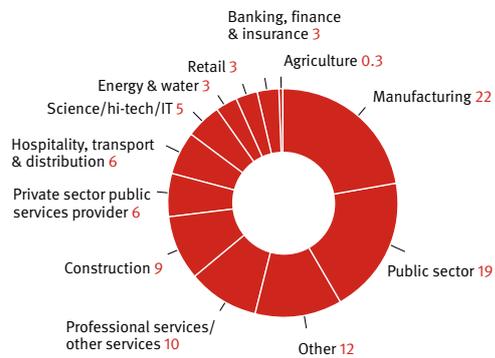
Companies of all sizes participated in the survey – 12% employ under 50 staff and 11% over 5,000 (**Exhibit 2**).

Official data suggests that, as with most business surveys, medium-sized and larger firms are over-represented, as the majority of UK businesses employ fewer than 50 people. But large firms employ 40% of the private sector workforce,<sup>2</sup> so the survey more broadly reflects overall employment patterns and practices.

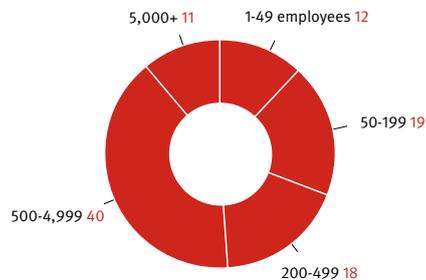
### Geographic spread

A quarter of the participants (26%) have operations in all parts of the UK. Of those with their operations concentrated in particular regions, 10% are based in London and the same proportion in the south east. Organisations operating in Scotland and Wales account for 5% and 3% respectively.

**Exhibit 1 Respondents by economic sector (%)**



**Exhibit 2 Respondents by company size (%)**

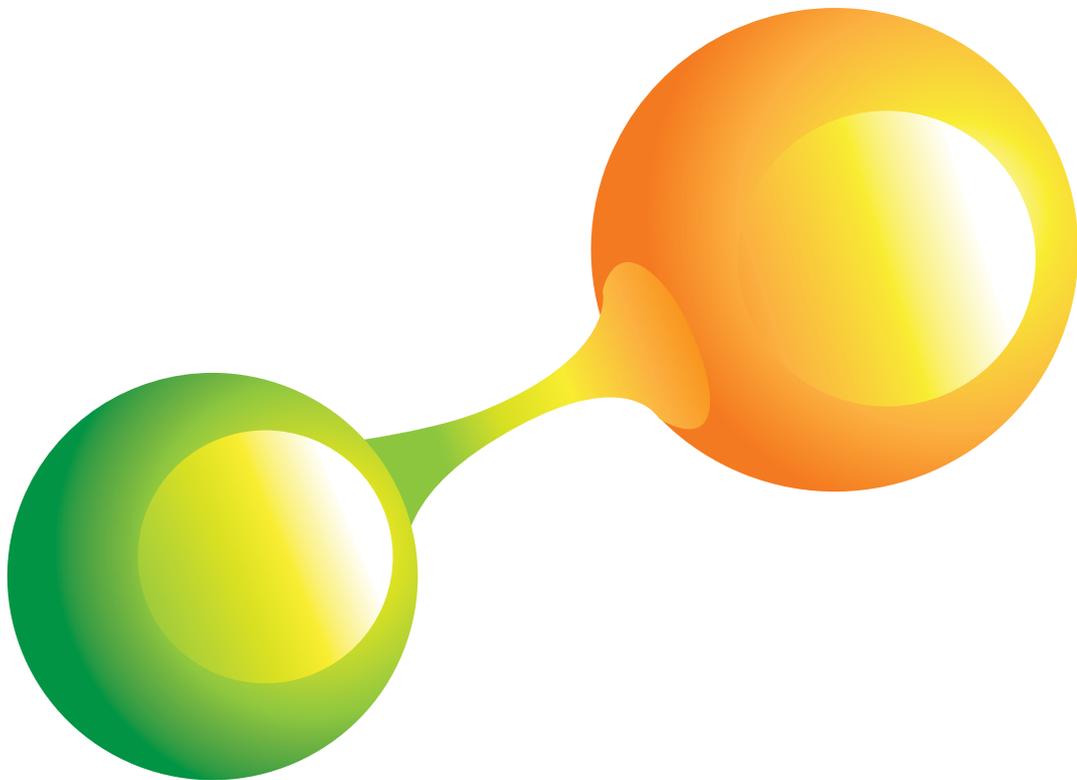


## 3 Priorities for the new government

**A new government takes office at a time of major economic challenges, with a need to achieve rapid reductions in the public finance deficit. But a key element in restoring the public finances is to foster a stronger economy, and improving the skills of the UK workforce will play an essential part in that process. This will require a partnership approach by business and government – but the role government plays in ensuring our education and skills system is meeting business priorities remains essential.**

### Key findings

- Over two thirds of employers (70%) want to see the new government making the employability skills of young people its top education priority, while 63% want to see a focus on improving basic standards of literacy and numeracy in schools and colleges
- Employers want to see action to drive up employability skills among graduates, with 81% identifying this as a priority
- To improve the training system itself, three quarters (75%) of firms want the government to take urgent action to reduce the red tape involved in accessing public funding and support.





### Employability skills must be addressed in schools...

In shaping policies for schools and colleges, employers want to see the new government making the employability skills of young people the top priority (the nature of these skills is outlined in chapter 6). Over two thirds (70%) of firms cite this in their top three issues for the government to address, with only a slightly smaller proportion (63%) wanting to see a focus on improving the essential skills of literacy and numeracy (Exhibit 3). Nearly half (46%) also identify the need to raise overall standards, ensuring the UK’s education system compares with the best in the world.

General educational standards – including basic skills of literacy and numeracy – and enabling young people to make an effective transition into working life have long been concerns for employers. Only if these are properly addressed can young people begin to use their other skills and abilities to contribute in the workplace.

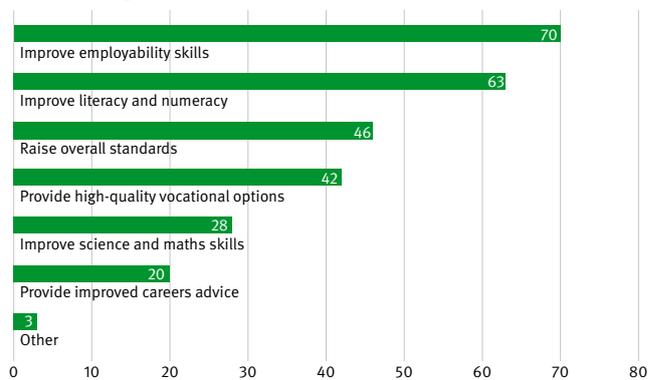
Employers are also keen to see the government encouraging schools and colleges to provide more in the way of high-quality vocational options (42%). Too often in the past these have been neglected relative to more obviously academic subjects and have been seen as less worthwhile by many involved in education.

### ... and in higher education

Employability also emerges as by far the single most important area in higher education. In all, four out of five employers (81%) want to see the government working with universities to ensure all graduates develop employability skills (Exhibit 4).

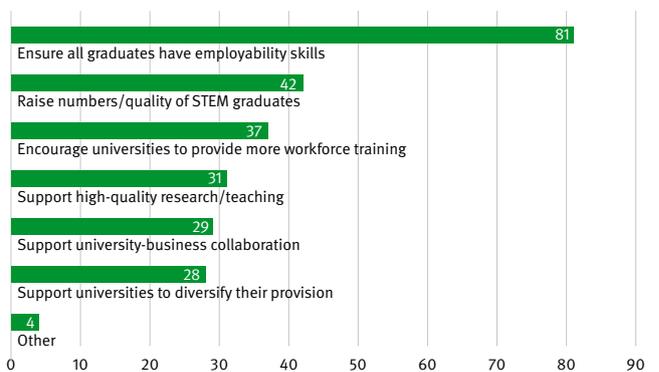
Close to half of all respondents (42%) want action to raise the numbers and quality of science, technology, engineering and maths (STEM) graduates, with the issue particularly pressing among employers in sectors where STEM skills are directly applied on a day-to-day basis. Two thirds of employers in manufacturing (65%), science/hi-tech/IT (66%), and energy and water (67%) for example are calling on the government to act.

### Exhibit 3 Business priorities for schools and colleges (%)



Note: Respondents were asked to identify their top three priorities

### Exhibit 4 Business priorities for higher education (%)



Note: Respondents were asked to identify their top three priorities

The survey results point to a wish among many employers to see greater diversity in what universities offer. More than one in four (28%) firms want the government to take action to support universities in diversifying their provision for an ever-wider range of student and business needs. This includes looking at the nature of courses on offer, the form they take, and how and where they are delivered.

### Bureaucracy around publicly-funded training must be cut

Turning to those already in work, the dominant issue for employers is the bureaucracy associated with accessing government funding and support for training programmes. Three quarters (75%) of firms want the government to take immediate steps to reduce red tape (**Exhibit 5**). And it is not simply the case that smaller firms with less experience of publicly funded training schemes find difficulty in navigating the system – in fact, the issue was most commonly raised by the largest employers, with 87% of organisations employing more than 5,000 people wanting a reduction in bureaucracy. Employers recognise that all public spending will be under pressure in the years ahead, making it all the more important that resources should be used to best effect, not wasted on excessive administration.

Employers also want the skills system to be more streamlined. Just under half (46%) would like to see the government simplifying the number of skills organisations and programmes, while over a third (38%) want continued reform of vocational qualifications to make them more business-relevant. As business practices and needs change, qualifications too have to evolve constantly.

Government-funded programmes have been criticised for concentrating on lower-level qualifications. This has often led to a mismatch between employers' skill needs and the financial support available. The results show the scale of the problem, with half of employers (49%) wanting the government to provide support for intermediate or higher-level skills.

### Exhibit 5 Business priorities for workforce skills (%)



Note: Respondents were asked to identify their top three priorities

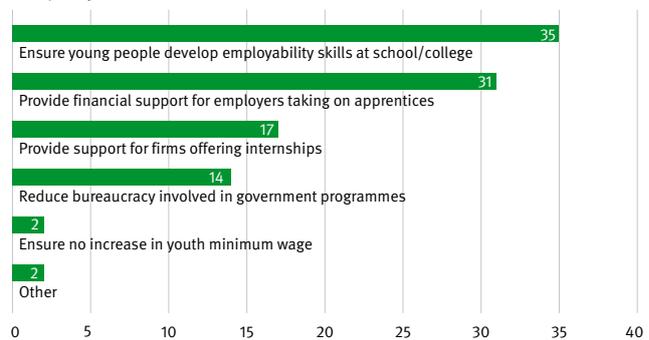
### Helping young people into work

One of the major concerns during this recession has been the impact on young people. With little or no track record of employment, young people tend to be among the most vulnerable groups in an economic downturn. Unemployment for 18-24 year-olds was 715,000 in the three months to January 2010, equivalent to 17.5% of those in the age group. There is a serious risk that those who fail to establish a pattern of regular contact with the world of work at an early stage in their post-education lives will find it much harder to develop and maintain that connection later in life.

Employers see it as a priority for the government to ensure young people develop employability skills to help make their move into work as smooth as possible. Thirty-five percent see this as the single most important action for the government (**Exhibit 6**). Taken together with the 17% of employers who want the government to prioritise support for firms offering internships, well over half of respondents believe practical action to help young people function more effectively in the workplace should be the prime focus of government attention.

A third of firms (31%) want to see financial support for those employers taking on apprentices. This reflects recognition of how important it is to create more openings for young people to acquire skills that will stand them in good stead throughout their working lives and the likely growth in demand for skilled employees in the years ahead. Backing for apprenticeship support is particularly strong in manufacturing, where more than half of firms (54%) believe this should be the government's priority.

### Exhibit 6 Steps to support young people into employment (%)



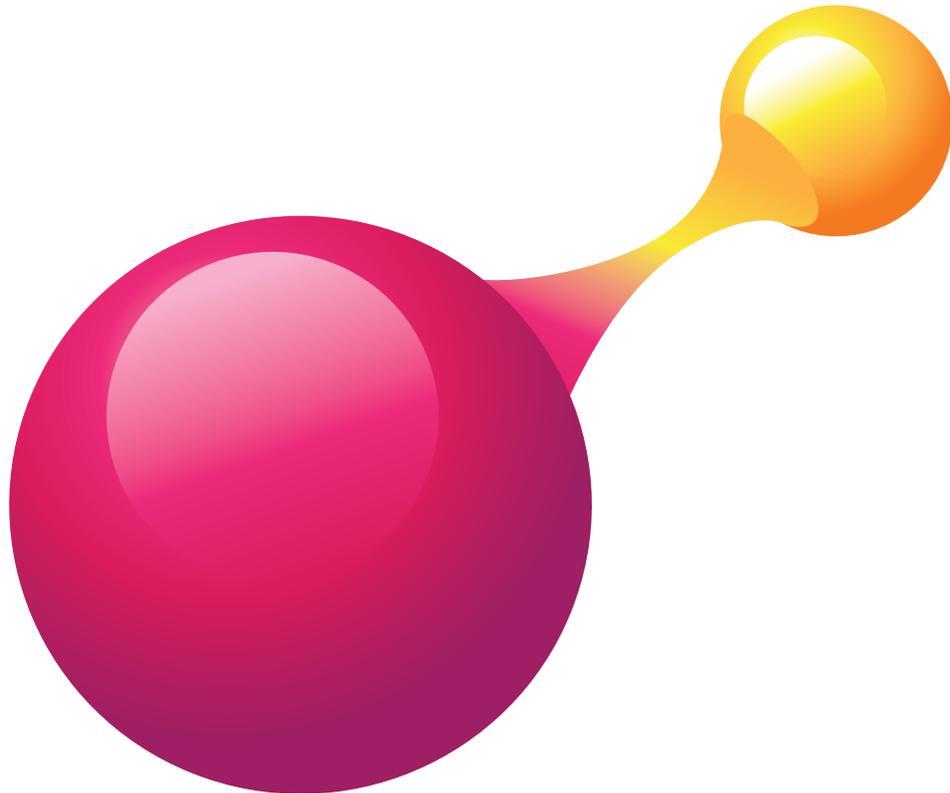
‘Young people must develop employability skills to make their move into work as smooth as possible.’

## 4 Investing in skills through the upturn

**As the economy begins the climb out of recession, employers are focusing their efforts on strategies to help them lay the foundations for future success. This means not only improving current performance by growing market share and boosting profitability, but also strengthening the leadership and management on which future prospects depend. To deliver this, firms recognise the importance of a skilled workforce and are looking to optimise their spend on employee development at a time when economic conditions mean resources available to invest in training are under severe pressure.**

### Key findings

- Businesses see improving productivity and performance as their single most important priority for the next three years – two thirds (64%) rank this as key
- But firms are also focused on improving the quality of leadership and management, seeing these skills as essential for future success – nearly half (48%) identify this as a strategic priority
- Almost two thirds (63%) of firms see investment in skills as very important for achieving their strategic objectives, with the great majority (72%) planning to maintain or increase their spending on training and development
- Well over half of firms (63%) say they will be targeting their training more effectively as resources remain tight during the early stages of economic recovery.





### Business is focused on improving results

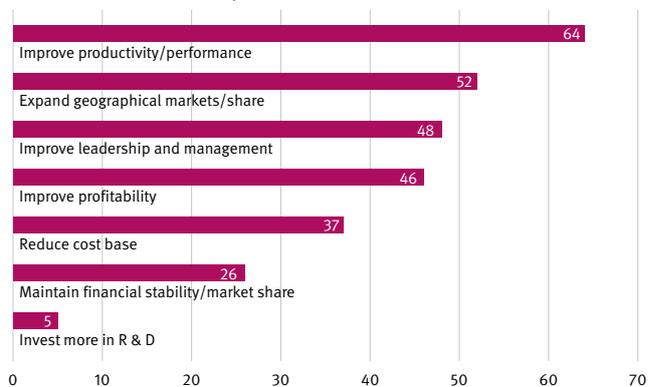
Our survey shows employers are clearly focused on strategies that will improve bottom-line performance. Last year the priority for firms was getting through the recession in relatively good shape – or at all in some cases. Now, as recovery starts to build, they are looking to achieve sustained improvement in business performance.

The top priority for the next three years – reported by two thirds (64%) of firms in the survey – is improving productivity and performance (**Exhibit 7**). Intense competition, tough trading conditions and the financial impact of the recession give this an importance well ahead of other strategic aims. Reflecting the focus on the bottom-line, expanding market share (52%) and improved profitability (46%) are also widely identified as strategic objectives.

But business priorities emerging from the survey are not solely about financial outcomes. Achieving improved performance depends on the calibre of leadership and management in an organisation. One of the striking findings in this year's survey is the increase in the importance attached to these skills – last year 39% of firms identified improving leadership and management as one of their strategic priorities, but this year the proportion has jumped to 48%.

Looking at the public sector, which faces huge challenges and change in the years ahead to improve performance and cope with an unprecedented squeeze on spending, nearly three quarters of respondents (73%) see improving leadership and management capabilities as a strategic priority.

### Exhibit 7 Businesses' key strategic priorities for the next three years (%)



### Business continues to value training

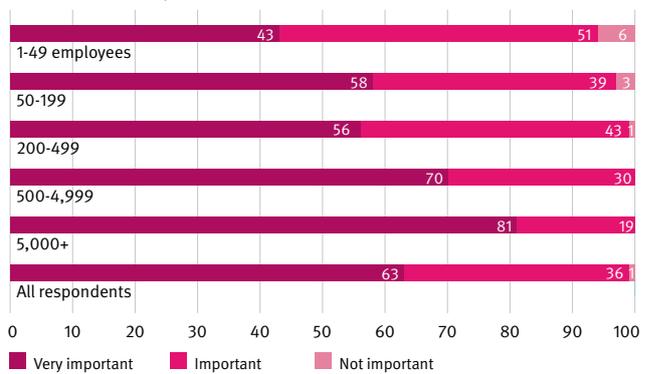
Businesses invest £39bn<sup>3</sup> a year in skills training and know the importance of workforce skills for improving their competitiveness. In the early stages of economic recovery, investing in the right skills and ensuring these are utilised to best effect will help firms take advantage of the upturn as it gathers pace. But as with all investments, employers expect to realise a return on their spend.

Two thirds (63%) of employers see investing in skills as very important to achieving their strategic objectives (**Exhibit 8**). Hardly any (1%) regard such investment as unimportant.

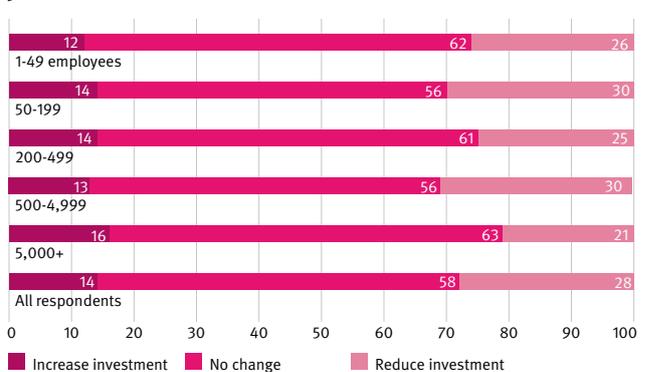
At a time when trading conditions for most firms are difficult, it is no surprise that the great majority of employers do not feel able to increase their investment in training and development, despite recognising its importance – but only a quarter (28%) are planning to cut budgets. More than half (58%) of employers plan no change in their spend on training, while 14% plan to increase their investment (**Exhibit 9**).

Some of the reduction in spending reflects the relatively low recruitment levels over the past year – almost two thirds of organisations imposed recruitment freezes in 2009 in at least some areas<sup>4</sup> – which mean there are fewer new, inexperienced employees whose skills need to be brought up to appropriate levels. For example, half (47%) of construction firms – many of which have substantially reduced their workforces – plan to reduce their investment in training during the coming year.

**Exhibit 8 Importance of investing in skills to business objectives (%)**



**Exhibit 9 Impact of economic climate on business plans for skills investment (%)**



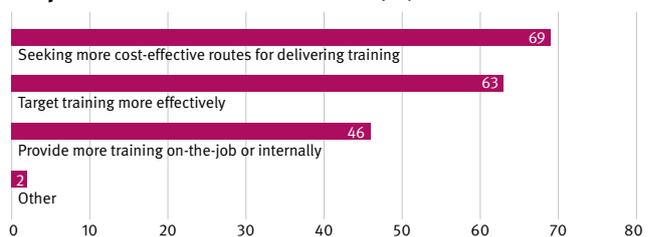
### Investment in training is being carefully targeted

In response to the squeeze on available resources, more than two thirds (69%) of employers say they will be seeking more cost-effective routes for delivering training (**Exhibit 10**). This might for example include greater use of online programmes or in-house training delivered by colleagues. Nearly two thirds (63%) of firms also plan to target training more effectively, ensuring that resources are focused on those areas and activities yielding the best return.

The emphasis on cost-effective methods and targeting of training activities increases steadily with company size – among the largest firms employing more than 5,000 people, 82% said they will be seeking more cost effective routes and 70% said they will be looking to target training more effectively. In the face of expected cuts in public spending, more than four out of five public sector respondents (84%) said they would be looking for more cost-effective mechanisms.

Although economic recovery is fragile and in its early stages, it is already clear that training and development activity did not collapse during the recession in the way that many feared. All the signs are that firms recognise that maintaining and building their skills base becomes all the more essential when they are facing very tough conditions.

**Exhibit 10 Training strategies used by firms in response to economic climate (%)**



**‘More than two thirds (69%) of employers say they will be seeking more cost-effective routes for delivering training.’**

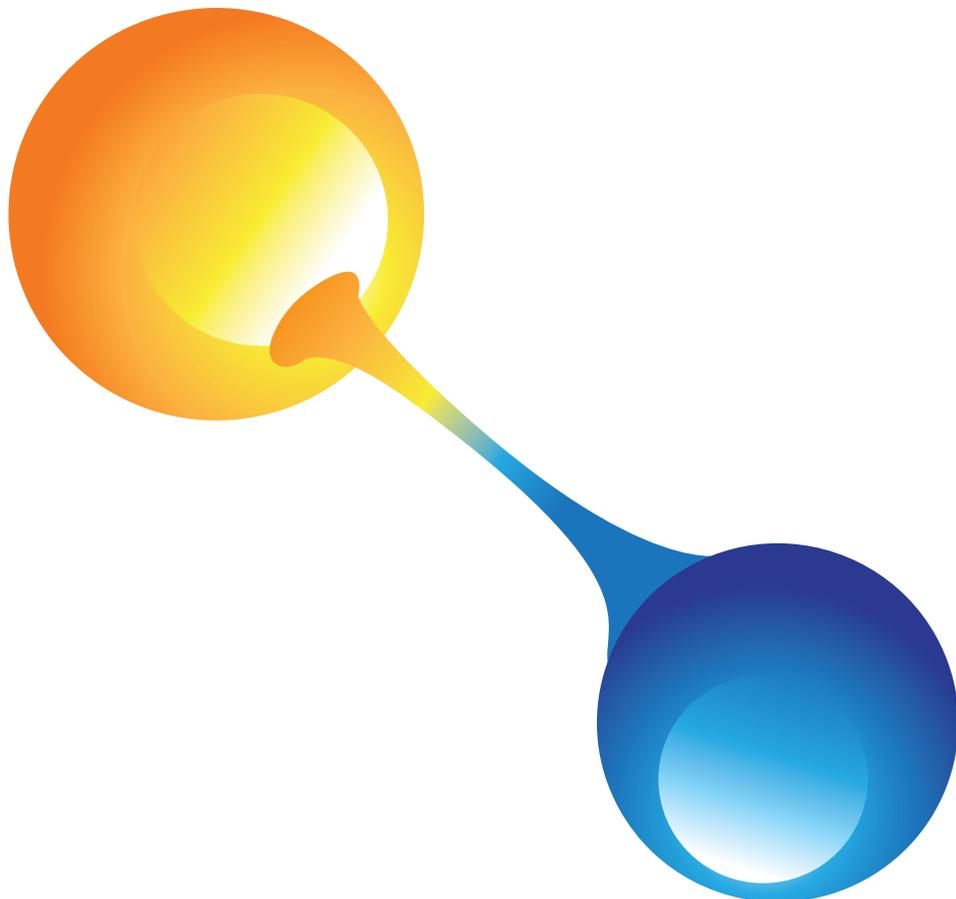
## 5 Getting the right mix of skills

**In an increasingly competitive global market, it is essential that firms have the right mix of skills – now and in the future. In the years ahead, the importance of skills will increase as the proportion of low-skilled roles in the workforce declines.**

‘Respondents to our survey show the strength of the drive towards a higher-skill economy in the next few years.’

### Key findings

- Only 46% of employers rate the current competency levels of staff in low-skilled jobs as good, with basic skills in literacy, numeracy and IT a continuing cause for concern
- Businesses expect the make-up of the workforce to change rapidly in the next three to five years, with employer demand for low-level skills declining and 55% of firms reporting an increased need for more higher-skilled employees
- The biggest area of growth is expected to be in leadership and management posts, with 69% of employers anticipating to see their need for staff growing in this area
- While most employers are confident they will be able to fill their lower-skilled posts, half (51%) are not confident of being able to meet their need for higher-skilled staff.





### Skills are essential for competitiveness – but the mix is not yet right

Employers in our survey are concerned by the competency levels of their low-skilled employees (**Exhibit 11**). Only 46% rate competency levels in this section of the workforce as good.

Weaknesses in basic skills are a widespread problem, significantly impacting an employee’s performance even in fairly elementary tasks and restricting the prospect of moving on to more complex and demanding work. Concern about the competency of low-skilled employees is common across employers of all sizes, with only 41% of firms with over 5,000 staff rating levels as good.

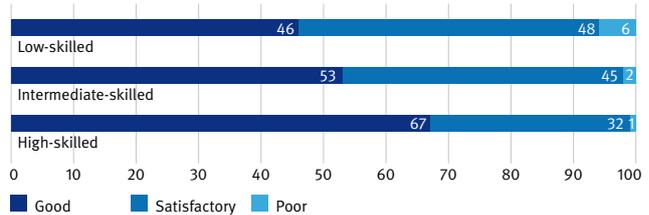
Even at the level of intermediate-skilled jobs, only just over half of employers (53%) assess the competence of employees as good. Results are better for high-skilled employees – two thirds of all employers (67%) consider competence levels as good among these groups, rising to 75% among the largest firms.

### Basic skills remain a cause for concern

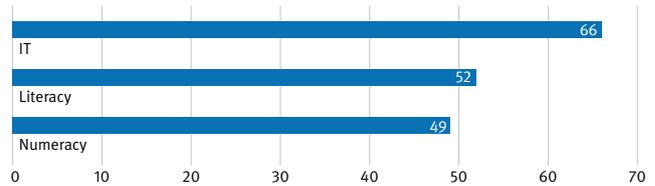
Basic skills are a core component of competency – and fundamental to success both in the workplace and in a person’s daily life. But the results from our survey highlight the ongoing problems (**Exhibit 12**). Half of respondents express concern about the basic literacy skills (52%) and numeracy skills (49%) of their current workforce. Concerns about IT skills are higher still, with two thirds (66%) of firms expressing concern. And the extent of concerns rises with organisation size – among those with over 5,000 employees, 77% report problems with literacy, 69% numeracy and 87% IT.

Employers’ particular concerns over numeracy and literacy inevitably vary from business to business (**Exhibit 13**), but there is broad agreement about how shortcomings in basic skills affect employees’ ability to perform everyday tasks. They can hinder employees in being able to draw out information effectively from basic texts, compose coherent written communications, or work through basic arithmetic and percentages, such as calculating change or working out a discounted price.

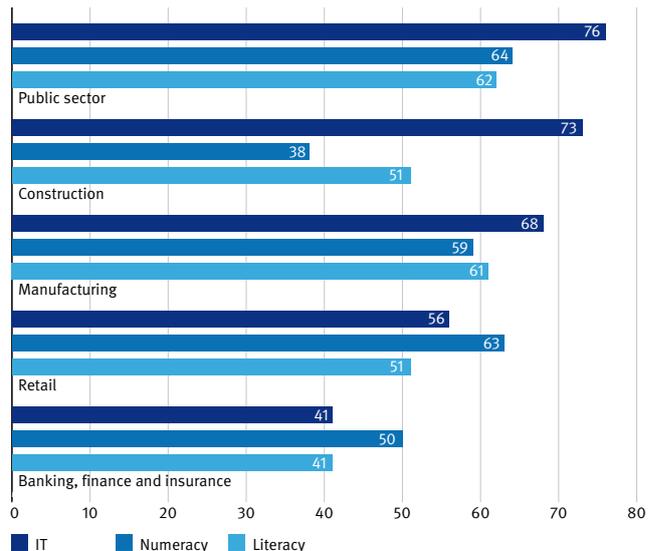
**Exhibit 11 Employee competency levels (%)**



**Exhibit 12 Employers reporting concern about basic skills in their current workforce (%)**



**Exhibit 13 Employers reporting concern over basic skills – key sectors (%)**



### It is important to get the basics right as early as possible

Only half of young people currently leave school having achieved the benchmark of an A\*-C grade in English and maths GCSE.<sup>5</sup> And although an A\*-C pass at GCSE is the standard for which schools and students should aspire, it is not necessarily an accurate proxy for basic numeracy and literacy. But the large number of young people falling well below this measure is perpetuating the basic skills deficit among major sections of the UK workforce.

To address this, employers are having to invest in remedial training for employees at all levels (**Exhibit 14**). In the past year, around a fifth of employers have organised remedial training for at least some young people joining them from school or college – 18% of firms have provided training in literacy (18%), and similar proportions in numeracy (18%) and IT (22%). Worryingly, these figures show no improvement over the position two years ago: in 2008, 15% of employers reported providing remedial training for school leavers in literacy, 15% in numeracy and 22% in IT.<sup>6</sup> There is understandable frustration among business that they continue having to pick up the pieces to support those who left full-time education with weaknesses in the basic skills they will need in their working lives.

Remedial training is even more widespread in relation to adult employees, with a particular focus on IT skills – 43% of employers report they have provided adults with remedial IT training in the past year. Employers recognise that a shared commitment – by business and government – to ensuring adequate levels of basic skills in the existing UK workforce is essential for the future.

### A growing hunger for skills

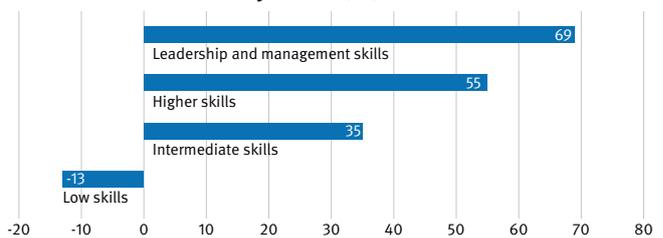
Over the next decade, employer demand for people to fill more highly skilled occupations will grow. Of the 13.5 million jobs that will need to be filled by 2017 over half will be for managers, professionals and associate professionals and technical occupations.<sup>7</sup>

Respondents to our survey show the strength of the drive towards a higher-skill economy in the next few years (**Exhibit 15**). Asked about their anticipated needs over the next three to five years, nearly twice as many employers report they expect to decrease the number of low-skill roles as expect to increase them (30%

**Exhibit 14 Employers providing remedial training in past year (%)**

	School/ college leavers	Graduate	Adults
Literacy	18	7	22
Numeracy	18	5	18
IT	22	16	43

**Exhibit 15 Employer demand for different skills levels over next 3-5 years\* (%)**

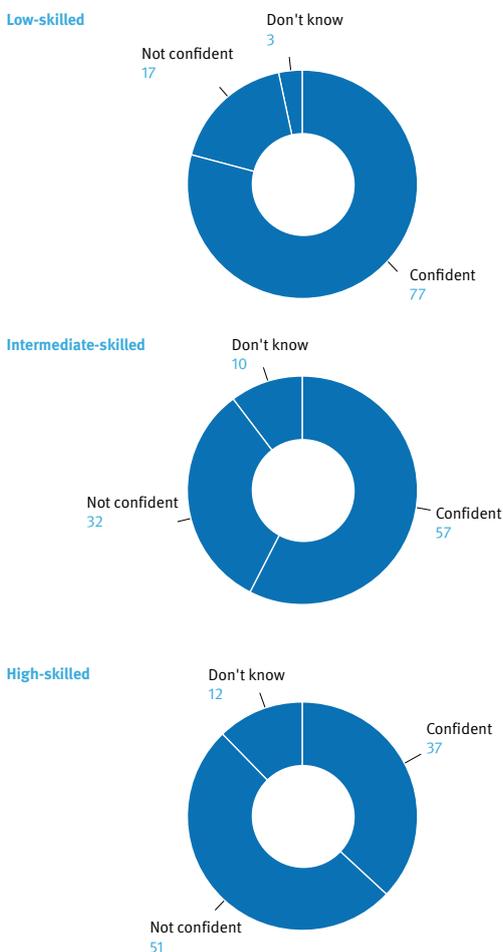


\* Firms reporting increased demand minus those reporting decreased demand

compared to 17%, a negative balance of -13%). Although there will always be some residual roles requiring few skills, the job prospects for those with low skills levels seem certain to become bleaker with each passing year.

The picture is very different at the higher end of the skills ladder. At the level of employees performing jobs requiring intermediate skills, a balance of +35% of employers expect to see an increase in demand, climbing to a balance of +55% of firms for those jobs requiring higher-level skills. But it is in roles requiring leadership and management skills that anticipated growth in the next three to five years is explosive. Three quarters of firms (74%) anticipate an increase in their requirements for employees able to fill leadership and management posts, compared to just 5% anticipating a decline – a huge balance of +69% of employers.

### Exhibit 16 Employer confidence in their ability to access employees in the future (%)



### Can the need be met?

Although the majority (77%) of senior executives responding to the survey are confident there will be enough people to fill low-skilled jobs in future (Exhibit 16), employers are concerned about their ability to fill more demanding posts. A third of employers (32%) are not confident they will be able to find enough people with the skills needed for their intermediate-skilled roles and a majority (51%) are concerned about the prospect of finding sufficient employees with high skills.

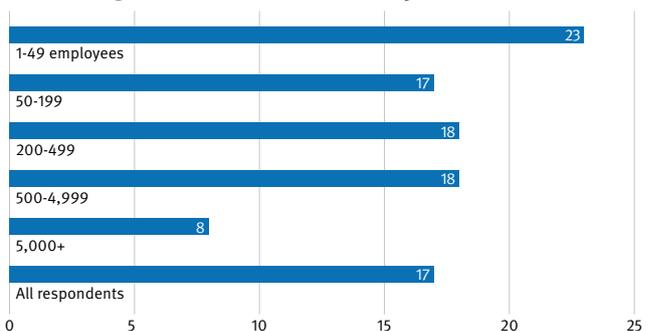
Concerns about filling future openings are particularly widespread among the largest firms employing over 5,000 people. In this group more than half (56%) are not confident they will be able to meet their need for high-skilled staff and 43% are not confident about meeting their need for intermediate-skilled employees.

Certain sectors express particular concern, with more than three quarters (77%) of employers in manufacturing and 69% in the science/hi-tech and IT sector not confident of being able to recruit highly-skilled staff in future.

### Tackling climate change calls for new skills

The skills demands generated by the move towards a greener, carbon-neutral economy pose a new challenge. Nearly a fifth of employers (17%) report that their organisations lack the specialist skills and knowledge needed to reduce their carbon footprint (Exhibit 17). The shortfall is particularly pronounced among the smallest firms, where nearly a quarter (23%) of those with under 50 employees do not believe they have the necessary skills and knowledge.

### Exhibit 17 Employers reporting lack of skills/knowledge to reduce carbon footprint (%)



## 6 The importance of employability skills

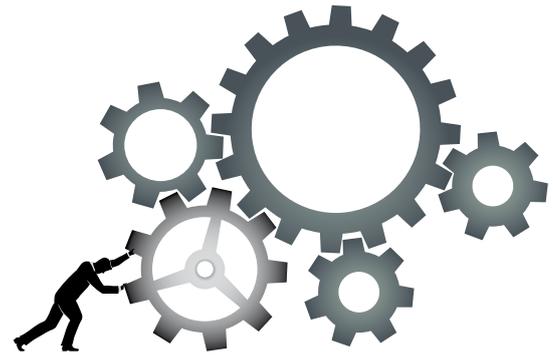
**Schools and colleges must ensure young people develop the knowledge and skills they will need for their future working lives. Employers do not expect schools, colleges and universities to produce ‘job-ready’ young people – they recognise it is their responsibility to train employees to do their jobs. But at the very least, young people must enter the labour market literate, numerate and employable. Work experience has an essential role in helping young people understand the day-to-day importance of skills they acquire in education and in developing employability.**

‘There is still much to be done to improve young people’s employability skills – the survey results show widespread dissatisfaction across business with the levels currently displayed.’

### Key findings

- Young people are leaving school and college with serious weaknesses in their employability. Over half of employers (57%) are finding weaknesses in school leavers’ self-management skills – such as time management – and two thirds (68%) believe they have inadequate business and customer awareness
- A quarter of employers (24%) are dissatisfied with graduates’ problem-solving skills, and 26% with their self-management skills.





**Young people must understand the skills they need for work**

It is no surprise that employers put improving school leavers’ employability skills as their number one education priority for the government (Exhibit 3).

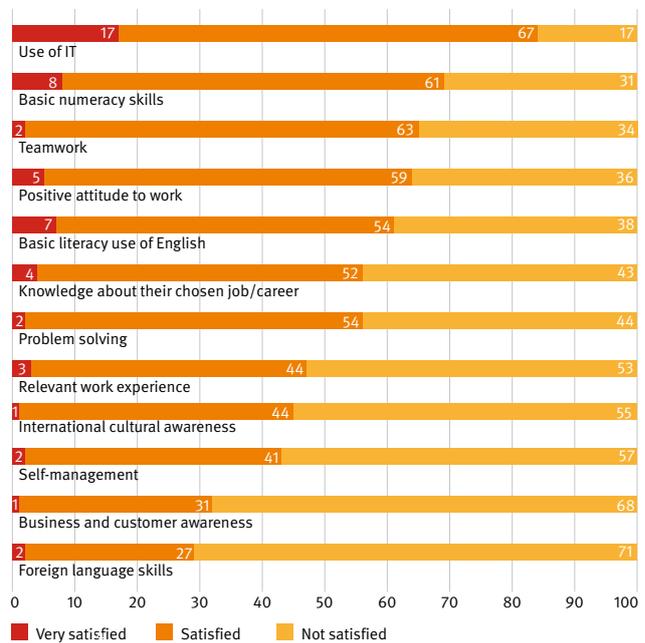
There is still much to be done to improve young people’s employability skills – the survey results show widespread dissatisfaction across business with the levels currently displayed (Exhibit 18). The CBI has defined the vital skills and attributes that any person should have to be employable (Exhibit 19, p24).

Employers do not expect young people to be job-ready but firms do expect school leavers to be able to draw on a range of employability skills as they find their feet in the labour market. Illustrating the scale of the challenge, over half (57%) of employers are unhappy with young people’s self management skills – expecting them to be better able to accept responsibility in the workplace and manage their time effectively. While employers do not look to the education system to train people for work, a basic grasp of customer care and profit and loss (business awareness) is desirable – but 68% of employers are dissatisfied with young people’s business and customer awareness. Teamworking skills and problem solving are seen as other major areas of shortfall, with 34% and 44% of employers respectively dissatisfied with the skills shown by young people.

The combination of an increasingly global economy and heightened cultural sensitivities means new demands on many people at work. The education system has a major part to play in preparing young people for work, and teaching foreign languages can help. But over two thirds of employers (71%) are not satisfied with the foreign language skills of young people and over half (55%) perceive shortfalls in their international cultural awareness.

A positive attitude to work is vital so young people approach the world of work with enthusiasm and a desire to learn and develop – but 36% of employers are not satisfied with the extent they display this critical attribute. Finally, young people need a core

**Exhibit 18 Employer satisfaction with school/college leavers’ employability skills (%)**



understanding of their chosen careers but too many suffer as a result of poor careers advice. Close to half of employers (43%) feel young people have limited knowledge about their potential job, and too few have completed relevant work experience – half (53%) of employers cite this as a concern.

Schools and colleges must embed employability skills more fully into the curriculum. At present personal learning and thinking skills (PLTS) modules are used, but these do not place sufficient emphasis on ensuring students understand and articulate the skills they have learnt in ways that resonate with business and which reflect employers’ views of employability.

### Business studies and maths at A-level help employment prospects

When asked which one A-level subject they would most advise a young person to choose to enhance their employment prospects, responses from employers clearly show the value of practical understanding and applicable skills (**Exhibit 20**, p25). Business studies (the choice of 42%) can give young people an understanding of the type of issues, concepts and language they should expect to encounter in the workplace, while maths (chosen by 21%) has relevance in almost any work context.

Maths is identified as particularly valuable for some sectors, selected as top choice by 30% of employers in manufacturing, rising to 47% in construction. In the science and high-tech sector, the single most favoured choice of A-level is physics or chemistry (28%), with maths another popular choice (22%).

### Graduates need employability skills – not just a good degree

On every measure of employability, employers are more satisfied with the skills of their graduate applicants and recruits than they are with school and college leavers (**Exhibit 21**, p25). But there is still scope for improvement.

Worryingly, one in ten employers has concerns about the basic skills of graduates – 14% with literacy/use of English and 9% with numeracy. It is particularly disturbing to find a quarter (24%) of firms expressing dissatisfaction with graduates' problem-solving skills – their ability to use creative thinking to develop appropriate solutions to problems – which should be a prime outcome of higher education. A quarter (26%) are also unimpressed by the self-management of graduates.

A fifth of employers (22%) are concerned about graduates' limited careers awareness, with almost twice this proportion (39%) feeling graduates should have more relevant work experience. Business awareness is also seen as a major area of weakness, with 46% of employers expressing dissatisfaction with graduates' business and customer awareness.

### Exhibit 19 CBI definition of employability skills

**Self-management** – readiness to accept responsibility, flexibility, time management, readiness to improve own performance

**Teamworking** – respecting others, co-operating, negotiating/persuading, contributing to discussions

**Business and customer awareness** – basic understanding of the key drivers for business success and the need to provide customer satisfaction

**Problem solving** – analysing facts and circumstances and applying creative thinking to develop appropriate solutions

**Communication and literacy** – application of literacy, ability to produce clear, structured written work and oral literacy, including listening and questioning

**Application of numeracy** – manipulation of numbers, general mathematical awareness and its application in practical contexts

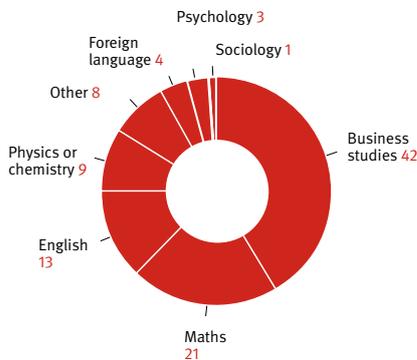
**Application of information technology** – basic IT skills, including familiarity with word processing, spreadsheets, file management and use of internet search engines

### No substitute for practical experience

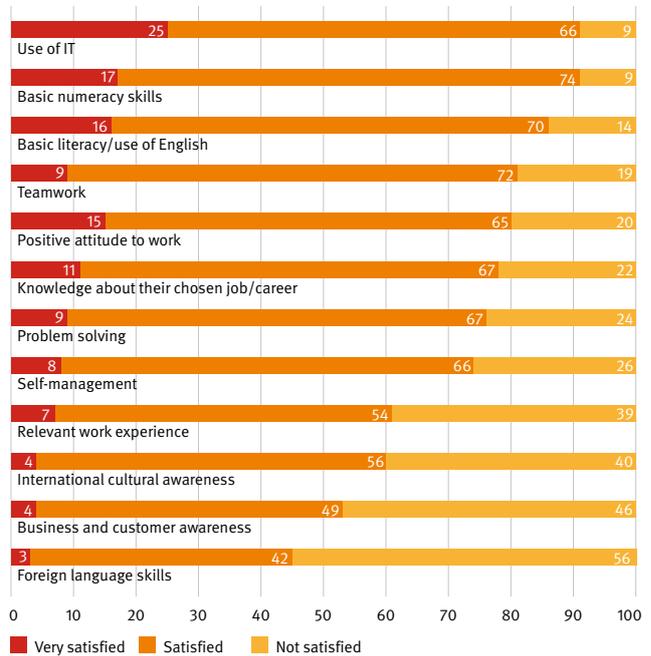
The value of experience gained through volunteering or work experience programmes emerges strongly when employers are asked for their single most important piece of advice for a young person looking to find employment in a difficult labour market (Exhibit 22). Two thirds of employers (65%) – rising to nearly three quarters of the largest employers (73%) – believe gaining practical experience is the most valuable step young people can take to improve their prospects. In their view, practical experience brings advantages that nothing else can match. Work experience placements are not the sole means of gaining experience, but for many young people they are a valuable starting point.

One in eight (12%) respondents cite the importance of young people properly preparing their job applications. All too often, employers report their frustration at receiving slapdash applications containing spelling mistakes, omissions and errors. A well-prepared, carefully targeted application will stand out from the crowd. This is particularly the case for applications to larger employers, with 15% of those employing more than 5,000 people giving as their top tip the need to properly complete job applications.

### Exhibit 20 Top A-level choice to boost job prospects (%)



### Exhibit 21 Employer satisfaction with graduates' employability skills (%)



### Exhibit 22 Employer advice for young people looking for work (%)

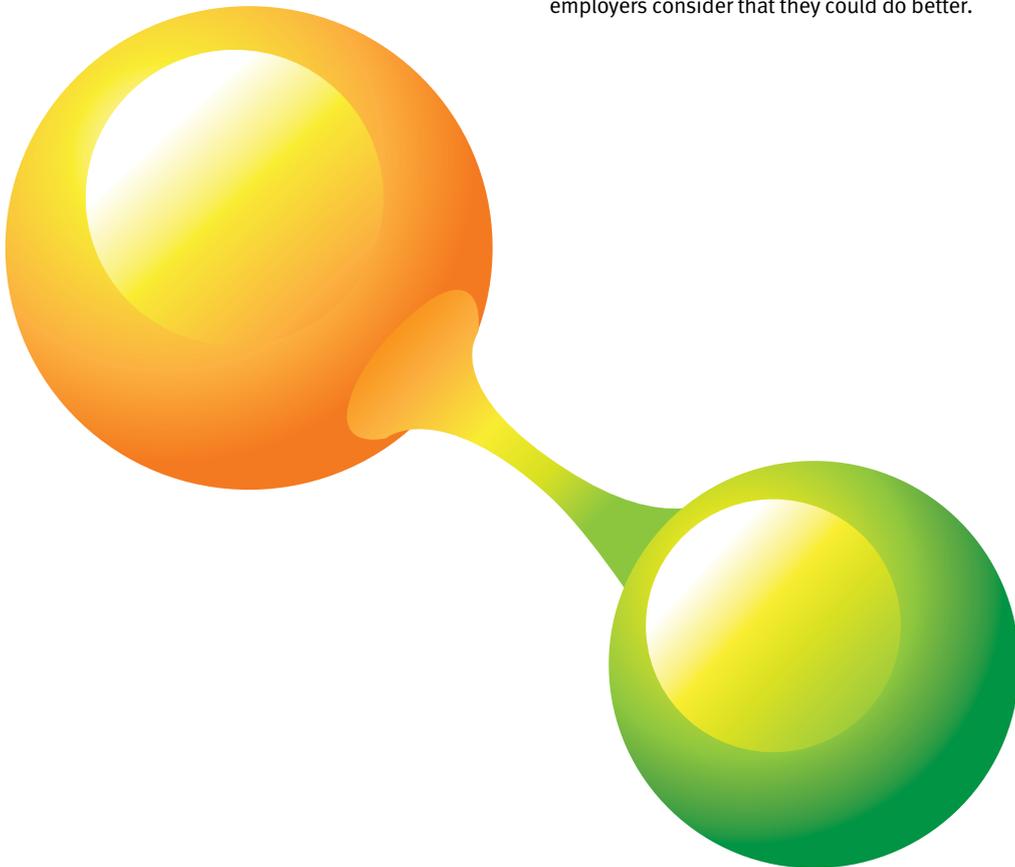
Number of employees	1-49	50-199	200-499	500-4,999	5,000+	All
Gain practical experience	58	68	70	63	73	65
Properly prepare all job applications	9	8	11	14	15	12
Develop clear understanding of what you want from a career	9	11	5	9	6	8
Maintain a positive attitude	9	6	7	10	4	8
Undertake further study	14	6	7	4	1	6
Other	1	1	0	1	1	1

## 7 Business playing a key role in the education system

**Business involvement with schools can be a powerful catalyst to increased academic achievement. It can also enable young people to make better-informed decisions at the key transition points in their education, and help them develop the employability skills needed for the workplace.**

### Key findings

- Employers are committed to their relationships with education, with two thirds (64%) having links with secondary schools
- Over half of employers (56%) believe the biggest single contribution they can make to preparing young people for entry to a challenging labour market is to give them opportunities to gain work experience
- Work experience could be improved and the number of openings increased by making the duration of placements more flexible – 48% of employers want to be able to deliver opportunities outside the traditional two-week block
- While over a third of employers (37%) believe their current work experience programmes are of very high quality, most employers consider that they could do better.





### Business links with schools are widespread

Business-education links are now well-established and extensive. Two thirds of employers (64%) have links with secondary schools and a quarter with primary schools (**Exhibit 23**). The nature of those links goes far beyond the traditional two-week work placement offered to students in their GCSE year – although this remains a core element of the partnership between schools and businesses and provides a firm foundation on which to build.

Employers' involvement in education now includes providing support for careers advice in schools, and mentoring programmes to support students from disadvantaged backgrounds achieve their full potential. Firms are also committed to supporting the management and teaching side of schools' work, through assistance for employees contributing as school governors and secondment opportunities for teachers who want to develop their professional skills outside the classroom.

Education-business partnership work brings tangible benefits, not just to schools and colleges but also to the businesses involved. In terms of staff development, employees involved as governors and mentors can develop their own leadership and management skills. It also helps to enhance the reputation of the company and raise its profile in its area. But, vitally, it helps ensure the next generation of school-leavers and graduates enters the workplace with the skills companies value.

Despite the high proportion of employers currently involved in work with schools, there is still scope for expansion – particularly among smaller employers, who lack the time and HR resources of larger companies. Two fifths (39%) of companies with 50-199 employees currently have no links with schools, compared to just 18% of companies with more than 5,000 employees.

### Exhibit 23 Employer links with primary and secondary schools (%)

Number of employees	Primary	Secondary
1-49	7	28
50-199	22	55
200-499	25	67
500-4,999	30	75
5,000+	31	78
All respondents	25	64

**‘Education-business partnership work brings tangible benefits, not just to schools and colleges but also to the businesses involved.’**

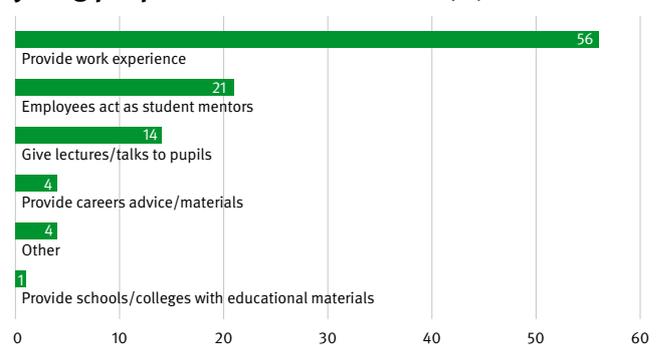
### Work experience is the best preparation for the job market

Young people have no influence over the state of the labour market when they finish their formal education, so it is important that they are as well prepared as possible to cope with whatever conditions they face.

Over half of employers (56%) believe the biggest single contribution they can make to preparing young people is to give them opportunities to gain work experience (**Exhibit 24**). But the involvement of employers can and does go beyond this. For one in five employers (21%), the most important action businesses can take is to encourage employees to act as mentors for students. Mentoring is now widely seen as a particularly useful means of working with young people, especially those regarded as socially disadvantaged. The idea of mentoring holds great appeal – it conjures up a positive way of bridging boundaries between generations and harks back to notions of large extended families and friendly neighbourhoods in which young people and elders could establish common ground. The real power of mentoring by those in employment is seen as the way in which it helps young people build a vision of their future, and improves their employability skills.

Fourteen percent of employers believe the best assistance they can provide is to give talks and lectures to pupils, letting them hear directly from employers about the world of the work and the skills needed to progress in it.

### Exhibit 24 Steps taken by employers to prepare young people for the labour market (%)



Employers believing work experience is vital for young people before leaving school or college

88%

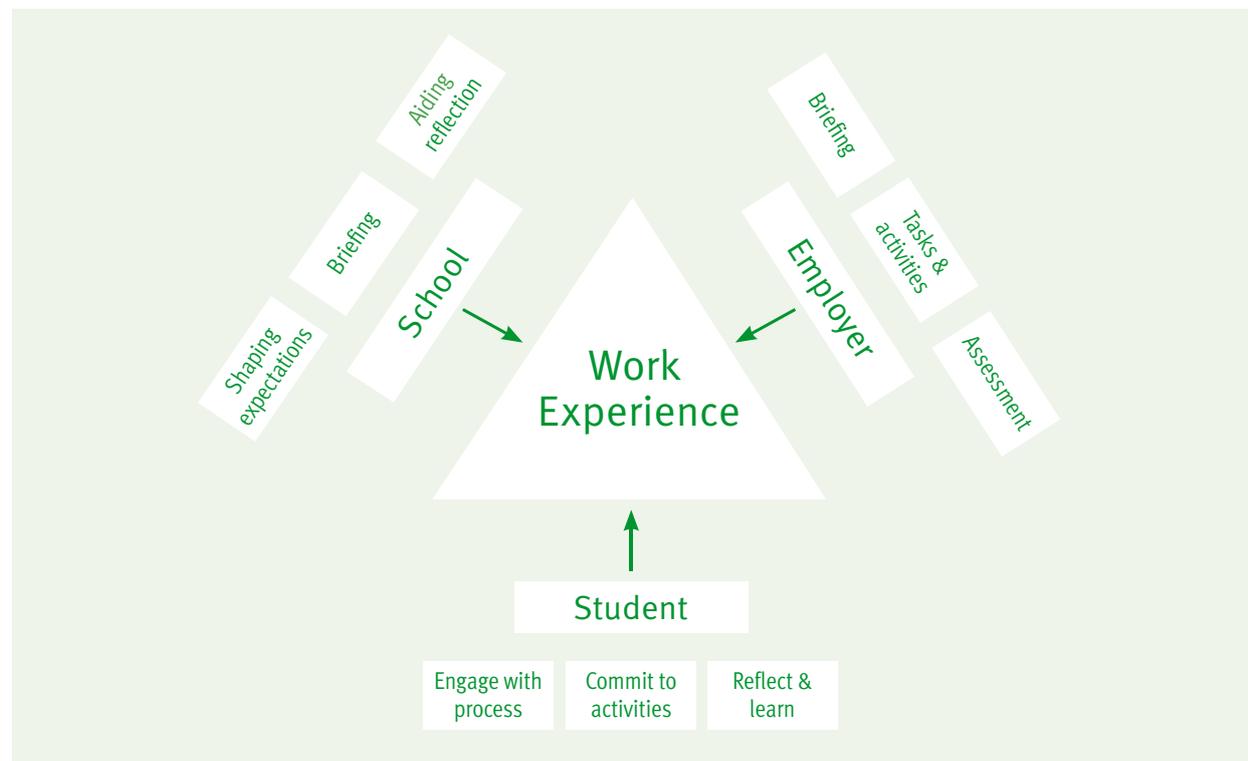
### Business can play its part by providing high-quality work experience

Work experience is crucial in helping the transition from education to work. It is an excellent opportunity to develop employability skills and for young people to gain understanding of why they matter. Employers attach great importance to it, with 88% believing it vital that young people go on work experience before they leave school or college. The strength of this view applies across employers of all sizes, from 90% of those employing under 50 people to 87% of those employing more than 5,000. Some exposure to the workplace is seen as an indispensable part of helping young people understand what happens at work and the skills effective participation requires.

Clearly, business must play its part here by providing high-quality work experience for school and university students. But what steps can be taken to improve both the quality and quantity of work experience opportunities? Responses from employers very much reflect the reality that effective work experience is a three-way partnership, with inputs required from employers, schools/colleges, and young people themselves (**Exhibit 25**).

The single most important potential change identified would be greater flexibility for employers to deliver work experience outside the rather rigid two-week block which has become the established format. This is certainly not the best approach for every organisation

**Exhibit 25 Partnership approach to embedding employability through work experience**



or sector, with 48% favouring more flexibility (**Exhibit 26**). Of almost equal importance (47%) is better preparation of young people by schools and colleges. The CBI's *Time well spent* report<sup>8</sup> on work experience emphasised the importance of the school setting the tone for the placement, creating positive expectations and adequately briefing the student. Clearly employers feel there is scope for schools and colleges to do this more effectively.

A third of employers also recognise the need to prepare better themselves (35%) and to focus on integrating employability skills in work placement activities (35%). The role of the employer is to create the right balance of briefing, tasks and assessment to ensure the student has the opportunity to practise what is needed to be successful in the workplace. At the end of the placement, the employer also has a role in providing feedback.

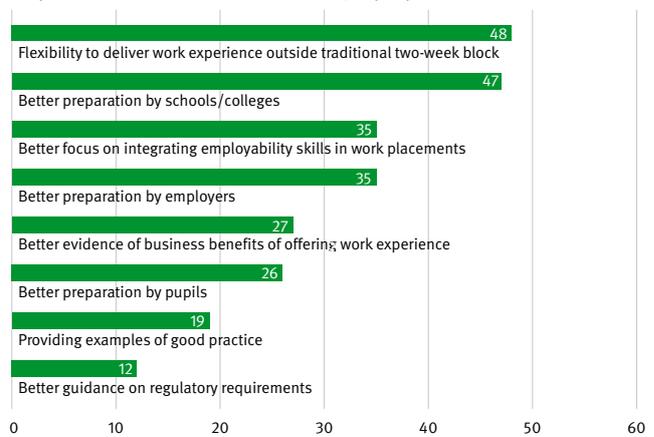
It is of course incumbent on the student to make the most of the opportunity to develop the competencies needed for work during the placement, and this is another area in which many employers believe there is room for improvement. Overall, 26% say they would like to see better preparation by young people themselves to take advantage of the opportunities work experience opens up.

**Employers recognise work experience could be improved...**

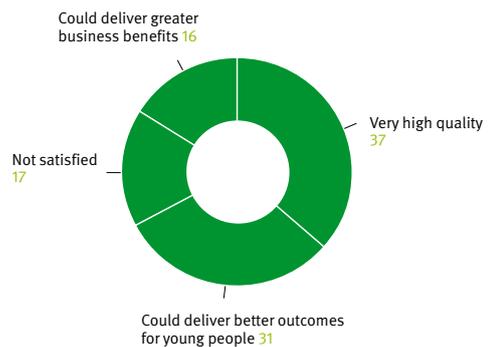
Businesses are not complacent about the quality of work experience provided to young people. While over a third of employers (37%) providing work experience believe their current programmes are of very high quality, most employers consider that they could do better (**Exhibit 27**).

Nearly a third of employers (31%) think their schemes could be delivering better outcomes for young people. And this is not just a question of resources – among the largest organisations employing more than 5,000 people, 33% consider they could be achieving

**Exhibit 26 Action required to improve work experience for school/college pupils (%)**



**Exhibit 27 Employer satisfaction with work experience they offer (%)**



more for the young people participating. Given how important work experience is in helping young people appreciate the relevance of the skills they have developed at school to their future career – as well as understanding the career options open to them in the future – it is clearly essential for programmes to be of the best possible quality.

### ... and businesses can get more out of placements

So what are the benefits employers should be looking to derive from providing work experience for young people? Three quarters of businesses (72%) see the provision of placements as an aid to future recruitment (**Exhibit 28**). This is particularly true of the largest organisations, with 90% of those employing more than 5,000 people seeing work experience as assisting recruitment. For larger organisations, the contribution programmes can make to their community and public image is also of great importance, with more than two thirds of businesses employing 500 people upwards pointing to this as a key benefit.

Being given responsibility for supervising and helping youngsters on work experience can be a good opportunity for employees to develop their own skills. A third (30%) of employers see this as an important benefit, but it is particularly valuable among the smallest employers, where the opportunities to be given some responsibility for other staff are inevitably more restricted. In firms with fewer than 50 employees, 41% of employers see work experience as helping develop the learning and skills of their existing staff.

Young people can also offer fresh ideas and a new perspective on the way organisations do things or the issues they face. While a quarter (26%) of all respondents see this as an important benefit, it is particularly valued among the smallest businesses – 41% of those with fewer than 50 employees view it as a key benefit of offering work experience placements.

**Exhibit 28 Benefits to business of offering work experience (%)**

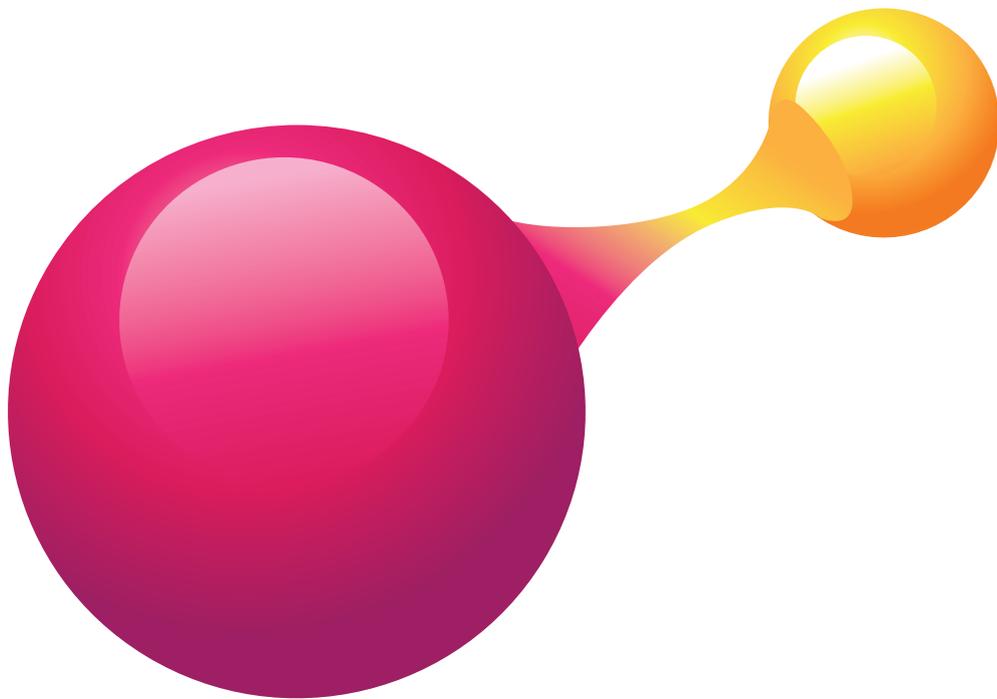
Number of employees	1-49	50-199	200-499	500-4,999	5,000+	All respondents
Future recruitment	42	68	71	79	90	72
A better community and public image	27	55	73	66	70	61
Helping the learning and skills development of existing staff	41	23	28	31	34	30
A higher profile for the organisation	20	21	25	33	24	27
Brings in fresh ideas	41	22	30	21	30	26
Increases staff morale	9	12	4	6	5	7
Don't feel there are any benefits to the organisation	12	12	6	4	2	7

## 8 Growing strong with science and maths

**Science, technology, engineering and maths skills (STEM) are the foundation for innovation and technological advance. Studying these subjects opens doors to rewarding jobs now, and gives young people the core knowledge and skills to adapt to the future shape of business. Demand for experienced staff remains strong.**

### Key findings

- Skills shortages may hold back growth – 45% of employers are currently having difficulty recruiting STEM staff, rising to almost six in ten employers (59%) expecting difficulty in the next three years
- Action is needed now to increase the numbers of young people studying STEM subjects – business's two main calls on government are to promote science and maths in schools (69%) and protect funding for STEM at university level (52%)
- Business recognises it has a role to play – the top two things employers can do are provide high quality work experience (71%) and engage with schools to make science and maths exciting (67%).





**STEM talent welcomed by UK businesses**

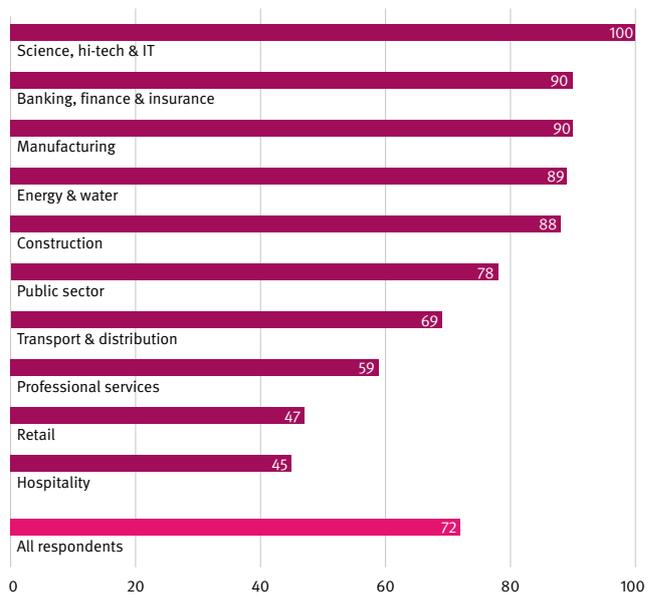
Three out of four (72%) businesses rely on people with STEM skills (Exhibit 29). All employers in science, high-tech and IT and the majority of those in banking, finance and insurance, manufacturing, energy and water, and construction are seeking highly talented employees with skills in these subjects.

The high demand is reflected in the salaries graduates from these disciplines can command and the range of jobs they do. Engineers can expect to start on £22,000 (see chapter 9) and earn a premium of over £300,000 by the middle of their career.<sup>9</sup>

STEM study opens doors to a range of exciting opportunities by developing generic skills which are valued by all businesses, as well as the technical competencies needed for specific occupations (Exhibit 30). Seven in ten employers (69%) value the analytical skills, and 61% the problem-solving skills, developed through rigorous a education in science, maths and engineering.

Three quarters (73%) of employers value STEM-skilled employees for the technical knowledge and techniques they bring to the business. Employers whose core business is in science rely on the technical ability of employees – four out of five (83%) science and IT employers value their technical competence. The majority of companies in construction (85%), manufacturing (80%) and utilities (81%) are seeking people with STEM training to meet the technical competencies and occupational requirements of their work.

**Exhibit 29 Employers seeking scientific and mathematically skilled staff (%)**



**Exhibit 30 Reasons employers value STEM-skilled employees (%)**

	Con- struction	Science, hi-tech & IT	Manu- facturing	Energy & water	Banking, finance & insurance	All
Technical competence	85	83	80	81	45	73
Analytical skills	63	69	73	88	90	69
Problem-solving skills	77	58	66	81	50	61
Numeracy skills	54	53	50	75	65	51
Intellectual rigour	44	50	40	63	50	42

Banking, finance and insurance is an important destination for STEM graduates particularly those in physics and maths – nearly one in five (19%) physics graduates go into business or finance jobs.<sup>10</sup> The vast majority (90%) of businesses in this sector value the analytical skills of their STEM employees, while also highlighting the benefits of their numeracy skills (65%).

### STEM skills shortages are being experienced now...

With fewer businesses recruiting, difficulties finding scientific and technologically skilled employees are lower than reported in last year’s education and skills survey. But it is of significant concern that despite lower recruitment and more applicants for each position, over two fifths of employers (45%) still struggle to find the STEM talent they need (**Exhibit 31**).

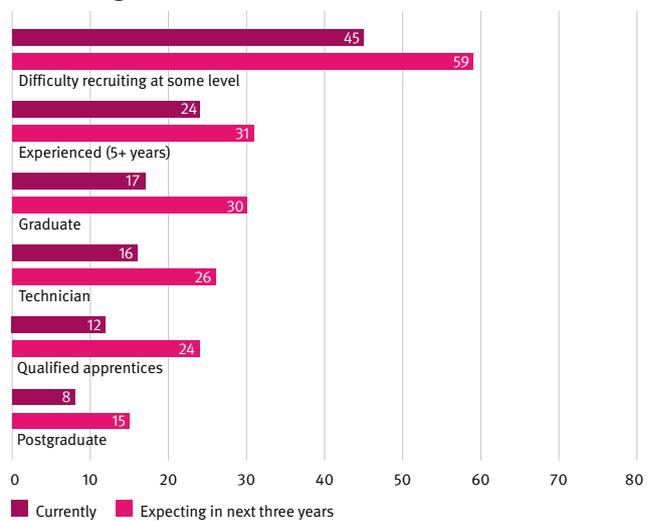
Recruitment difficulties are particularly acute for businesses in the science, high-tech and IT sector, where over two thirds (68%) are currently experiencing difficulty recruiting STEM employees (**Exhibit 32**). These businesses rely on an innovative and highly-skilled workforce, but are having problems finding experienced hires (46%) and graduate talent (39%).

Despite the significant impact on manufacturing activity during the downturn, businesses in this sector report difficulty recruiting STEM employees – over two thirds (65%) at some level. A quarter (25%) of manufacturing firms highlight technicians as an area of recruitment difficulty, and a similar proportion (24%) report it is difficult to find qualified apprentices.

### ...and will hold back growth and innovation

Businesses predict these challenges will increase as the economy recovers – 59% of employers expecting difficulty recruiting at some level in the next three years (**Exhibit 31**). These problems are predicted at all skill levels – with twice

**Exhibit 31 Employers experiencing difficulty recruiting STEM-skilled staff (%)**



**Exhibit 32 Current and future STEM recruitment difficulties in key sectors (%)**

	Science/hi-tech/IT		Construction		Manufacturing		All	
	Currently	Next 3 years	Currently	Next 3 years	Currently	Next 3 years	Currently	Next 3 years
At some level	68	68	36	76	65	75	45	59
Experienced	46	50	19	42	35	39	24	31
Graduate	39	41	8	42	27	36	17	30
Technician	21	23	11	48	25	35	16	26
Qualified apprentices	14	14	11	39	24	37	12	24
Postgraduate	18	27	8	12	10	21	8	15

as many employers expecting difficulties recruiting technicians and apprentices in the next three years than they experience currently. Almost one third of businesses (30%) are anticipating difficulty recruiting STEM graduates.

As activity in the construction sector picks up, firms anticipate significant difficulties finding the technological, engineering and scientific employees to meet demand – three quarters (76%) expect difficulty at some level. There are anticipated problems finding technicians (48%), experienced employees (42%) and graduate talent (42%).

These skills shortages will hamper businesses efforts to secure growth, and could threaten economic recovery in innovative and technologically advanced sectors. Action is needed now to increase and improve science and maths in schools.

### Employability boost needed for STEM graduates

The current supply of STEM graduates is not meeting business needs. Only 16% of UK undergraduates are studying physical sciences, technology, engineering or mathematics.<sup>11</sup> And the UK has seen a greater decline in the proportion doing these valued subjects than many of our OECD competitors.<sup>12</sup>

Businesses who want STEM graduates are experiencing difficulties finding the people they need – for two fifths (41%) of all businesses a lack of graduates applying for positions was a barrier to recruitment (**Exhibit 33**). This was less of an issue for businesses in banking and finance (22%) compared to those in science and IT (46%) and utilities (50%).

Employability skills are the top priority for business when recruiting graduates from any discipline (see chapter 9) but worryingly businesses are finding that STEM graduates are not demonstrating

**Exhibit 33 Reasons for problems in recruiting STEM graduates (%)**

	Science/ hi-tech/IT	Energy & water	Manu- facturing	Banking, finance & insurance	Con- struction	All
Lack of workplace experience	38	33	44	44	50	46
Graduates lack employability skills	58	42	38	67	54	45
Lack of graduates applying for positions	46	50	44	22	36	41
Content of degree not relevant to our business	42	42	36	22	32	32
Poor practical or laboratory skills	13	0	12	11	14	11
Degree not accredited by relevant professional bodies	4	8	5	0	18	7

these important skills. Lack of employability skills were a barrier for over two fifths (45%) of businesses looking to recruit STEM graduates. This was particularly the case for scientific, high-tech and IT businesses – 58% found graduate employability skills lacking.

Over two thirds of businesses in banking and finance (67%) found a lack of employability skills to be a barrier to recruiting STEM graduates. These businesses, who value the analytical and numerical skills which STEM study brings, are also seeking well-rounded graduates with business and customer awareness and teamworking skills.

### Focus on STEM in schools

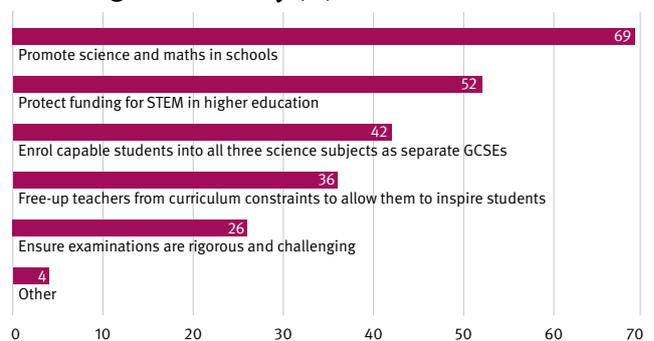
Business is clear – STEM must be a priority for the new government to address skills shortages and ensure young people are well placed to make the most of new employment opportunities in the future. Businesses recognise that efforts to increase interest in science and maths must start early – 69% of employers want the government to prioritise the promotion of science and maths in school (**Exhibit 34**).

Increasing the number of young people studying science at more advanced levels requires them to develop a deep and broad understanding of the subject. Those studying all three science subjects as separate GCSEs are more likely to progress to science and maths at A-level, from where they have access to a range of future career and further education options. Young people with at least two science or maths A-levels have access to range of STEM degrees, and many universities show a strong preference for maths.<sup>13</sup>

Two fifths (42%) of businesses emphasise the importance of making triple science the norm by enrolling capable students into all three science subjects as separate GCSEs. These students could then opt out if they wanted to. Requiring students to take an active choice to not pursue triple science will ensure they must consider the option seriously.

Business accepts that tough decisions must be made about public spending but areas important to economic growth should be protected as far as possible. Over half of businesses (52%) believe that protecting funding for STEM in higher education is needed to encourage STEM study. It is important to business that young people with the qualifications and interest to study STEM in higher education are able to do so. This will require funding for STEM teaching, while university research in STEM-related areas will also play an important role in engaging talented young people to study in new and innovative areas.

### Exhibit 34 Steps government should take to encourage STEM study (%)



More than a third (36%) of employers believe government should free-up teachers from curriculum constraints to allow them to inspire students. This action is seen as necessary to ensure teachers can deliver exciting lessons which inspire young people to study science and maths, rather than purely focusing on getting through the required learning before assessment.

Recent reports have raised concerns that exams are becoming less challenging. Declining confidence in the rigour of examinations may make it more difficult for business to assess the ability of applicants. A quarter (26%) of businesses want government to ensure examinations are rigorous and challenging.

### Business has a role to play to encourage STEM study

Young people turn away from science and maths in schools for many reasons – finding the subjects difficult, uninteresting or not relevant to their lives are key factors.<sup>14</sup> It is in the interest of businesses who rely on STEM-skilled employees to help turn these negative perceptions around.

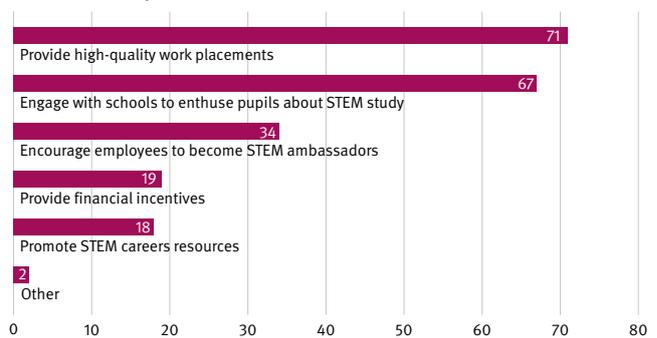
Work placements give students an insight into STEM careers and often raise awareness of how these subjects are used in the workplace, combating negative perceptions. Seventy-one percent of businesses believe they can help encourage STEM study by providing high-quality work placements (**Exhibit 35**). Many employers are already providing placements – almost half (47%) providing sandwich year or work placements, and 30% providing internships (see chapter 9).

A third of businesses (34%) saw encouraging employees to become STEM ambassadors – going into schools to talk about their work and support teaching – as a good way to encourage more young people to study these interesting and valued subjects. Ambassadors report benefits for their personal development including gaining confidence with presentations.

A fifth of businesses (19%) suggest that providing financial incentives would encourage more young people to engage in science and maths. Incentives range from sign-on bonuses to opportunities for paid internships or sponsorship during further study.

A similar proportion (18%) identified the business role to promote resources which showcase careers and provide information as important in engaging young people. Business can use its profile and resources to promote high-quality information to potential students, their families and advisers.

**Exhibit 35 Steps business should take to encourage STEM study (%)**



**‘Seventy-one percent of businesses believe they can help encourage STEM study by providing high-quality work placements.’**

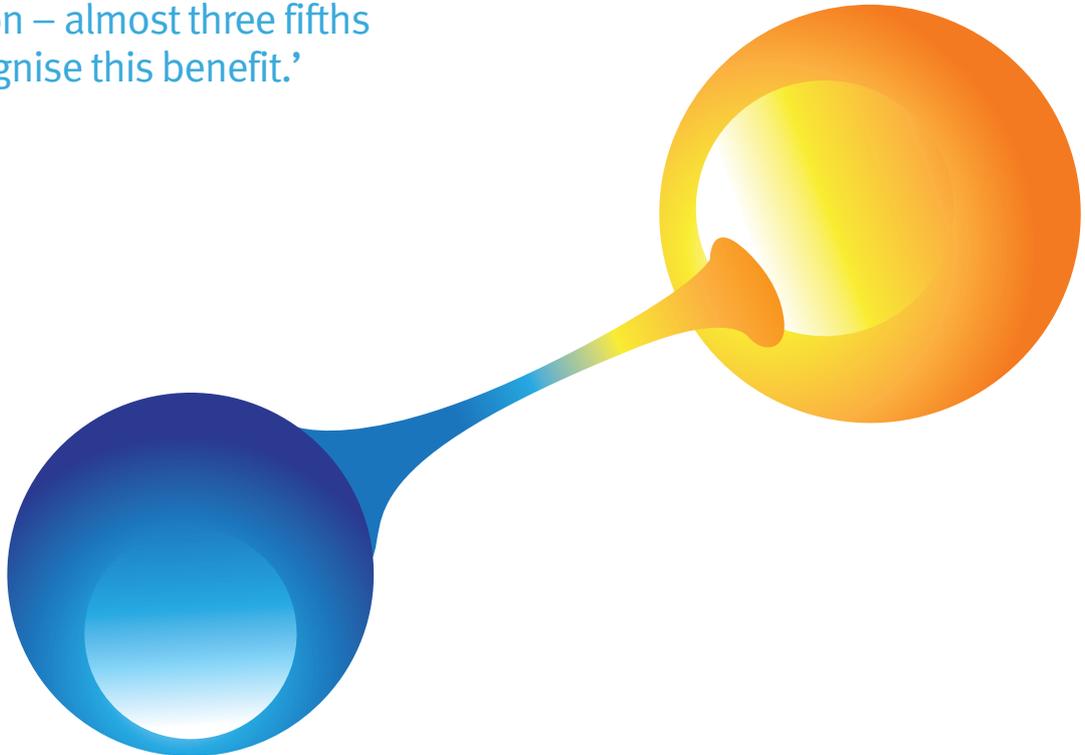
## 9 The value of HE-business partnerships

**Businesses look to universities to develop graduate talent, as a partner for research and innovation and to engage in knowledge exchange. Effective partnership between the higher education sector, business and government will be critical to maintaining the economic recovery and developing the UK's international competitiveness in the longer term.**

‘Employers report their university engagement helps them attract high-quality graduates to their organisation – almost three fifths (59%) recognise this benefit.’

### Key findings

- Three in ten jobs (30%) in UK businesses require degree-level skills – ranging from one in ten of retail roles to the majority of jobs in science-based businesses
- Employability skills are the top factor considered when recruiting graduates – 77% of business assess potential graduate recruits on skills including problem solving and business awareness
- A quarter of graduate jobs (25%) require a specific degree discipline – rising to three fifths (60%) of jobs in construction and science industries
- Two thirds of businesses (66%) have links with universities – and there has been a small increase in the proportion of the smallest companies engaging with HE.





### Graduates are needed across industry...

There are over two million students in UK higher education undertaking a huge range of undergraduate, postgraduate and part-time courses. The skills and knowledge graduates can bring are needed across the economy, with a third of jobs (30%) in UK businesses now requiring degree-level skills (**Exhibit 36**). This ranges from one in ten jobs (10%) in organisations in the retail sector to seven out of ten jobs (70%) in the knowledge-intensive businesses focused on science, high-tech and IT. Every business taking part in the survey had at least some requirement for higher-level skills.

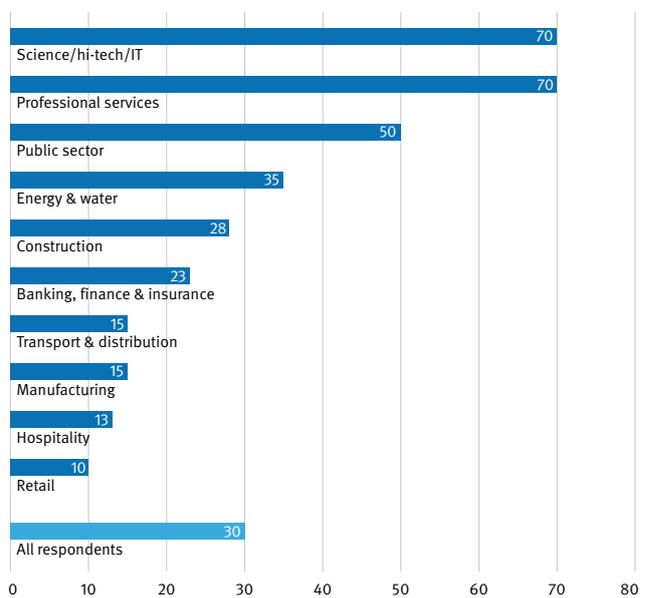
### ... and HE pays off for individuals

In the short term, graduate employment opportunities have inevitably been affected by the recession – half (50%) of employers report that graduate recruitment was significantly or slightly lower in 2009 than 12 months earlier.<sup>15</sup> As part of the wider squeeze on costs, many employers froze graduate salaries in 2009 and little change is expected during 2010.<sup>16</sup>

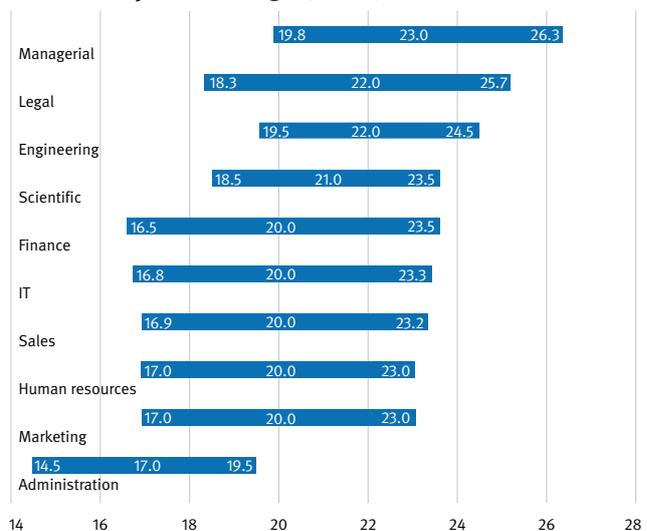
But graduates at age 23 already earn more than peers who do not have a higher education qualification and they can expect to receive a significant return on their HE investment over their working lives – earning a premium of more than £100,000 on average compared to those with A-levels as their top qualification. The return is even greater for scientists and engineers and those with specific skills or vocational training.

For graduates who develop organisational and management skills during their time in higher education, the rewards can be significant. Business pays a premium to attract top graduate talent into managerial roles – the median starting salary for graduate managerial roles is £23,000 (**Exhibit 37**). Those with engineering and scientific skills also command relatively high graduate salaries, with medians of £22,000 and £21,000 respectively.

**Exhibit 36 Proportion of jobs requiring degree-level skills (%)**



**Exhibit 37 Median starting salaries by job type with interquartile range (£000)**



### Employability is top of the business agenda

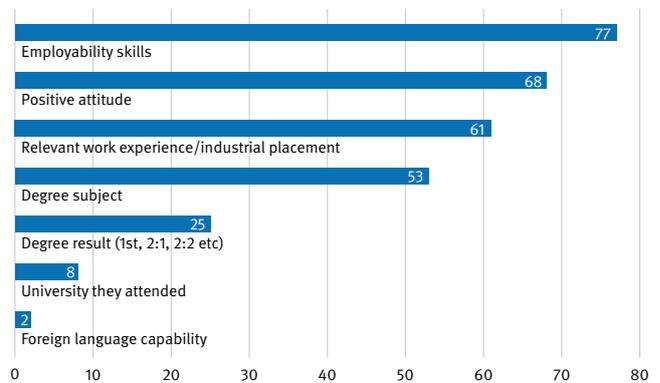
For the second year running, employers in our survey identified employability skills as the top factor considered when recruiting graduates – over three quarters (77%) of businesses emphasised their importance (**Exhibit 38**). These personal competencies are not simply ‘nice to have’ but are a core factor in business success in a competitive marketplace – and essential for students looking to get on the first rung of the jobs ladder.

Students therefore need to engage with the employability agenda – those gaining relevant experience or an industrial placement will have a head start in finding employment. Three fifths of businesses (61%) rate relevant work experience or placement as an important factor in recruiting and there are plenty of opportunities – almost half (47%) of employers in our survey offer placements to students (**Exhibit 43**). For many companies, placements can give a valuable opportunity to assess whether potential recruits will be suited to the business – and are also a chance for students to road-test potential employers.

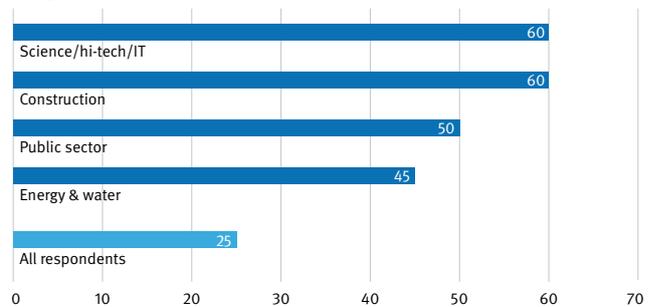
### Choice of degree can be important

A quarter of jobs (25%) require a specific degree discipline (**Exhibit 39**). So young people need to be aware that choices made early in their education may limit their options in later life. For example, three fifths (60%) of graduate jobs in construction and in scientific, hi-tech and IT-related businesses require a specific degree.

**Exhibit 38 Most important factors considered when recruiting graduates (%)**



**Exhibit 39 Proportion of jobs requiring a specific degree (%)**



For jobs where no particular degree is required, businesses are looking for flexible and adaptable graduates who can take on a range of issues in the workplace. Businesses show a strong preference for those who have studied STEM subjects, reflecting the value placed on mathematical capability and analytical skills (**Exhibit 40**). One third of businesses (34%) prefer those with STEM degrees, while 16% express a preference for business-related courses.

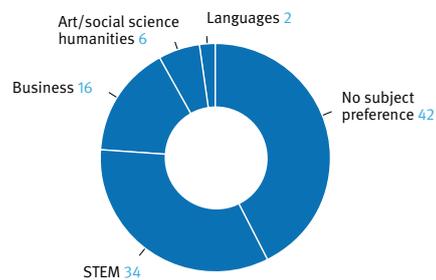
### Developing business-HE partnerships

Two thirds of businesses (66%) already have links with universities (**Exhibit 41**). These partnerships encompass a range to activities from product innovation to training the workforce. Business makes a direct contribution to higher education in teaching and research – universities benefit from £2.8bn of income from business and community sources each year.<sup>17</sup>

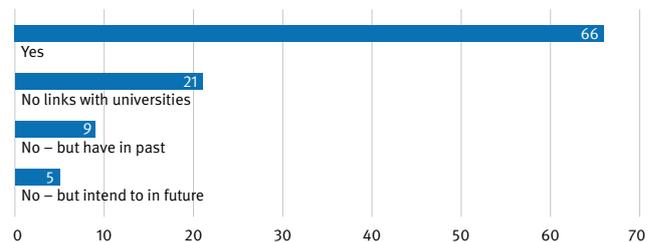
Almost all large companies have links with universities – with 90% of those with over 5,000 employees linking with HE (**Exhibit 42**). The very smallest companies remain least likely to have links with universities, though 47% currently have links with a higher education institution – a slight improvement from the levels recorded in last year’s survey. This is heartening as it occurred during the economic downturn when many small companies in particular are focusing on core business activity.

Almost half of employers (47%) are providing work placements to students, including sandwich placements for degrees which include a year in industry (**Exhibit 43**, p42). A third (34%) are providing resources to universities, including real-life projects which students can tackle as part of their course or as a topic for research.

**Exhibit 40 Employers preferring particular degree subjects (%)**



**Exhibit 41 Business links with universities (%)**



**Exhibit 42 Business links with university – by size of employer (%)**

Number of employees	1-49	50-199	200-499	500-4,999	5,000+
Yes	47	57	60	73	90
No links with universities	27	28	28	16	7
No – but have in past	20	13	7	6	3
No – but intend to in future	6	2	6	6	1

Two fifths (40%) of employers partner with universities for research and innovation. These relationships range from purchasing research services to major international collaborations. Universities also provide workforce training for a quarter (26%) of organisations.

### University engagement brings real benefits

Employers report their university engagement helps them attract high-quality graduates to their organisation – almost three fifths (59%) recognise this benefit (**Exhibit 44**).

Businesses also value the opportunity to help shape courses so they are relevant to the business world – this is the driver of engagement for over two fifths (43%) of employers. This helps smooth the transition to employment for students and may also reduce training costs associated with new graduate recruits. A similar proportion (41%) are engaged to raise the quality of graduates by developing their understanding of the world of work.

Employers also appreciate the networking opportunities arising from links with universities. This includes mixing with academics to learn from their expertise and the possibility to share good practice among peers, industry partners and their supply chains. Just under a third (30%) of businesses value access to cutting edge research gained through their university links.

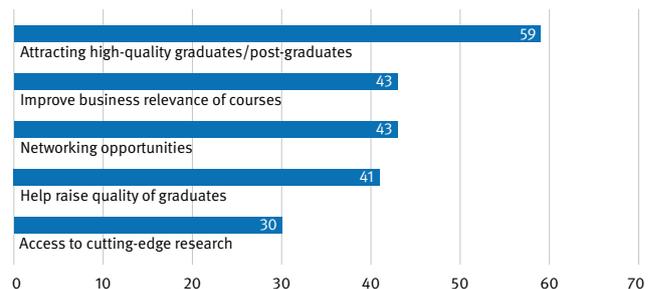
### Universities must raise awareness and develop relevant training to engage business

For business people who do not interact with universities regularly, higher education can seem a different world, working to different timescales and priorities. Our survey suggests industry-HE links are being held back at the first hurdle by lack of information and difficulty finding the right people to talk to (**Exhibit 45**).

### Exhibit 43 Nature of employer links with universities (%)

Provide sandwich years or work placements to university students	47
Partner with universities for research and innovation	40
Provide 'real-life' projects and resources	34
Offer internships to graduates	30
Sponsor students	29
University provides workforce training for our organisation	26
Participate in degree advisory boards	20
Offer students jobs at the end of their penultimate year of study	18
Other	15
Develop research projects with public research funders	15
Provide financial support to new graduate recruits	6

### Exhibit 44 Reasons for employer links with universities (%)



Over half (52%) of businesses who have not developed links with universities lack information about what universities offer. And 45% don't have information about who to contact at the university. Universities wishing to develop their engagement with industry should look to break down these barriers.

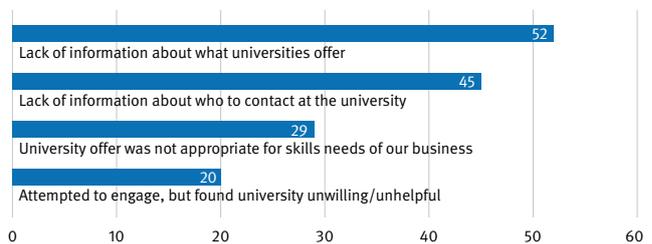
Employers in our survey also identified activities that would encourage them to develop greater links (**Exhibit 46**).

Developing training which addresses the skills challenges facing business may lead to more partnerships, and greater engagement with business may provide additional income for the university. Business will pay for provision which is tailored to meet specific training and development needs, and is looking for training partners that can offer flexible provision which is competitively priced and cost-effective.

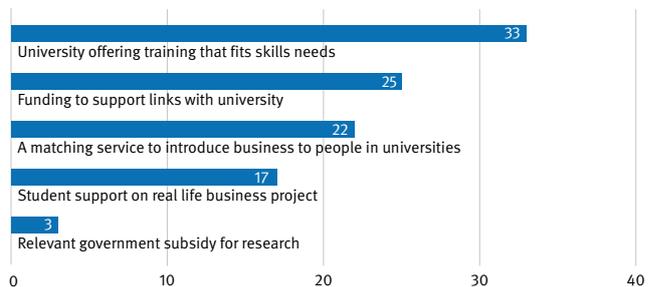
A third of employers (33%) suggest that training which fits with their skills needs would encourage them to link with universities. A quarter (25%) identified that funding was needed to develop this engagement.

Just over a fifth (22%) of businesses see value in a matching service which could introduce them to relevant people in universities. As highlighted in the CBI HE Taskforce report, a number of mechanisms already exist to address this need.

**Exhibit 45 Barriers to business engagement with universities (%)**



**Exhibit 46 Activities that would encourage businesses to engage with universities (%)**



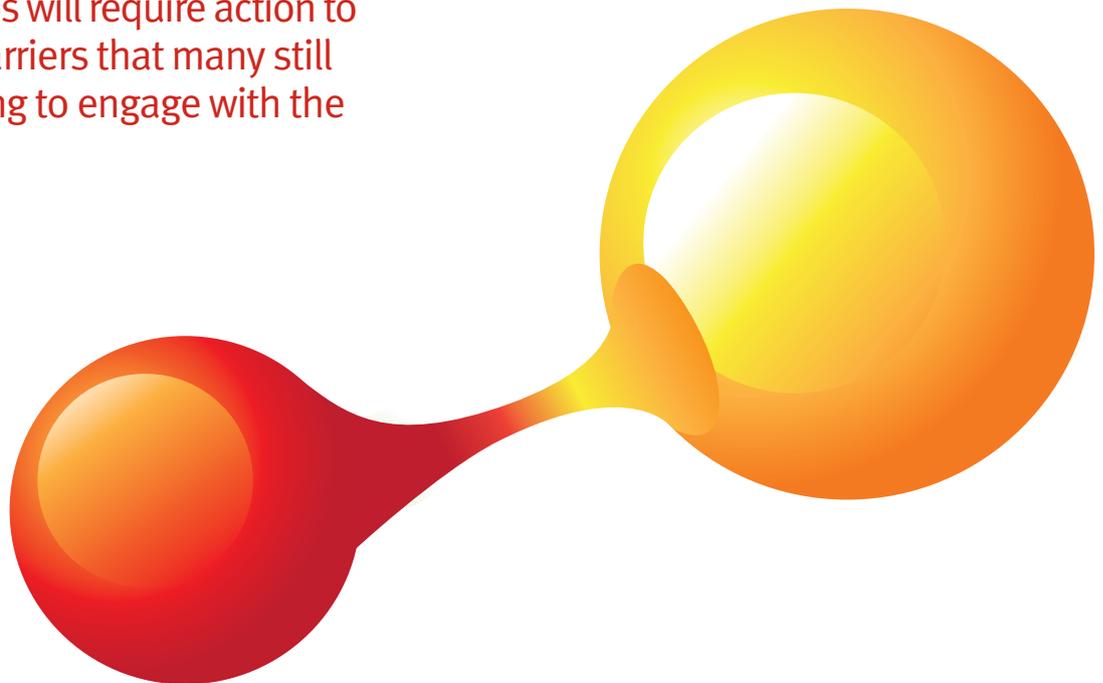
## 10 Staying ahead on workforce skills

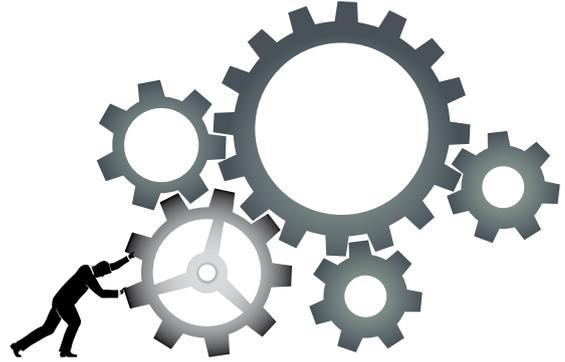
**Employers invest £39bn a year in training their staff, with business increasingly demanding technician, leadership and management, and higher-level skills to meet their future job requirements. The skills system must support employers to raise the productive skills of the workforce – through working with business to grow world-class apprenticeship opportunities, and providing access to business relevant qualifications and a network of high-quality and responsive training providers.**

### Key findings

- Employers remain committed to apprenticeships with over half (54%) currently involved – although more needs to be done to encourage SME participation
- Only 30% of the training employers provide staff leads to qualifications, with 70% of firms wanting the content of qualifications to be more business relevant
- Two fifths (41%) of employers do not know the identity of their Sector Skills Council (SSC) – SSCs could do more to develop strong lines of communication with employers in their sector.

‘Encouraging more employers to offer apprenticeships will require action to address the barriers that many still face when trying to engage with the programme.’





### Maximising the potential of apprenticeships

Apprenticeship programmes give people the practical skills they need to secure employment and increase business productivity. By combining on-the-job learning with study of essential technical knowledge, apprenticeships deliver ‘rounded’ individuals who have the ability to cope with the day to day challenges of the workplace.

Over 80% of employers believe that apprenticeships have helped raise the overall productivity of their organisation,<sup>18</sup> with 90% of apprentices finding employment (or self-employment) immediately after their training ends.<sup>19</sup>

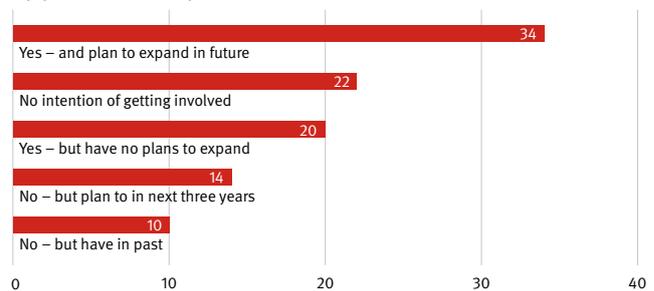
Business continues to invest in apprenticeship programmes with over half (54%) of employers in our survey currently involved (**Exhibit 47**), with a further 14% planning to provide apprenticeships over the next three years.

Construction (78%) and manufacturing (56%) firms are those most involved in apprenticeships. But our survey also showed a need to expand apprenticeship opportunities in STEM-related industries if we are to address shortages of technician level skills – only 33% of science, hi-tech and IT firms are currently participating.

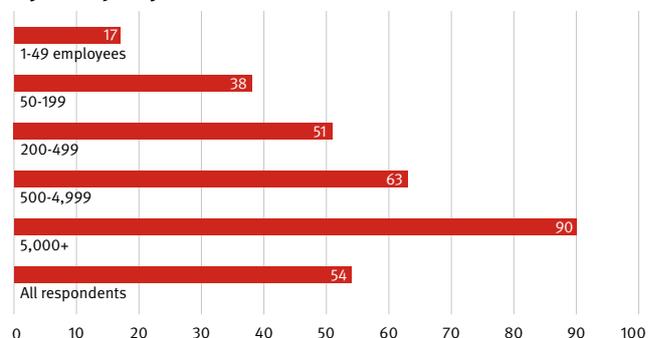
Apprenticeship starts have grown steadily over the last few years, with 240,000 people starting an apprenticeship in the last academic year. But demand for apprenticeship places outstrips supply and the system must support more employers to provide high-quality training places.

Small and medium-sized firms remain the largest untapped market in terms of expanding apprenticeship opportunities. Smaller firms are least likely to be involved in apprenticeships (**Exhibit 48**) – only 17% of the smallest firms are involved, compared to 90% of companies with over 5,000 employees. In addition, over half (55%) of firms with under 50 staff have no intention of getting involved in future. Many smaller firms will not necessarily see apprenticeships as relevant to them, and will need support to cope with the time, costs and administration of taking on an apprentice.

### Exhibit 47 Employer involvement in apprenticeships (%)



### Exhibit 48 Current involvement in apprenticeships by company size (%)



### Tackling barriers to apprenticeship participation

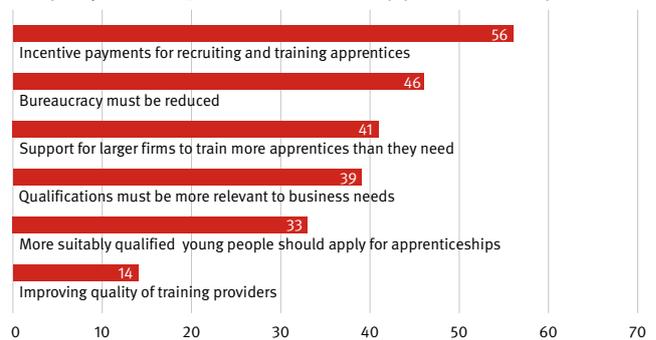
Encouraging more employers to offer apprenticeships will require action to address the barriers that many still face when trying to engage with the programme (**Exhibit 49**).

Over half of employers (56%) favour financial incentives for recruiting and training apprentices. Recruiting an apprentice is not a cheap option – for example, it can cost almost £30,000 to train an apprentice in engineering over a four-year programme.<sup>20</sup> And with finances being squeezed by the recession, support could help firms cover the additional wage, training and management costs incurred when taking on apprentices.

A concerted effort is needed to strip-out unnecessary bureaucracy: 46% of employers want to see reductions in red-tape – a significant increase on the 19% just two years ago. Larger employers (over 5,000 staff) can benefit from a relationship with the National Employer Service to help smooth their way through the red tape but over half (54%) of these firms are still demanding action. Reducing the complexity of funding streams, auditing requirements and qualifications frameworks will therefore be essential.

Many employers with a proven track record in providing high-quality apprenticeship training are willing to train extra apprentices to upskill their sector and support SMEs, provided there were proper incentives. Over two fifths (41%) of employers call for government support to help larger firms cover the additional costs of training extra apprentices. There is strong support for this approach in construction (59%) – a sector dominated by small firms often working on short-term contracts, who often do not have the capacity to invest in the long-term training of an apprentice.

### Exhibit 49 Action required to encourage more employers to get involved in apprenticeships (%)



A third (33%) of employers want to see more qualified and motivated young people applying for apprenticeships. Young people and their parents must be given good career advice at age 16 and beyond, with clear information on the benefits of apprenticeships alongside academic options. Apprenticeships should be seen as a positive choice – that delivers rewarding results and can be a route to higher level learning – and not inferior to A-levels or university.

Promoting apprenticeships as a high-value option for skilled and talented people will encourage employers and potential apprentices to come forward. It will also raise the quality of applicants – particularly in the high skilled STEM sector, where 53% of science, hi-tech and IT firms called for more qualified young people to apply.

### Qualifications must deliver business-relevant skills

The priority for employers is a skilled and competent workforce with the ability to perform roles to a high standard. Business will choose the training route that best delivers the skills their organisation needs to grow and compete. Our survey found that only 30% of the training business provides for staff leads to government-recognised qualifications, a finding which has remained consistent over the last few years.

Vocational qualifications are undergoing a series of reforms intended to create a system which is more flexible and business relevant. The priority for the majority of employers (70%) in the survey was simply on ensuring that the content of qualifications matched their skills requirements (**Exhibit 50**). Sector Skills Councils are currently overseeing the revision of qualifications for their sector with the intention of having up-to-date and business-relevant qualifications by the end of the year.

The introduction of the Qualifications and Credit Framework (QCF) will mean all qualifications will be broken down into units, potentially delivering greater flexibility to employers. For example, 70% of employers in the survey would welcome the ability to mix and match different units to create more bespoke qualifications that meet their organisation's requirements.

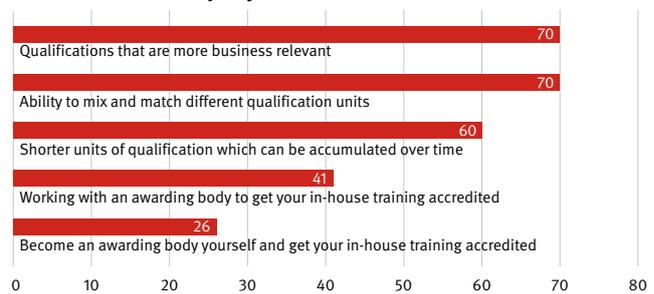
In addition, 60% of organisations highlight the benefits of offering staff bite-sized chunks of learning which could be accumulated over time. This will support firms in targeting training on those aspects of learning which deliver the most immediate returns to productivity, while still allowing employees to gain whole qualifications in the longer term.

Employers delivering high-quality training to their staff should have a simple way of getting that training recognised – they should not have to jump over bureaucratic hurdles or change the content that already delivers the skills they need.

Under current reforms, employers have the ability to become a recognised awarding body and deliver accredited training to their staff. A quarter of employers (26%) in our survey feel this approach would benefit them, with support strongest among the largest firms (41%). Twelve employers have already taken the step of becoming an awarding body – including McDonald's, Network Rail, the Ministry of Defence and Flybe.

While not all firms have the need or resources to become an awarding body themselves, employers can now work with an existing awarding body to get some of their in-house training recognised on the QCF. To date, 47 employer qualifications have

### Exhibit 50 Aspects of qualification reform which most benefit employers (%)



been accredited in this way. Our survey found two fifths (41%) of employers believe this approach could benefit them, with support not only confined to larger firms – a third (31%) of firms with 50-199 employers are positive about this option.

The progress made in accrediting employer training must be built on so that qualifications deliver business-relevant skills, and employees are able to get proper recognition for the skills they develop. Moving forward, business will continue to require proper support – developing qualifications can be complex and is not employers' day-job. Many will be unfamiliar with the different processes and organisations involved and will need advice to guide them through the qualifications system.

### The skills system must be streamlined

Employers are confronted with an 'alphabet soup' of different skills organisations and programmes, and further progress is required to simplify the system.

The Sector Skills Councils (SSCs) network provides an example of where organisational mergers and greater collaboration in the delivery of services could provide a better value for money outcome.

SSCs have an important role in working with employers to provide solutions to a sector’s skills needs. But our survey found that employer awareness of SSCs remains low, with 41% of firms not knowing the identity of their SSC (**Exhibit 51**). The SSC network has completed a re-licensing process intended to ensure a consistent quality of service, and it will be essential that SSCs remain focused on delivering business priorities and building the confidence of the employers they represent. Just over a third of employers (37%) believe SSCs currently represent their needs well, but a fifth (22%) are dissatisfied with their SSCs performance.

In addition, the devolution of skills policy causes difficulty for almost half (47%) of the largest firms who work across the constituent parts of the UK – with different policies, funding arrangements and structures in England, Wales, Scotland and Northern Ireland. But overall only a quarter (27%) of firms experience problems due to devolution, with smaller firms reporting less difficulty (**Exhibit 52**).

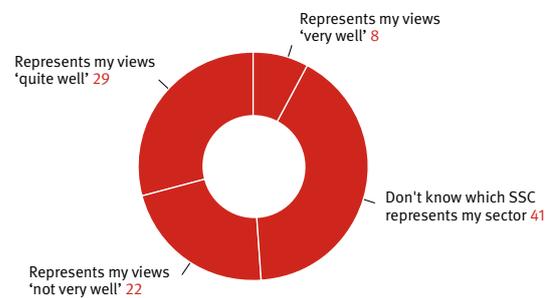
**Training providers must be responsive to employer needs**

External training providers – whether private providers, further education colleges, or universities – are key partners for business in the delivery of workforce training. They provide firms with access to teaching resources and structured training courses.

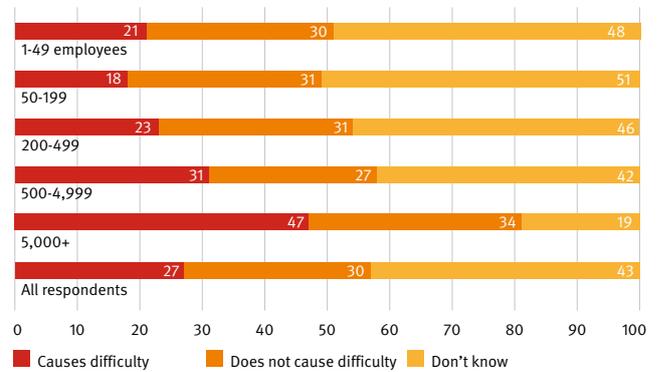
The vast majority of firms (90%) use external providers to deliver some training provision – on average just over two fifths (43%) of training is delivered externally. A slightly lower proportion of training in firms with under 50 staff is delivered externally (39%), with smaller organisations delivering effective outcomes through more informal on-the-job learning.

Private training providers are the preferred choice for most employers, with 82% using private provision, often for short, unaccredited courses. Further education colleges are used by 37% of firms, and universities by 27%.

**Exhibit 51 Business views on Sector Skill Council performance (%)**



**Exhibit 52 Impact of devolution on delivery of publicly-funded training (%)**



The workforce training market is becoming more competitive with employers increasingly able to choose the provision that best meets their needs. Providers operating in this environment need to become more responsive – taking time to build a relationship with an employer and ensuring both the content and delivery of training programmes is tailored to meet business needs.

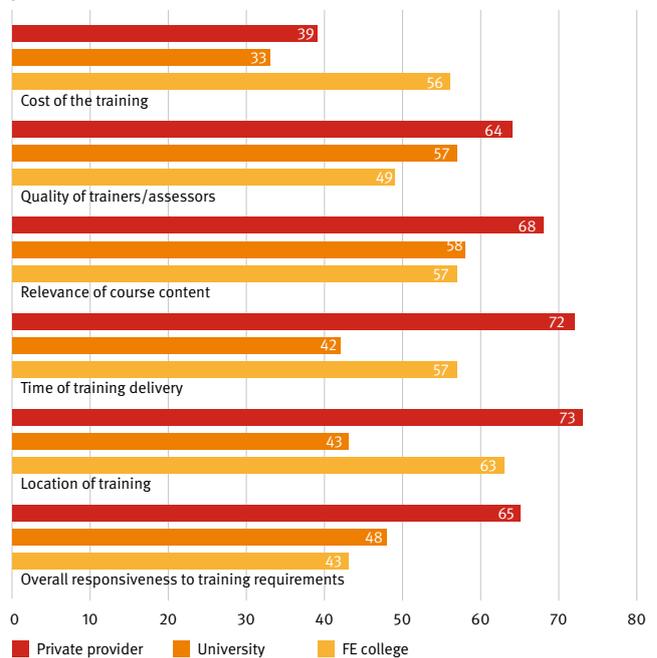
**Exhibit 53** shows that employers are most satisfied with the responsiveness of private training providers (65%), followed by universities (48%) and further education colleges (43%).

Private providers receive the highest satisfaction ratings across all categories except the cost of training – where further education colleges are often able to offer the best deal. A key element of responsiveness is delivering training at a time and location that fits around the day-to-day running of the business, and here private providers perform particularly strongly. Almost three quarters of firms are satisfied with the location (73%) and timing (72%) of private delivery.

The CBI's *Reaching further* report published at the beginning of last year highlighted case studies of employers and colleges working together to deliver high-quality training. Our survey found colleges are working hard to deliver employer responsive provision. Almost two thirds (63%) of employers are satisfied with the location of training and 57% with course content.

The full-time nature, fixed terms and set courses of most higher education can be a major barrier for universities that wish to capture a greater share of the workforce training market. Our survey found employers are least satisfied with both the timing and location of university delivered training – with only two fifths of businesses satisfied. Universities receive their highest ratings for the relevance of their courses (58% employer satisfaction) and the quality of their trainers (57%).

**Exhibit 53 Employer satisfaction with training providers (%)**

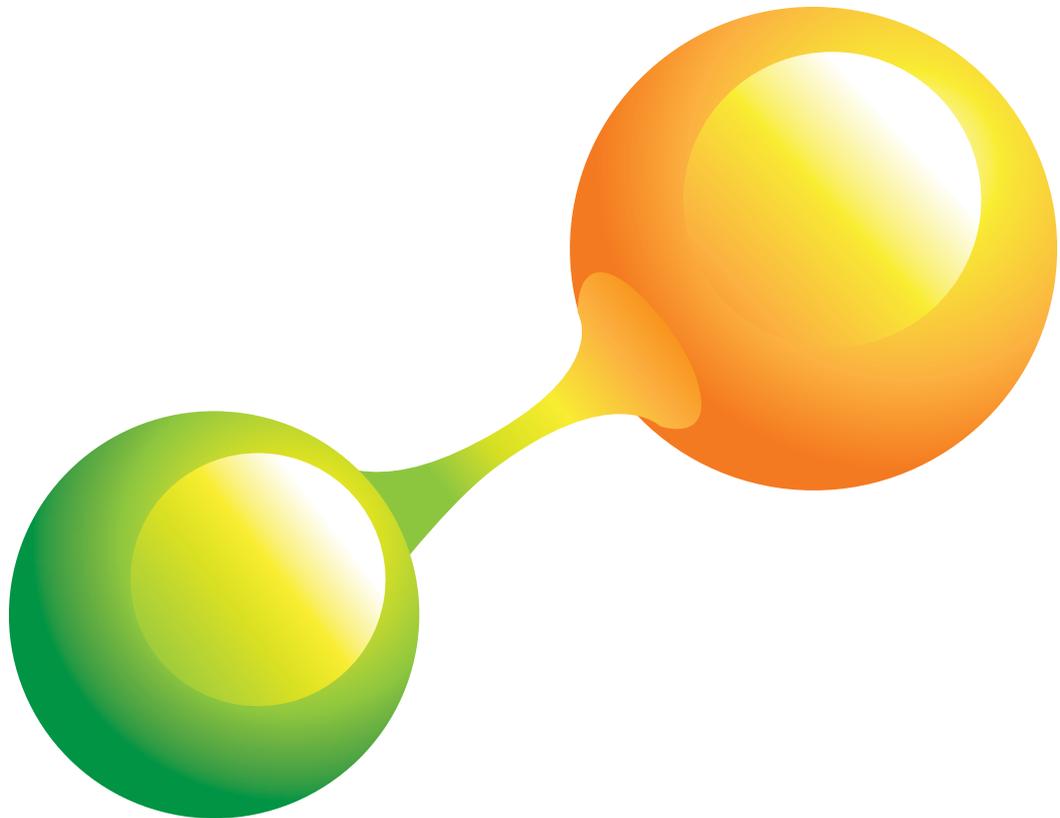


# 11 The language of business

**Language skills are increasingly important in a globalised economy. Staff who can communicate at least conversationally in another language – particularly where this is coupled with an understanding of overseas business culture – can be a great asset. Linguistic proficiency helps firms to consolidate their relationships with existing overseas trading partners and develop contacts in new markets.**

## Key findings

- While only a small proportion of firms (4%) are certain they have lost business as a result of inadequate language skills, the true figure could be much higher as 17% of respondents said they did not know
- Most employers (65%) are looking for conversational ability – rather than fluency – to help break the ice with customers or suppliers and as part of wider cultural understanding
- Those able to communicate in Mandarin/Cantonese are now as much in demand as those with skills in the traditional major European languages of French and German.





### A global market necessitates language skills

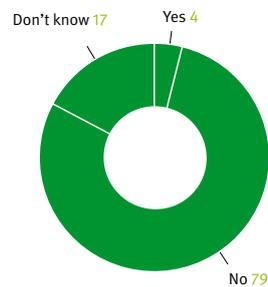
In an increasingly competitive global marketplace, UK firms need staff who can communicate in foreign languages. English has become the international language of business – in itself a real benefit for the UK – but there are enormous advantages for British businesses if some employees have the language skills to communicate with suppliers, customers and officials in their own tongue. With many businesses developing links in China, India, Russia, Brazil and other emerging economies, they recognise the value of employees who understand the culture and can operate effectively in the different business environments of these countries – and an understanding of the language is often a crucial first step.

Assessing the scale of business problems caused by the linguistic shortfalls in their workforces is a difficult exercise, but at least 4% of firms know they have missed out on opportunities as a consequence of inadequate language skills (**Exhibit 54**). A further 17% don't know whether they have lost business or not, so the scale of problem may well be considerable.

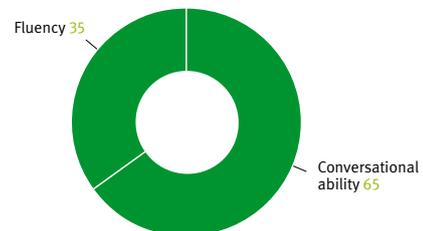
### Conversational skills more in demand than fluency

Companies particularly value an employee's ability to communicate conversationally with potential business partners, customers or clients in their own language (**Exhibit 55**): this can help break the ice, deepen cultural understanding, and open access to new markets. Two thirds of respondents (65%) say that when recruiting for foreign language skills, they normally require a conversational level of skills rather than full fluency.

### Exhibit 54 Have you lost business due to inadequate foreign language skills? (%)



### Exhibit 55 Level of language skill employers are seeking (%)

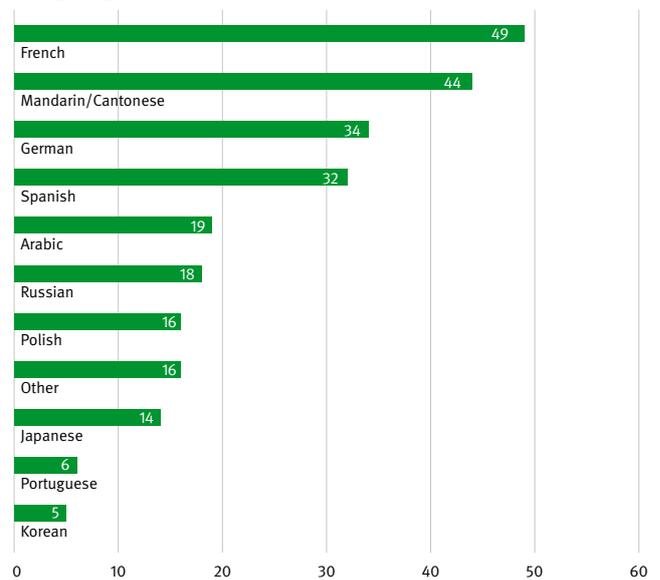


### Employers are increasingly looking for Mandarin and Cantonese

Among employers looking for employees with particular language skills now or expecting to do so in the next three years, French still has the edge as the most commonly mentioned language (49%). But almost equally in demand are staff who speak Mandarin or Cantonese (**Exhibit 56**) to cope with the rapid rise of Chinese economic activity and trade.

Spanish is sought after by a third (32%) of employers looking to develop trade links not just with Spain but importantly the emerging markets of South America. A significant number of employers (19%) are looking for staff with Arabic skills for doing business with one of the most energy- rich regions of the world.

### Exhibit 56 Employer demand for foreign language skills (%)



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