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EMPLOYER VIEWS ON SKILLS POLICY IN THE UK

Report
August 2022



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Report

Employer views on skills policy in the UK

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1 Executive summary

Skills are a key driver of economic performance and productivity, for organisations themselves as well as the wider economy. They are also fundamental for individuals, determining employment and earnings potential, as well as facilitating social mobility. This report shines a light onto employer awareness of skills in their organisations, engagement with public policy skills initiatives and their preparedness for the future.

The survey finds that UK employers face a challenging recruitment context, with three-quarters reporting that they have hard-to-fill vacancies. Organisations are struggling with both the volume and quality of applicants, with the biggest gaps in specialist and technical skills, as well as broader employability skills, such as problem-solving and communication. In response, employers are focusing on improving pay and conditions, but also upskilling existing staff and offering apprenticeships. It provides an opportunity for policy-makers to harness this trend, offer solutions and engage employers in skills-based initiatives.

We find that employers who take a more strategic approach to skills – conducting a workforce planning exercise, putting a training plan in place and having a training budget – are much more likely to invest in skills, engage with education institutions and training providers, and prepare for the future. This highlights the critical importance of building the people management and leadership capabilities of organisations to drive up the demand for skills and training. This is especially true for smaller organisations who either tend to overestimate their grasp on skills or be unaware of their skills challenges.

It is concerning that many employers report that the education system does not prepare young people for the workplace. The most commonly identified reasons were that young people lacked experience of the world, employability skills and common sense, or had poor attitudes or a lack of motivation. This is a longstanding challenge and echoes findings from our [survey of young people](#) conducted last year. It underlines the importance of unlocking workplace opportunities for young people while in education, as well as a continued focus on building their essential employability skills.

The survey also finds that too few employers engage with the further education (FE) sector and that employer awareness of the Government's technical education reforms remains low. These findings present considerable obstacles to the Government's vision of a revitalised technical and further education sector with employers at its heart. If the reforms are to be successful, there is a need to raise awareness and share examples of the positive impact that further education institutions can play in developing workforce skills.

Finally, we find broad support for reform of the Apprenticeship Levy into a more flexible training levy, to allow employers to invest in other forms of accredited training. This would also mean that organisations could potentially use levy funding to invest in training delivered by their local FE colleges, thereby boosting business engagement with the system.



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2 Introduction

The COVID-19 pandemic has caused unprecedented upheaval over the past two years. Many organisations went into survival mode, recruitment was severely curtailed, and investment in training and skills development activity was cut back. Young people also faced a challenging context with significant disruptions to both their education and working lives. Those in work were more likely to work in sectors that were shut down, while those in the education system faced reductions in face-to-face teaching and opportunities to access work placements, alongside falls in apprenticeship hiring and reduced access to early career routes.

As the UK economy emerged from the restrictions imposed during COVID-19, we've seen record levels of vacancies and, increasingly, employers have experienced difficulties due to high levels of labour and skills shortages. In part, this is the result of pent-up demand due to the pandemic and is likely to resolve in the short to medium term. However, a number of these skills challenges pre-date the pandemic and, alongside wider changes in the world of work and the economy, organisations face an increasingly complex and unpredictable future. In such a rapidly evolving employment landscape, the ability to anticipate and prepare for future skills needs is increasingly critical.

The education system has a crucial role to play in ensuring that people have the skills they need to access work and find fulfilling careers. Yet, given that the vast majority of the future workforce is already in employment, the extent to which employers are able to successfully develop and harness their people's skills is increasingly vital to economic sustainability and growth.

This report seeks to shine a light on some of the experiences and perceptions of UK employers in relation to skills development. Primarily based on survey data conducted by YouGov for the CIPD between 17 February and 14 March 2022, and representing the views of over 2,000 senior decision-makers,¹ it looks at six areas:

- labour and skills shortages
- employer approaches to training
- relationships with training providers
- young people and work
- apprenticeships
- technical education.

Where possible, it highlights differences between types of businesses – by size or sector – and concludes with a number of recommendations for both employers and policy-makers.

3 Policy context

As well as wide-reaching shifts in how we work and learn, skills policy is also undergoing a period of significant change. In January 2021, the Government published a white paper on its vision for the future of further and technical education: [‘Skills for Jobs: Lifelong Learning for Opportunities and Growth’](#). As part of the Government’s ‘Plan for Jobs’, the white paper aims to put employers at the heart of the vocational education and training system. It also recognises the critical role that the further education sector can, and should, play in boosting productivity, strengthening local communities, and supporting individuals to develop the skills they need to succeed at all ages.

The ambition is to:

- increase the availability of skills to the economy and align education with the needs of business
- provide a mechanism for ‘levelling up’ and increasing opportunity for all citizens by improving access to learning
- rebalance the education system away from universities and towards vocational and technical education.

The Government seeks to achieve this through a range of measures, including:

- developing a lifetime skills guarantee for all citizens
- reforming the funding of post-18 learning provision and integrating further education into the higher education loan system
- aligning education and training provision with employers’ needs, and funding colleges to connect their offer more strongly to employers
- providing colleges with £1.3 billion in capital funding.

At a local level, Local Skills Improvement Plans (LSIPs) are being [initially trailblazed in eight areas](#) across England. In [application guidance](#), the Department for Education said the LSIPs will *‘set out the key changes needed to make technical skills training more responsive to employers’ skills needs within a local area’*. They should be created in collaboration with colleges and training providers, with employers *‘setting out a credible and evidence-based assessment of their skills needs, to which providers will be empowered to respond’*.

Alongside increased engagement at a local level, the plans also include national oversights on skills gaps through the National Skills and Productivity Board to support business development and innovation. This will include ensuring that:

- all post-16 qualifications are underpinned by employer-led standards
- additional funding is provided for further education establishments to facilitate changes to provision that have been endorsed by local employers
- local colleges are supported to become accredited as college business centres.

Skills are also at the heart of the UK Government plans to address regional inequalities through ‘levelling up’ economic growth and opportunity. Its ambitions are set out in its long-awaited [Levelling Up White Paper](#). The ambition of the paper and its recognition of the scale of the challenge is to be welcomed, as well as its focus on tackling longstanding disparities in educational outcomes, skills, pay, productivity and wellbeing.

The white paper itself sets out 12 key ‘missions’, one of which is the commitment to increase the number of adults engaged in high-quality skills training, with a target to get an additional 200,000 people in England to complete high-quality skills training by 2030. The UK stands out internationally with relatively low levels of adult participation in training,



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and ensuring enhanced access to skills training across the life course is crucial if we are to see a shift to a 'high-wage and high-skill economy'. Yet, this faces considerable headwinds and needs to be seen in the context of the continued reduction in employer investment in training, alongside a decline in the number of adult learners undertaking skills training, which fell by 42% over the last decade.

While much of what the Levelling Up White Paper had to say about skills policy was already set out in the Skills for Jobs White Paper, the new announcement of a Future Skills Unit is a positive step and hopefully, it will help to advocate for overdue changes to skills policy and address skills gaps within sectors and regions. At a local level, the unit will '*produce information on local skills demand, future skills needs of business, the skills available in an area and the pathways between training and good jobs*'. This type of granular analysis will be critical to the success of the Local Skills Improvement Plans rollout.

4 Labour and skills shortages

Recent months have seen increasing reports of labour and skills shortages across a variety of sectors. The impact of the pandemic has combined with changes to the UK's immigration system and other global factors to create a challenging environment.

Less than a quarter of businesses (23%) report no vacancies at all, with 8% of employers reporting that they currently have over 100 vacancies. The average (mean) number of vacancies is highest in the public sector (117 vacancies on average) and lowest among voluntary sector organisations (16), with private sector organisations recording a mean of 45. These differences are primarily due to organisational size, with public sector organisations tending to be larger. Looking at private sector organisations alone shows that vacancy numbers vary between a mean of 2 for private sector SMEs to 83 for large private sector employers.

Against the backdrop of buoyant demand for labour, it is no surprise that many organisations are having difficulty filling these vacancies. Among employers who currently have vacancies, three-quarters report that at least some of these vacancies are proving hard to fill, considerably higher than pre-pandemic figures in spring 2018 (61%) and spring 2017 (56%).² Recruitment difficulties are higher in the public sector (85%) than in the private sector (73%) and voluntary sector (71%).

Box 1: Skills versus labour shortages

Overall, employers whose organisations are facing hard-to-fill vacancies report that, on average, over half (55%) are skills-shortage vacancies. Skills-shortage vacancies are those where employers cannot find applicants with the appropriate skills, qualifications or experience.

Meanwhile, 45% of hard-to-fill vacancies are the result of labour shortages, where vacancies are difficult to fill for non-skills-related reasons, such as an insufficient number of applicants for the role or because there are specific issues related to the role, such as antisocial hours or poor working conditions. The figure for labour shortages is considerably higher than the pre-pandemic figure (34%) in spring 2018.

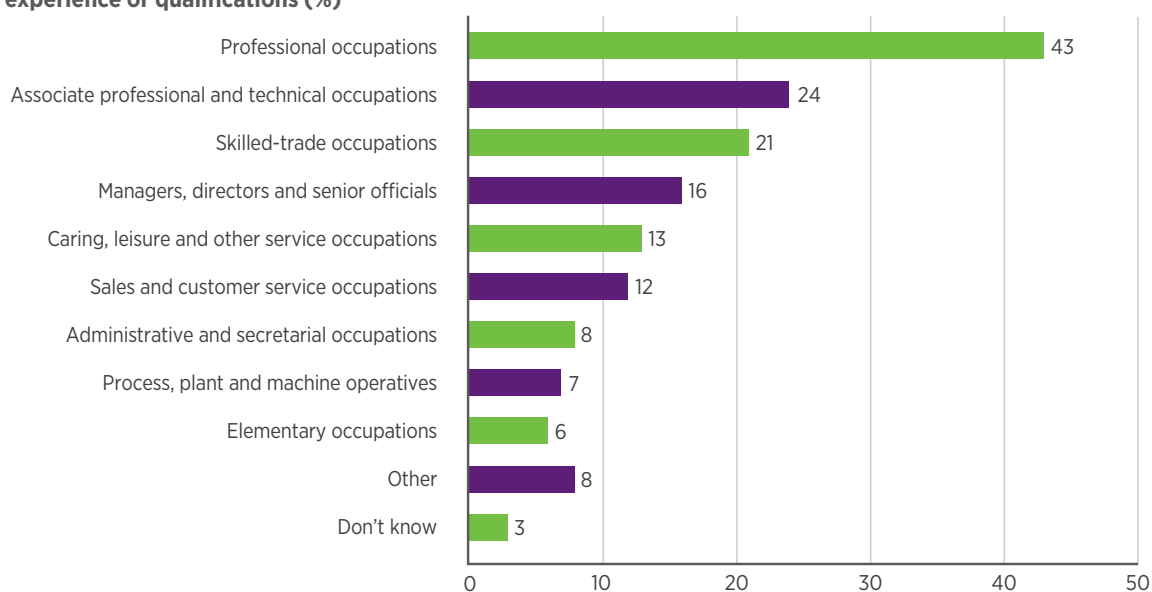


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As shown in Figure 1, skills-shortage vacancies are particularly prevalent among professional occupations (for example scientists, engineers, IT, business analysts), where 43% of employers say that applicants do not have the required level of skills, qualifications or experience. Meanwhile, 24% say they are having difficulty filling positions for associate professional and technical occupations (for example science/engineering technicians, architectural technicians, and so on).

In addition, 21% of employers report challenges recruiting for skilled-trade occupations and 16% report that they are struggling to fill managerial and senior official positions. Meanwhile, employers are having less difficulty finding candidates with the required skills and experience for administrative and secretarial (8%), process, plant and machine (7%) or elementary (6%) occupations.

Figure 1: Occupation types proving most difficult to find candidates for with the necessary skills, work experience or qualifications (%)



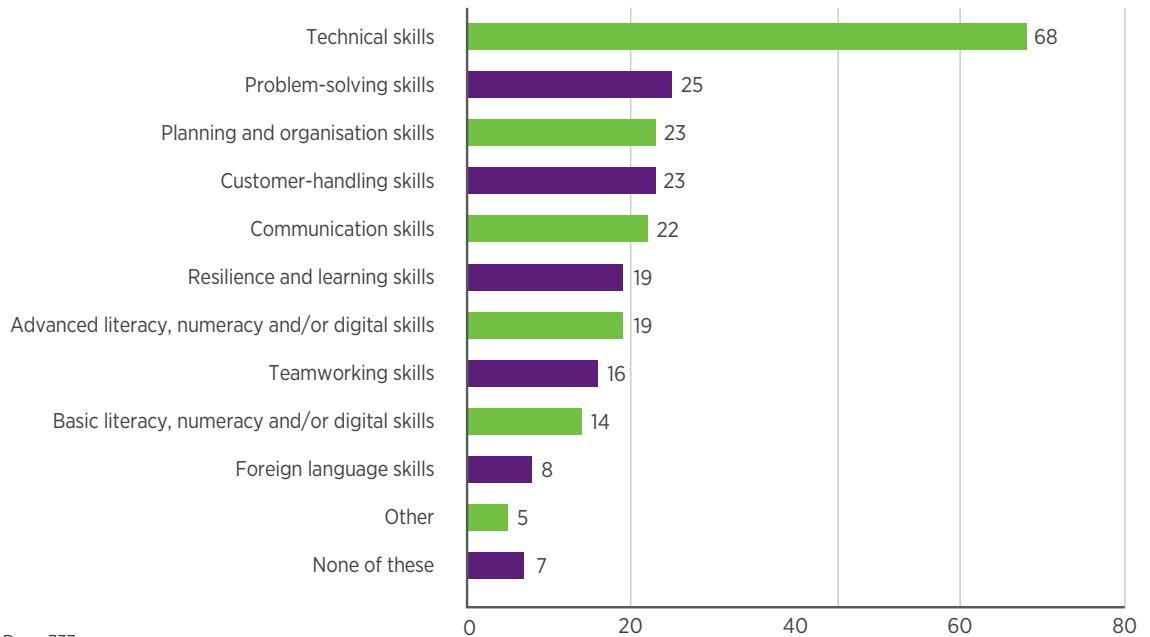
Base: 737.

Figure 2 shows that, where establishments struggle to find specific skills from the available labour supply, the skills perceived to be most lacking are technical skills (68%). This is the specialist knowledge needed to perform job duties, knowledge of particular products or services, or the ability to operate specialised technical equipment.

The other skillset that employers report as lacking among applicants are the so-called 'soft' or 'employability skills', such as problem-solving, customer-handling, planning and organisation skills, and communication skills. There is growing recognition that the development of essential or 'employability' skills, such as teamwork, presenting and problem-solving, are crucial in preparing young people to make the transition from the classroom to the workplace. They are also critical to enabling workers to progress and adapt, as they reskill or upskill in response to changes in technology, work or employment.

Although these essential skills are fundamental to people working effectively together in organisations (as well as engaging with customers and other stakeholders), there's currently no universal framework to enable education providers and employers to have a common understanding of these skills, nor is there help for workers to build these skills for the modern workplace.

Figure 2: Skills that organisations are having difficulty finding among candidates (%)



Base: 737.

That is why the CIPD, along with a number of influential and respected organisations, came together as the Essential Skills Taskforce, to agree a universal framework of essential skills which clearly defines the skills needed to succeed in education, work and life. The [Skills Builder Universal Framework](#), developed by the Essential Skills Taskforce, is a clear, measurable and authoritative framework that sets out how essential skills can be identified in practice. It provides a common language that both education providers and employers can easily understand and adopt.

Most organisations are currently taking steps to tackle recruitment difficulties. As Figure 3 illustrates, improving pay and benefits, as well as upskilling employees, are the most common organisational approaches to tackling recruitment difficulties, with 46% of employers focusing on raising wages and 40% planning to upskill existing staff to help offset hard-to-fill vacancies.

In the [Employers' approach to skills and training](#) section, we look at differences in responses for those who take a more strategic approach to skills compared with those who don't. To do this, we compare those who have conducted a strategic workforce planning exercise in the last 12 months and who also have a training plan and budget in place, with organisations who don't have any of these three things in place. Breaking down the data in Figure 3 in this way shows the following:

Organisations who take a strategic approach to workforce skills:

- are more likely to be investing in upskilling existing staff (44% compared with just 26% of those who don't take a strategic approach)
- are more likely to be taking actions to tap into underutilised pools of labour, such as disadvantaged groups (19% vs 4%) and older workers (15% vs 5%)
- look to build their talent pipeline via the provision of work placements (23% vs 14%) and through early careers activity, such as hiring apprentices (34% vs 16%) and increased hiring of graduates (26% vs 8%)
- are more likely to look beyond recruitment activity to investment in labour-saving technology (19% vs 7%).

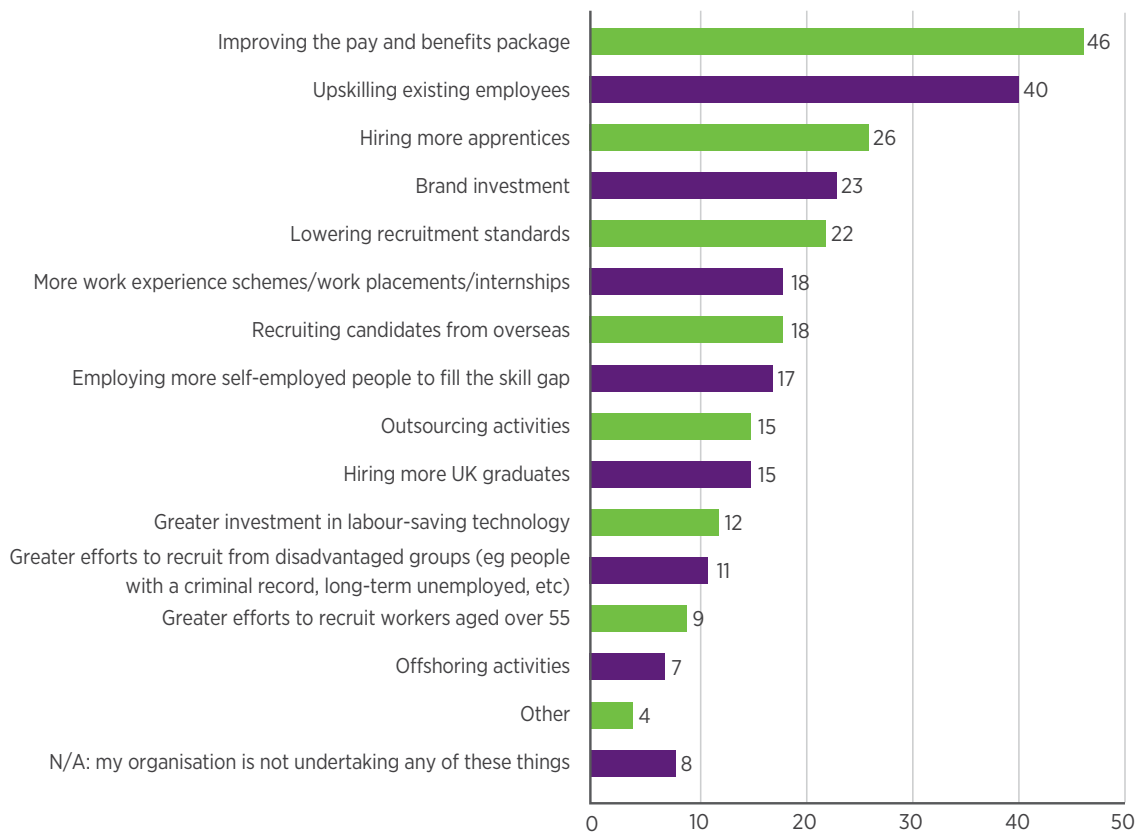


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Organisations who take a less strategic approach to skills:

- are much more likely to say that they are not taking any actions to tackle recruitment difficulties (17%) compared with organisations who take a more strategic approach to skills (4%)
- are more likely to respond by lowering recruitment standards (27% vs 18%).

Figure 3: Employer responses to recruitment difficulties (%)



Base: 886.

5 Employers' approach to skills and training

This section aims to highlight employer approaches to training and their perceptions of the skills development system, and uncover differences between types of employer and their approaches. We also seek to shine a light on the strategic and proactive actions by employers and their understanding of skills challenges in their organisations.

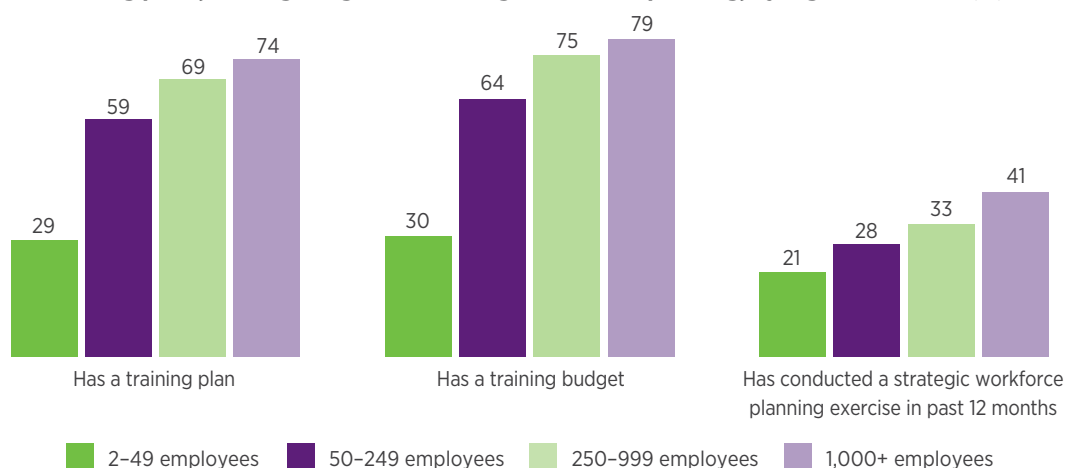
Strategic planning and investment

To help us understand the extent to which organisations were taking a strategic approach to skills in their organisations, respondents were asked whether they:

- had conducted a strategic workforce planning exercise in the past 12 months
- had a training budget and/or a training plan in place.

Strategic workforce planning is particularly important during periods of uncertainty; for instance, employers who take a more strategic approach to skills would have used the challenges of the pandemic to re-evaluate their future skills needs. Having a training plan and

Figure 4: Training plans, training budgets and strategic workforce planning, by organisation size (%)



Base: 2-49 employees: 589; 50-249 employees: 284; 250-999 employees: 437; 1,000+ employees: 716.

budget in place suggests that learning and development is valued by an organisation, and that interventions are less likely to be ad hoc and are underpinned by tangible investment.

Overall, 32% report that they have conducted a strategic workforce planning exercise in the past 12 months. As shown in Figure 4, larger organisations and organisations in the public sector (41%) are more likely to have undertaken a workforce planning exercise than small (21%) and medium-sized employers (28%) and those in the private (30%) and voluntary sectors (32%). The majority of employers have a training plan (62%) and a training budget (58%). Larger organisations are more likely to have both a training plan and a training budget compared with smaller employers.

To assess the extent to which a more strategic approach to skills has an effect on organisational behaviour, we combined the three variables. Twenty-three per cent had all three in place, 50% had at least one, and 27% did not have any in place. We use this combined variable in the following sections.

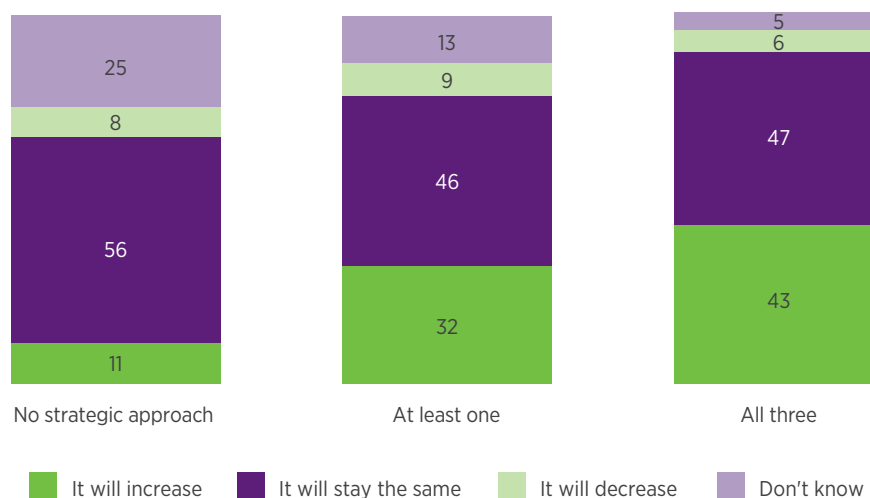
Investment in learning and development

Over the past 12 months, 27% of organisations reported increased expenditure in learning and development. Forty-seven per cent said that it had remained the same, while 13% reported a decline. Looking to the future, the majority of organisations expect spending on learning and development to either increase (29%) or remain the same (49%) over the next 12 months, with just 8% expecting investment to fall.

Organisations that have a more strategic approach to skills are much more likely to have increased investment in learning and development activity and expect it to increase (Figure 5), compared with organisations who don't. Forty-three per cent of organisations with all three interventions in place expected spending to increase over the next 12 months compared with just 11% of those without a strategic approach to skills.

While larger employers are more likely to take a strategic approach to skills, the same pattern emerges when looking at differences between SMEs alone: 45% of SMEs who take a more strategic approach to skills expect investment in learning and development to increase in the next 12 months compared with 9% who don't take a strategic approach.

Figure 5: Expected change in learning and development expenditure in the next 12 months (%)



Base: no strategic approach: 538; at least one: 1,014; all three: 473.

Existing skills gaps and actions to tackle them

Alongside the presence of hard-to-fill and skills-shortage vacancies, employers were also asked about skills gaps among current employees. Respondents were asked about the overall proportion of current employees who currently lack some of the skills required to do their job effectively.

Only a minority of employers (22%) reported that all of their staff were fully proficient. Smaller employers (with 2–249 employees) were much more likely to report that their staff were all fully skilled (38%) compared with larger employers (10%). This highlights a key point that smaller employers, in particular, can be both unaware, as well as prone to overestimating, their grasp on skills in their organisations.

Of those employers who reported that some of their employees lacked the skills needed to do their jobs effectively, a fifth estimated that at least 21% of their employees had skills gaps, while a quarter estimated that 11–21% of their workforce lacked some of the skills required to do their jobs effectively.

Box 2: Build, buy, borrow or bot?

Dave Ulrich’s ‘build versus buy versus borrow’ resourcing approach reflects on whether an organisation prefers to develop skills internally (‘build’), or via recruitment from outside the organisation (‘buy’) or from a contingent labour supply (‘borrow’). Increasingly organisations are turning towards a fourth option: ‘bot’, that is, to automate tasks or roles affected by skills gaps. The choice to ‘build, buy, borrow or bot’ depends in part on the internal and external supply of the skills needed, but is also affected by whether the organisation has the capacity and commitment to train people internally.

Source: CIPD. (2018) *Workforce planning practice*. London: Chartered Institute of Personnel and Development.

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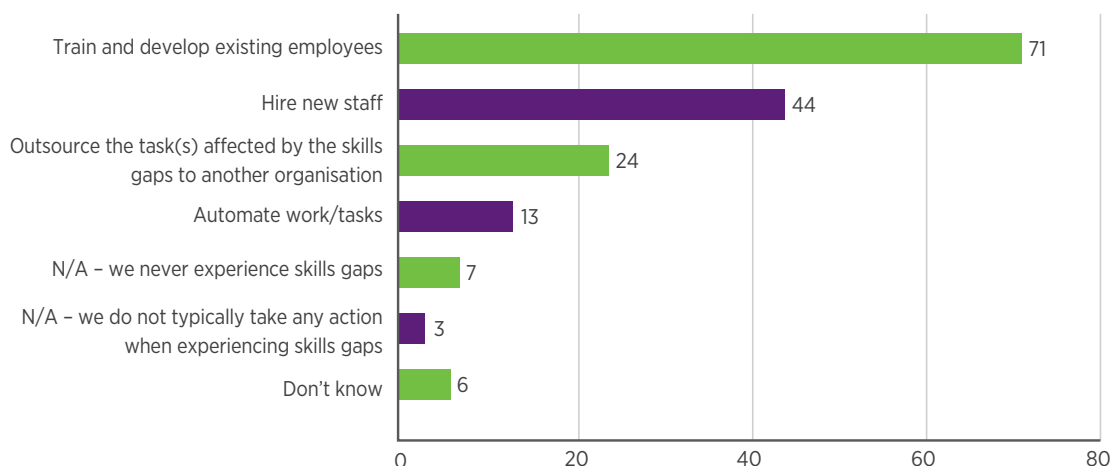
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Skills gaps impact on organisational performance and affect the bottom line which, in turn, influence organisations’ ability to introduce new products, processes, new working practices and services. However, evidence from the latest DfE Employer Skills Survey shows that the biggest impact of skills gaps is on the workforce itself – with over half of organisations reporting that these skills deficits had increased the workload of other employees – generating further knock-on effects of reduced employee satisfaction, increased stress and turnover.

Figure 6 shows that the most commonly reported response by organisations to address skills gaps is to train and develop existing staff, followed by hiring new staff.

Larger organisations are more likely to increase the use of contingent labour than smaller employers (26% vs 21%) and to automate tasks affected by skills gaps where possible (15% vs 11%). The clear preference to develop skills through training existing staff rather than hiring or outsourcing presents a challenge, particularly for those organisations that have neither a training plan nor budget in place (47% of organisations without either respond by training and developing existing staff).

Figure 6: Typical actions taken in response to skills gaps (all that apply) (%)



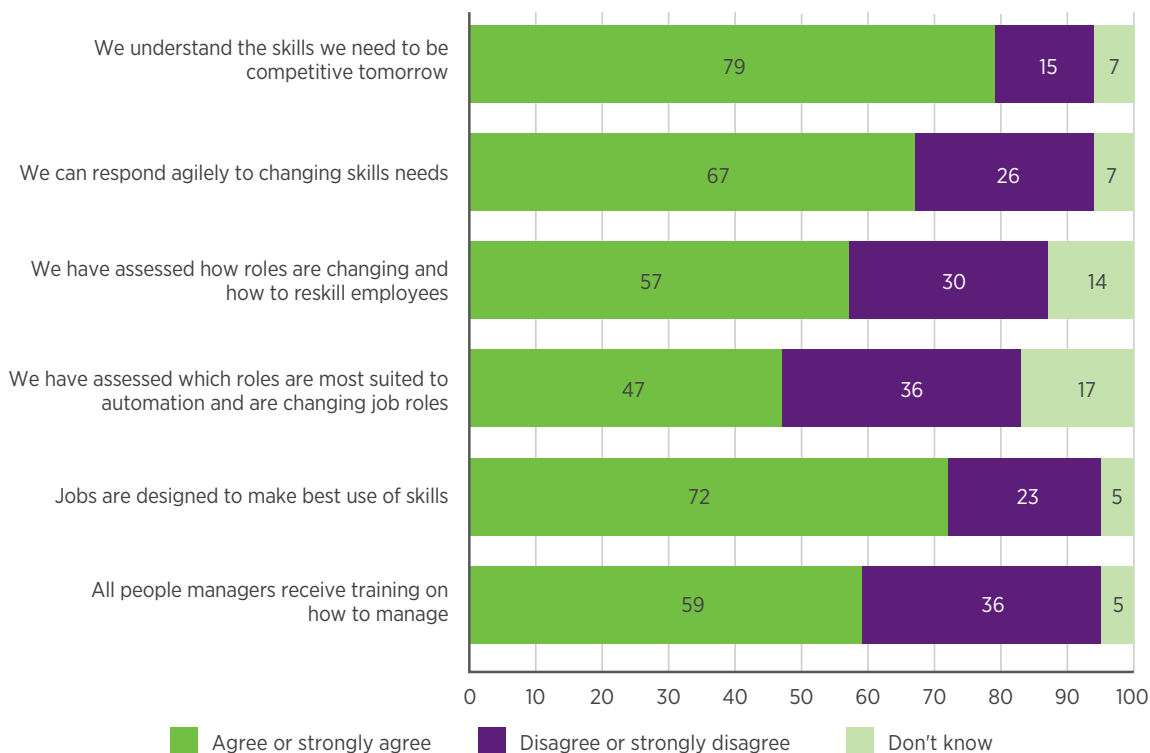
Base: 2,026.

Figure 7 shows that the vast majority of organisations understand the skills they need today and in the future, and that they can respond agilely to changing skills needs. While encouraging, this suggests a level of overconfidence among respondents given that the majority of organisations have not conducted a strategic workforce planning exercise recently. While organisations are confident that they understand the skills needs of today and tomorrow, less than half have assessed the impact of automation on roles and only just over half have assessed how roles are changing and how to reskill employees.

Worryingly, 36% of employers disagree or strongly disagree that all their people managers receive adequate training on how they manage and develop their people. Line managers are critical in supporting continuous learning at work and need to be supported to take more responsibility for the growth and development of their teams. They are key to shaping workplace culture and fostering a work environment that is productive and supportive of learning. This means identifying learning needs, encouraging participation in learning, facilitating the transfer of learning back into the workplace, and supporting both

formal and informal learning. Yet, research³ suggests that good-quality line management has declined in recent years, and our survey highlights that too many organisations don't have the people management support needed.

Figure 7: Employers' understanding of skills and job design (%)



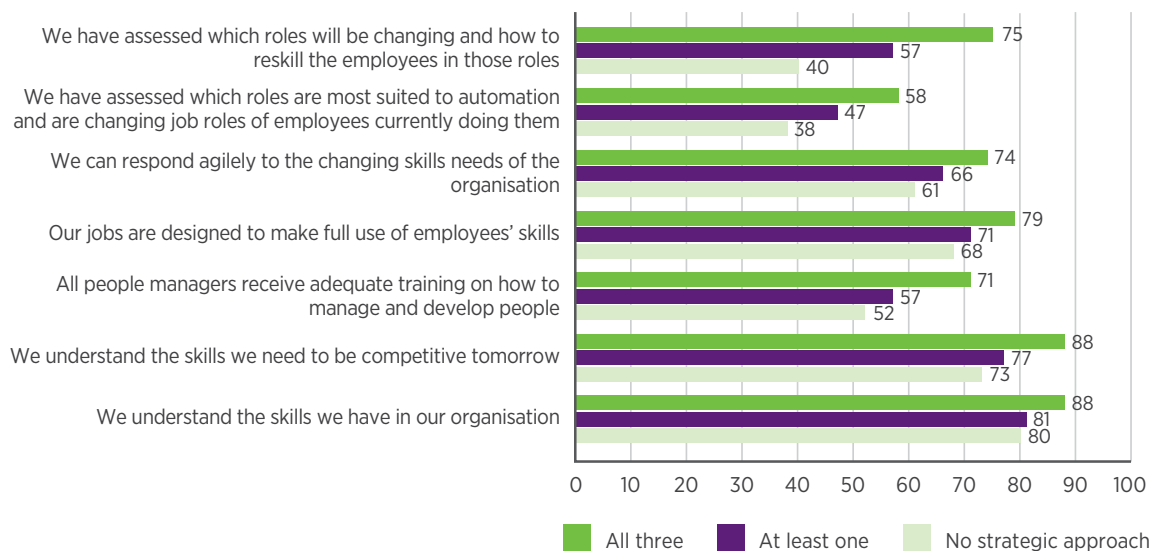
Base: 2,026.

Figure 8 highlights the importance of having a workforce strategy, training plan and training budget in place to be able to address current and future skills needs, to harness technology and automation, as well as ensure that work is well designed and that managers are equipped with the skills they need to develop and manage their people. Organisations with all three in place are much more likely to respond positively to all the statements, with the greatest differences seen in the proportion responding to statements related to reskilling, automation and people management.

The data in this section underlines that there is a critical need to build organisational capability to understand, plan and address skills challenges. This is a particular challenge for SMEs, which are more likely to lack the people management and leadership skills needed to take a strategic approach to skills in their organisations. One way smaller employers could be supported to build their capacity could be via an integrated business and skills support offer delivered at a local level.

The [CIPD has run a number of pilots](#) in different parts of the UK providing up to two days of free, high-quality HR support for small firms. These have shown the potential value of such a service where it is properly integrated within the local business support infrastructure. The evaluation of these pilots suggests that the bespoke and flexible business consultancy support provided was associated with improvements in workplace

Figure 8: Impact of strategic skills approach to employer understanding of skills and job design (those who agree or strongly agree with the following statements) (%)



Base: all three: 472; at least one: 1,104; no strategic approach: 538.

relations, labour productivity and financial outcomes, and could help prompt further investment in business improvement among participating firms. This type of HR support service could help SMEs understand their skills gaps and enable them to adopt a more strategic approach to workplace skills development, meaning they would be more likely to engage with further education (FE) providers in a meaningful way.

6 Relationships with training providers

Skills in the UK are delivered through a mix of employer training, independent training providers, colleges, schools and universities, and financed via public and private sources and by individuals. Employers account for 82% of total investment in adult skills, with the rest made up of a combination of funding from individuals (9%) and government (7%).⁴

When it comes to developing employee skills, organisations can provide in-house training through formal or informal channels, or they can access skills development through external training providers. Use of these external channels is set out in Figure 9. Overall, the most popular external source of training used is commercial organisations, such as consultants and private training providers, followed by universities/higher education (HE) institutes, regulatory bodies and further education colleges.

There are clear differences by organisation size and by sector. Unsurprisingly, larger employers are more likely than smaller employers to source external training provision. We also found that:

- 44% of SMEs report that they don't use any external sources of training, compared with just 19% of larger organisations.
- Organisations in the private sector (35%) are more likely to not use any external sources of training compared with those in the public (13%) or voluntary sector (21%).



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Figure 9: Use of external training providers (%)



Base: 2,026.

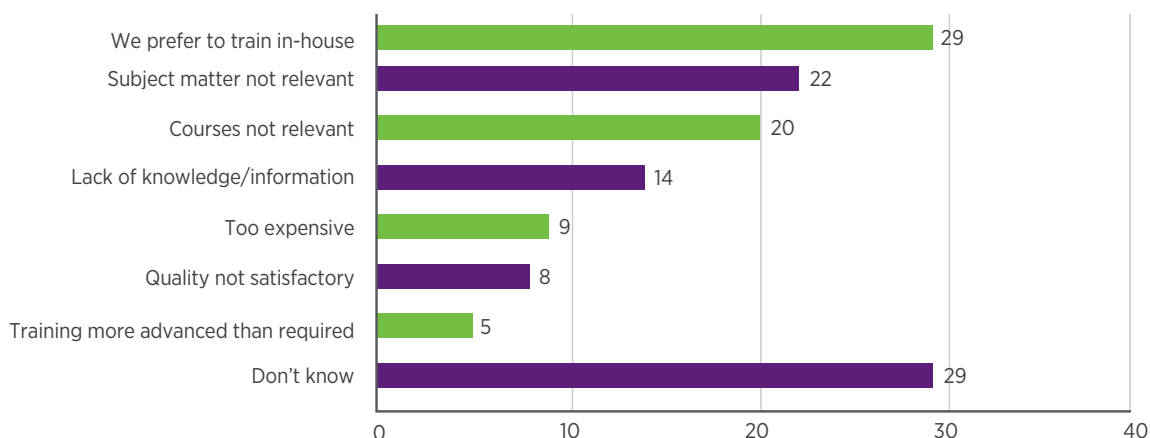
Organisations that adopt a more strategic approach to skills – those that have conducted a workforce planning exercise and have a training plan and budget in place – are much more likely to use all of these external sources of training. Conversely, those that don't take a strategic approach to skills are much more likely to report that they don't use any external training, a figure of 54% compared with just 15% that have all three in place.

Those employers who do not source external training from higher education or further education institutes were asked a follow-up question to try and understand their reasons for not engaging, as set out in Figure 10. The most commonly reported reason was that they prefer to train in-house, followed by issues related to the relevance of both subject matter and course content. Interestingly, only 9% of employers who do not source training from HE or FE institutions said that cost was a barrier.

There are also clear challenges around information and understanding, with 14% reporting that they had a lack of knowledge or information about the range of provision colleges offer, as well as a high degree of uncertainty about why they don't engage with the sector.

Of those who state that they 'prefer to train in-house', 44% do so without a training plan and 46% without a training budget, raising questions around the effectiveness of the in-house training offered.

Figure 10: Reasons for not sourcing training from further education or higher education institutions (%)



Base (those who don't source training from HE or FE institutions): 1,365.



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Smaller employers (compared with larger organisations) are more likely to cite issues related to the relevance of courses (27% vs 13% respectively) and subject matter (26% vs 18%). Larger employers, on the other hand, were much more likely to report that they ‘don’t know’ why they do not source training from HE or FE institutions (41% compared with just 17% of SMEs).

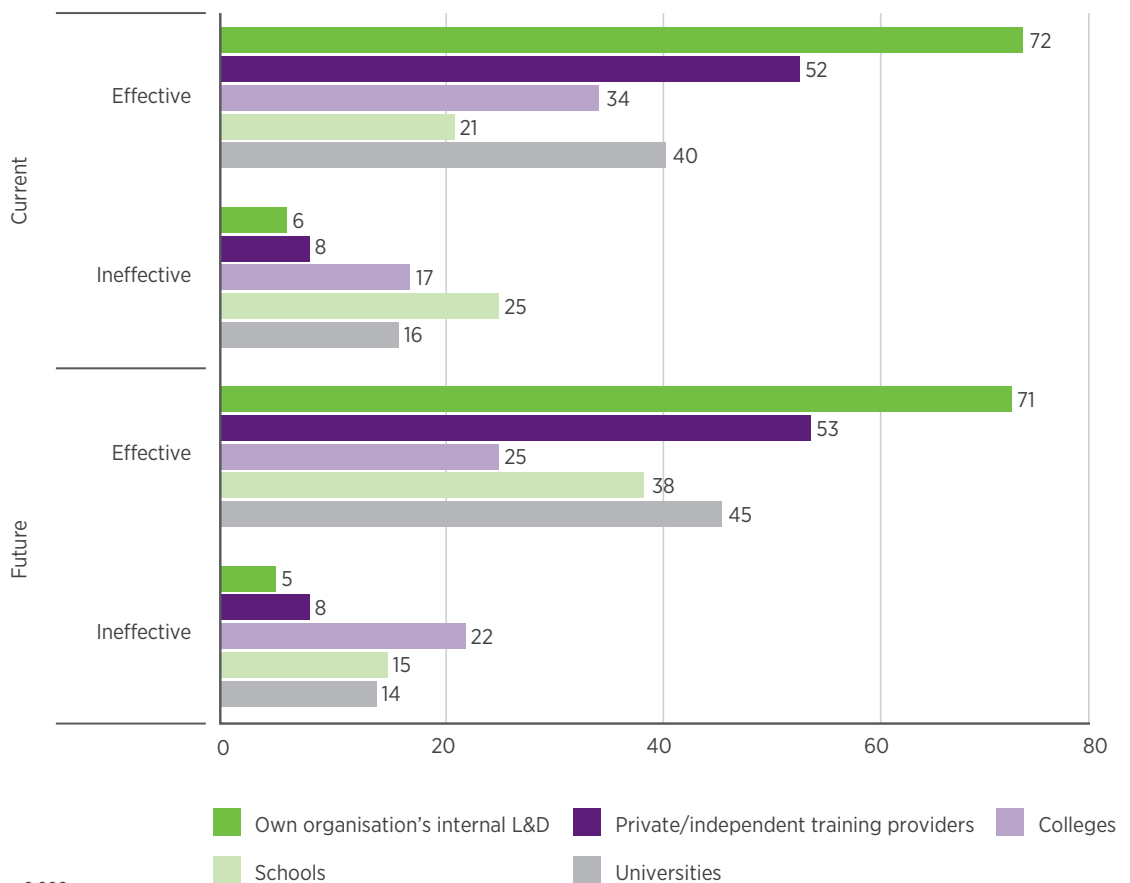
All of these present considerable obstacles to the Government’s vision of a revitalised college sector with employers at its heart, and emphasises the need to raise awareness and share examples of the positive impact that further education institutions can play in developing workforce skills if the reforms are to be successful.

Current and future effectiveness in developing skills

To understand the skills system more broadly, the survey also asked questions about employers’ perceptions of the current and future effectiveness of schools, universities, FE colleges, private training providers and internal training in developing the skills needed.

Unsurprisingly, employers are the most confident in the ability of their own internal learning and development to meet future skills requirements, and over half viewed private training providers as effective in meeting future skills needs (Figure 11). The survey also shows that employers’ perceptions of schools are the least positive, with this being the only institution with a current negative effectiveness balance (more employers rate them ineffective than effective). This point is returned to in the Young people and work section, and highlights concerns employers have over young people’s preparedness for work.

Figure 11: Effectiveness of the skills system in meeting current and future skills requirements (%)



Base: 2,026.

However, while more employers rated the FE system as more effective than ineffective overall, it should be noted that only 34% rated it as effective at meeting current skills needs and 25% rated it as effective at meeting future skills needs. This implies that the proposed reforms to put employers at the heart of the FE sector are certainly needed but are likely to face considerable challenges around employer confidence, especially among those who currently don't engage with the sector, as demonstrated below.

Those who engage with further education colleges, either as a recruitment channel or via sourcing external training, are much more positive in their assessment of their effectiveness.

It should be noted that employers who engage with further education colleges, either through recruitment of college-leavers or by sourcing external training from FE colleges, are much more likely to rate their ability to meet current and future skills needs as effective. It was found that:

- 67% of organisations that source external training from the FE sector rate it as effective in meeting *current skills* compared with 26% of organisations that don't.
- 67% of organisations that source external training from FE colleges state that they are effective in meeting *future skills* requirements compared with 32% of those that don't.

In terms of recruitment:

- 45% of organisations that recruit 17-18-year-old college-leavers rate colleges as effective in meeting current skills needs, compared with just 29% of those that don't recruit.
- 50% of those that recruit college-leavers state they are effective in meeting future skills requirements compared with just a third (33%) that don't recruit.

7 Young people and work

Preparing young people for the world of work is key to long-term productivity and competitiveness. As well as being critical to the UK's economic future, recruiting and developing young people benefits organisations now, through improving workforce diversity, bringing in new ideas and skills, and helping to build talent pipelines.

While the economy is now recovering from the COVID-19 pandemic, young people were disproportionately impacted and faced significant disruptions to both their education and working lives. Those in work were more likely to be in sectors that were shut down, while those in the education system faced reductions in face-to-face teaching and opportunities to access work placements, alongside falls in apprenticeship hiring as well as access to early career routes. In recognition of potential long-term consequences of the pandemic on the youth labour market, the Government announced a series of measures in July 2020 aimed at supporting young people to access apprenticeships, traineeships or work placements, including the launch of the Kickstart scheme.⁵

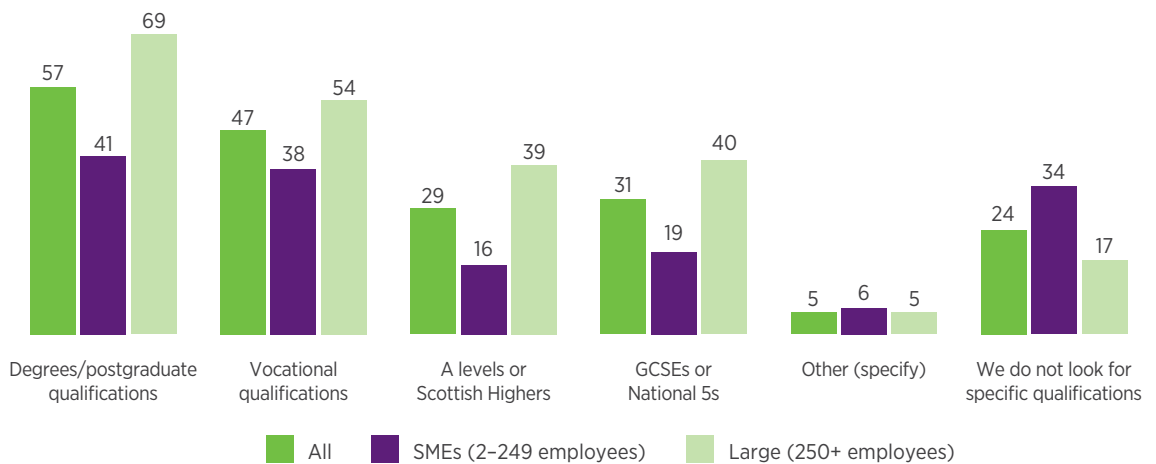
Last year we [surveyed young people](#) to understand their experience of education and work, as part of our [One Million Chances](#) campaign. To complement this, this survey looks at the employer perspective: how they perceive young people's preparedness for work, how they engage with the education system, as well as patterns of recruitment.

Figure 12 summarises the type of qualifications that employers look for when recruiting. The majority of organisations seek candidates with specific qualifications when recruiting,

with just 24% reporting that they don't. Smaller employers are much less likely to seek specific qualifications when they recruit (34%) compared with larger employers (17%), There are also differences by sector, with organisations in the public sector most likely to look for individuals with specific qualifications, in particular degree-level applicants (84%), with just 7% reporting that they do not look for any specific qualifications when recruiting.

While some jobs require certain levels of qualifications to ensure individuals are occupationally competent, particularly in certain sectors such as health and care, many employers also use qualifications as a way to sift through and filter large volumes of applications. This type of practice disadvantages applicants who may have relevant experience, but not the relevant qualification, and is a challenge for older workers in particular, who will have more experience, but are least likely to have formal qualifications.

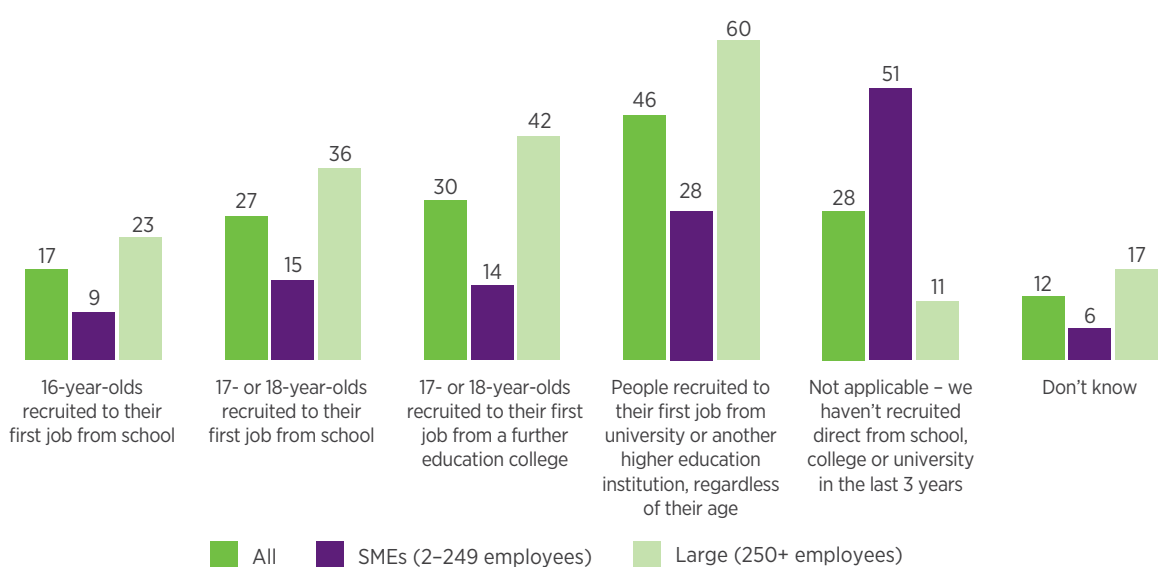
Figure 12: Qualifications that organisations look for when recruiting, by employer size (%)



Base: all: 2,026; SMEs (2-249 employees): 873; large (250+ employees): 1,153.

Turning to youth recruitment specifically, the survey asks whether employers have hired young people into their first job directly from school, college or university (Figure 13).

Figure 13: Recruitment to first job from school, college or university (%)



Base: all: 2,026; SMEs (2-249 employees): 873; large (250+ employees): 1,153.



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Again, there are clear differences by organisational size, with over half (51%) of all SMEs not having recruited directly from school, college or university in the last three years. This is likely due to a number of factors, such as a preference to recruit experienced staff, as well as overall lower recruitment levels compared with larger employers.

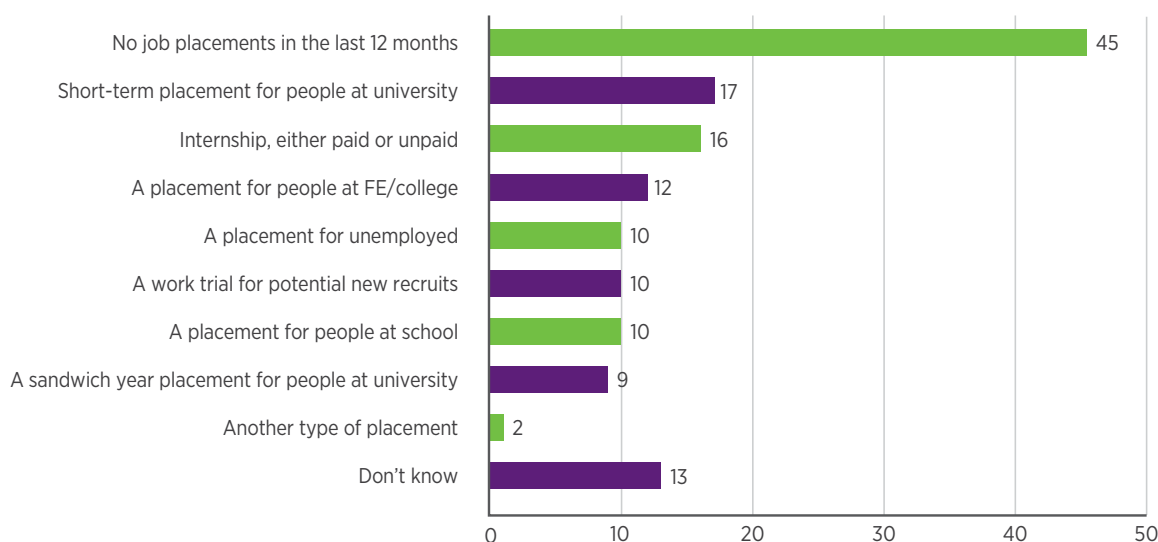
Alongside recruitment of young people, employers were also asked whether they had provided any type of work placements in the past 12 months (Figure 14).

Supporting and encouraging employers to provide placement opportunities for young people is vital. Time spent with an employer can broaden young people’s knowledge of industries, sectors and job roles, as well as their understanding of different career pathways by helping to inform and shape their career decisions. It also benefits employers, who see work experience as vital in providing a talent pipeline for their business. For young people in particular, it helps with the transition from education into working life by:

- giving them first-hand experience of the workplace
- helping them build their confidence as well as critical employability skills
- providing them with experience to build their CVs and access to networks
- providing insight into how their skills and abilities translate to the world of work.

Encouragingly, many employers provide people with opportunities to gain experience of work through a range of work placements. Figure 14 sets out the types of placement commonly offered by employers. The most frequently reported by employers were work placements for university students, followed by internships, which are also likely to be graduate-level placements, and by placements for FE/sixth form college students. Forty-five per cent have not provided any work experience placements at all in the last 12 months. This figure is higher than when we last surveyed employers in 2018 (35%) and likely reflects the challenges employers have faced as a result of the pandemic and associated restrictions.

Figure 14: Whether employers have offered any of the following types of placement (%)



Base: 2,026.

Young people’s preparedness for work

Employers who have recruited a young person direct from school, college or university were asked to rate how prepared they were for work. Figure 15 shows that:

- Employers viewed 16-year-old and 17- or 18-year-old school-leavers as the least prepared for work, with over half of employers reporting that both groups were either fairly poorly or very poorly prepared for work.



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- 17- or 18-year-old FE college-leavers were viewed as being better prepared for the workplace, with 43% of employers reporting that they were either very well or fairly well prepared, yet 40% still reporting that they were fairly poorly or very poorly prepared.
- University/higher education institution-leavers were considered the best prepared for work by employers, with 55% stating that they were either very or fairly well prepared.

However, it should be noted that a third of employers think university graduates are not well prepared, with over a quarter stating that they are fairly poorly or very poorly prepared.

Figure 15: Preparedness of young people for work when first recruited (%)

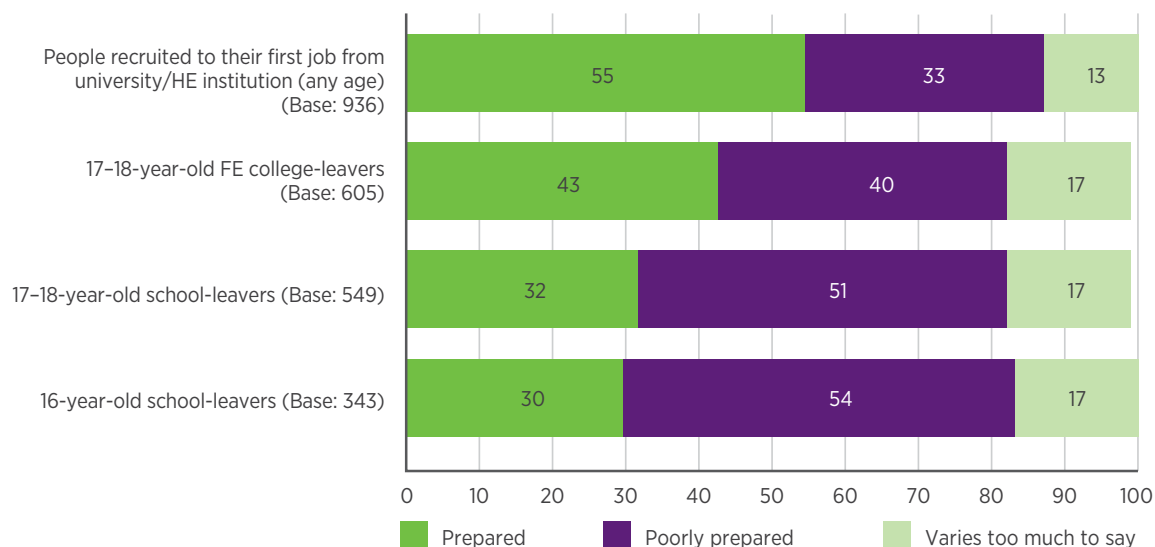
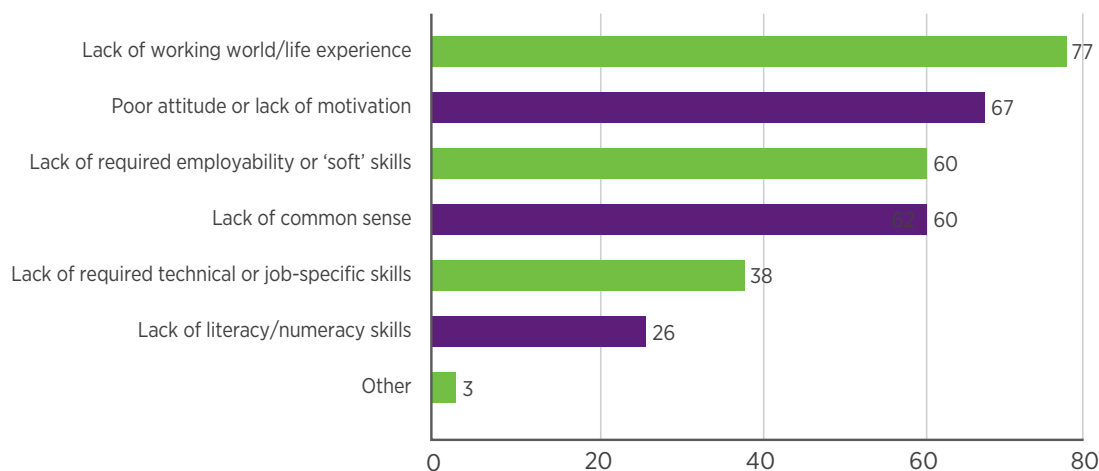


Figure 16 sets out the ways in which employers feel that school-, college- and university-leavers are poorly prepared for work. The most commonly identified reasons were that young people lacked experience of the world, had a poor attitude or lack of motivation, or a lack of employability skills and common sense. A lack of job-specific skills and poor education were also cited by a smaller proportion of employers: specifically that they lack the necessary literacy and numeracy skills, or the skills and competencies required for the role.

Figure 16: In which ways have school-, college- or university-leavers been poorly prepared for work? (%)



Base: (employers who think that young people are poorly prepared): 557.



Young people themselves are also critical about the extent to which the education system prepares them for future careers. The majority of young people we surveyed last year said that their school or college did not spend enough time helping them understand future career options or pathways. The survey also asked about the type of support they received at school or college on career and educational options, and the most commonly reported help received was on applying to university. Grouping the range of support shows that, while almost 60% of young people received help and support on future academic options, just 29% reported careers help. Of this, just 1% of respondents received advice at school to understand the labour market, jobs and salaries. Likewise, just 1% received help on applying for an apprenticeship at school. This is a missed opportunity, as the survey also found that over half of young people who attended university would have been open to choosing an apprenticeship rather than going to university if it had been available in their area of interest.

8 Apprenticeships

Apprenticeships bring significant benefits to businesses, individuals and the wider economy. They can provide a structured route into the labour market for young people, enabling them to progress in their careers and, at the same time, providing employers with a technically skilled and motivated workforce.

Box 3: Benefits of apprenticeships to employers

Enhancement of skills and proficiency: apprenticeships focus on the competencies and qualities that increase people's value and contribution to the business and develop skills at all levels to meet the demands of a competitive, flourishing economy.

Development of the whole workforce: participation provides career opportunities across the organisation, from new hires to experienced employees being promoted or moving into new roles.

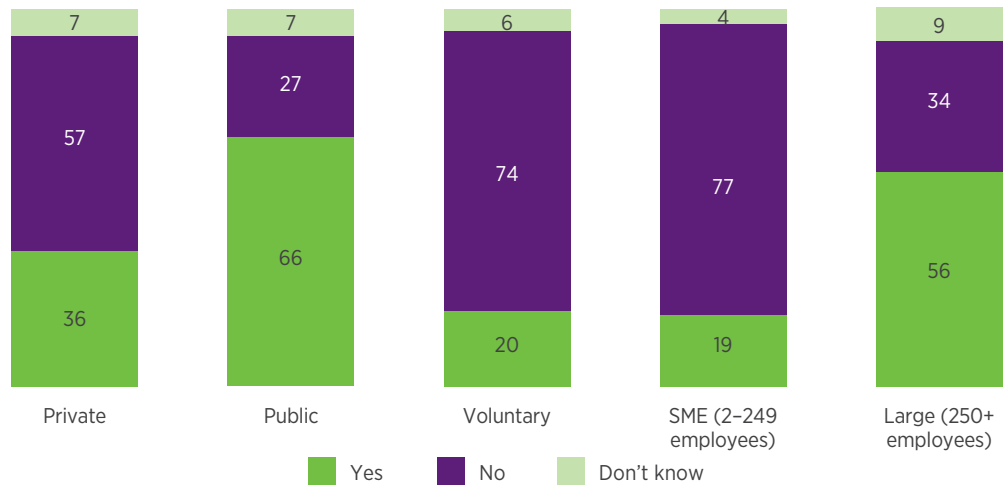
Increasing productivity and retention: by offering apprenticeships, organisations can increase staff effectiveness, raise efficiency levels and make productive people more likely to stay.

Source: CIPD. (2021) *Employers' guide to youth employment and UK training programmes*. London: Chartered Institute of Personnel and Development.

In the Labour and skills shortages section, we saw that hiring more apprentices was a popular response to the challenge of skills-shortage vacancies, with 26% of employers saying they respond to shortages by hiring more apprentices. This is welcome news given that apprentice hiring during the pandemic was significantly curtailed. However, as this section will show, there is more that needs to be done to support SMEs to engage in the system.

Figure 17 shows that, overall, 40% of employers surveyed offer apprenticeships. However, there are clear differences by the size of an employer as well as by sector. Fifty-six per cent of larger employers offered apprenticeships, compared with just 19% of SMEs.

Figure 17: Whether employers offer apprenticeships, by size and sector (%)



Base: total: 2,206; private: 1,524; public: 360; voluntary: 143; SME: 873; large: 1,153.

These differences are even more pronounced when comparing microbusinesses (with fewer than ten employees), where just 9% offer apprenticeships, as opposed to 63% of organisations with over 1,000 employees.

There are also clear differences by sector, with organisations in the public sector much more likely to offer apprenticeships than those in the private or voluntary sectors. The Government had previously set a target for public sector organisations in England with over 250 employees to employ at least 2.3% of their staff as new apprentice starts; however, this ended in March this year.

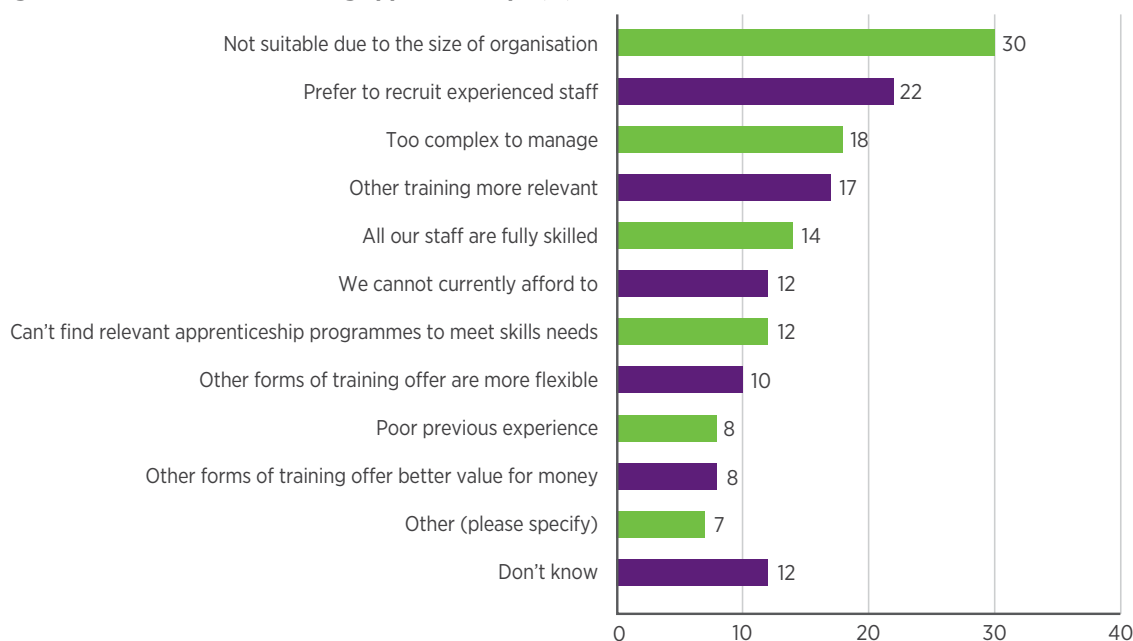
More detailed analysis by sector reveals further large differences, with apprenticeships much *less* likely to be offered in financial and business services (29%), wholesale and retail (27%), hotels and restaurants (34%), and *more* likely to be offered in manufacturing (49%), construction (51%), and public administration, police and defence (82%).

Box 4: A strategic approach equals greater engagement in apprenticeships

Organisations that adopt a more strategic approach to skills – those that have conducted a strategic workforce planning exercise and have a training plan and budget in place – are much more likely to offer apprenticeships. Fifty-nine per cent of organisations with all three of these in place offer apprenticeships, compared with just 20% of organisations without a strategic approach.

Figure 18 shows the main reasons organisations give for not offering apprenticeships. The most commonly reported reason was that they are not suitable due to the size of their organisation. Given the much lower rates of SME engagement with apprenticeships, this figure is perhaps unsurprising. Indeed, if we look in more detail at the reasons given by smaller employers, we can see that organisational size is a much more frequently reported challenge for these organisations, with almost half stating this was the reason they did not offer apprenticeships.

Figure 18: Reasons for not offering apprenticeships (%)



Base (those not offering apprenticeships): 1,072.

Beyond size-related issues, other reasons given by small employers include:

- **Cost:** double the proportion (16%) say that they don't offer apprenticeships because they currently cannot afford to, compared with medium-sized and larger businesses (both 8%).
- **Perceptions of fully skilled workforce:** 21% say that their staff are already fully skilled, compared with just 8% of medium-sized enterprises and 9% of large organisations. We saw in previous sections that smaller firms tend to be unaware and/or overconfident about workforce skills, and this further emphasises the need to boost people management capability in these firms as a way of increasing the understanding of skills, driving up demand, and increasingly engaging in skills-based initiatives.

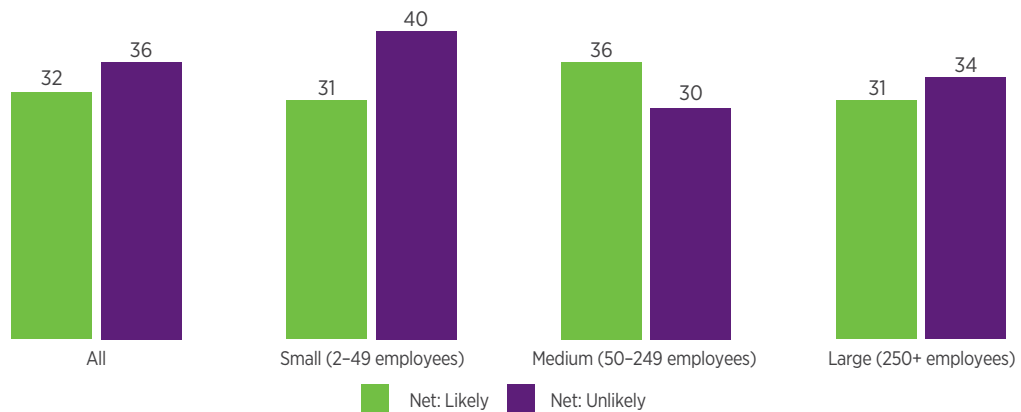
The Government started piloting [portable Flexi-Job Apprenticeships](#) in England in April 2022, available for 23 standards in the creative, digital and construction sectors. Flexi-Job Apprenticeships will allow employers to take on apprentices for shorter three-month contracts rather than the normal 12-month minimum, with the apprentice completing their training at a number of employers. However, Apprenticeship Training Agencies (ATAs) have previously been available to enable smaller employers to offer apprenticeships, so it is as yet unclear to what extent the new flexi-job approach will boost SME engagement.

In response to the pandemic, the Government introduced financial incentives in England to encourage employers to recruit apprentices (similar incentives were also offered in the devolved nations). These amounted to a cash grant of £3,000 for each new apprenticeship hire who started their apprenticeship between 1 October 2021 and 31 March 2022; these were on top of the existing incentive of £1,000 for those aged 16–18, or for those under 25 who have an education, health and care plan, or who have been in the care of the local authority.

To assess the case for more permanent financial incentives, we asked employers who currently don't offer apprenticeships whether these would impact on their likelihood to hire apprentices. Figure 19 shows that there is a relatively even split between organisations that said that it would (32%) and those that reported that it wouldn't (36%). It is interesting to note that, while we saw in the last section that affordability was a bigger barrier to the



Figure 19: Impact of financial incentives on likelihood of hiring apprentices, by organisational size (%)



Base: all: 1,072; small (4-49 employees): 481; medium (50-249 employees): 195; large (250+ employees): 135.

smallest organisations, we do not find significant differences by size. This would suggest that any future financial incentives should be offered as part of an integrated package of support that seeks to overcome other barriers facing smaller employers.

Impact of the Apprenticeship Levy

Apprenticeships have undergone substantial reform in addition to how they are funded. From 2017, all UK employers in the public and private sector with a pay bill of over £3 million have had to contribute to the Apprenticeship Levy (0.5% of their annual pay bill). In England, employers can access and manage their funds through an online apprenticeship service run by the Education and Skills Funding Agency, with the funds used towards the cost of apprenticeship training and end-point assessments. Employers in the devolved nations have separate arrangements; for instance in Scotland, Apprenticeship Levy payers and SMEs can also access the [Flexible Workforce Development Fund](#), which can be used for shorter reskilling opportunities.

The survey shows that 28% of organisations pay the Apprenticeship Levy, the majority of which, unsurprisingly, being made up of larger employers. The survey also finds that 76% of those that pay the Apprenticeship Levy offer apprenticeships, compared with 17% of organisations that don't. It is concerning to note that 31% of senior leaders did not know whether their organisation had to pay the levy or not.

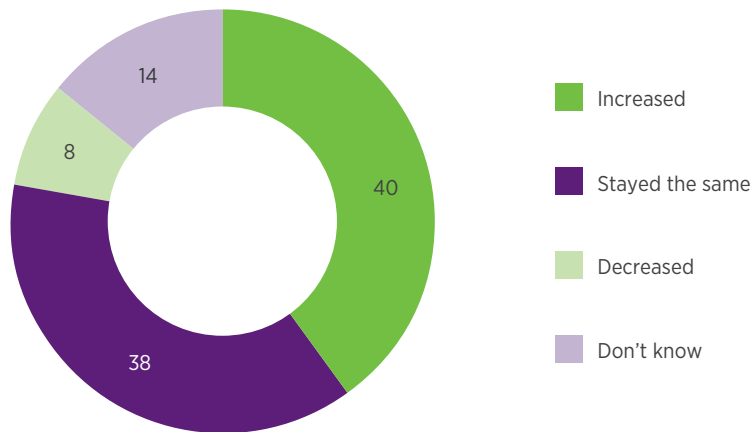
The Apprenticeship Levy was designed to counteract the long-term decline in employer investment in training in the UK, as well as to boost the number of apprenticeships. To try and understand whether it is meeting the first objective, we asked levy-paying employers to estimate its impact on overall levels of training expenditure in their organisation. While 40% said they have increased their overall levels of training expenditure as a result, 38% said it remained unchanged and 8% said it has decreased (see Figure 20). Considering the key intention behind the levy was to boost employer investment in training, it is a disappointment (for government) to see that 46% of levy-payers' expenditure on training has either remained unchanged or decreased. Furthermore, as discussed below, even where investment has increased, this may well be because employers have increasingly started to use expensive generic management apprenticeships as a way of spending levy funding which they otherwise might lose altogether.

On the second objective, to [boost the number of apprenticeships in general and increase apprenticeship opportunities for young people in particular](#), official data suggests performance on this measure is even more disappointing. Official data from the



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Figure 20: Estimated impact of the Apprenticeship Levy on overall employer investment in training (%)



Base (Apprenticeship Levy payers): 564.

Department for Education shows that since the Apprenticeship Levy was introduced:

- total apprenticeship starts have fallen from 494,900 in 2016/17 to 321,400 in 2020/21
- the number of apprenticeships going to under-19s has dropped, from 122,750 in 2016/17 to just 65,150 in 2020/21
- the number of apprenticeships going to 19–24-year-olds has declined, from 142,200 to 94,600 per annum over the same period.

Alongside disappointing figures for apprenticeship starts overall, as well as those for young people, the CIPD has raised further concerns over the types of apprenticeship being funded. Since the introduction of the Apprenticeship Levy, employers have increasingly focused their investment on providing apprenticeship training to older and, in many cases, already highly experienced and qualified workers, evidenced by the growing numbers of apprenticeships in leadership and management and other professional training. In 2020/21, the three most popular subject areas for apprenticeships were business, administration and law. Two in five of these starts were at management level.

This is not only an expensive and inefficient way to address the UK’s management failings, but it risks undermining the purpose and vision behind the reforms. Moreover, it means that those who most need access to high-quality technical training lose out – namely those who are lower-skilled and younger individuals.

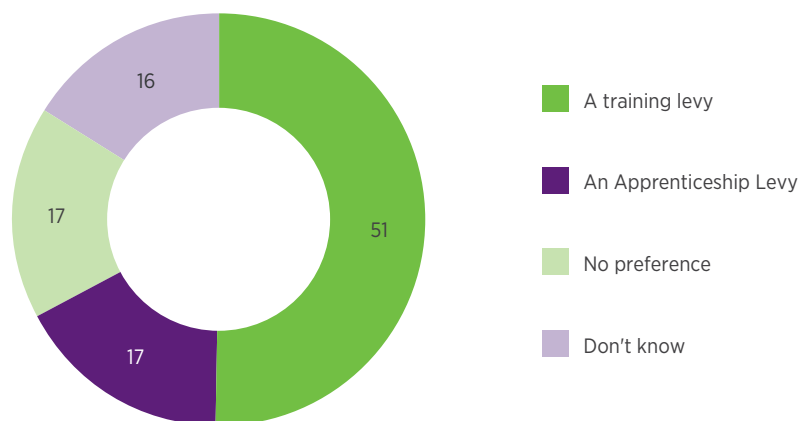
In light of ongoing challenges with the Apprenticeship Levy, the CIPD has been calling for it to be reformed into a flexible training levy to allow employers to develop existing staff through other forms of accredited and cost-effective training, focused on tackling technical skills shortages in the economy. This would then also free up more funds to offer apprenticeships to young people who would benefit from them most. As Figure 21 shows, reform along these lines has broad employer support, with three times as many employers supporting a training levy compared with the Apprenticeship Levy in its current form.

In his [Spring Statement](#), the Chancellor announced that the Apprenticeship Levy will be reviewed as part of wider plans to unlock greater business investment in skills and technology. However, with many sectors facing skill shortages, as shown in [section 4](#) of this report, and the potential for employers to cut back on skills investment due to ongoing economic uncertainty, there is a need for urgent reform.



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Figure 21: Preference for a training levy, where the allowance could be spent on accredited training, or an Apprenticeship Levy that is only spent on apprenticeship (%)



Base (Apprenticeship Levy payers in England): 502.

The new Future Skills Unit, working alongside Local Skills Improvement Plans, could decide which types of accredited training courses should be funded under such a training levy, to ensure that it is used to address genuine skills gaps and shortages. This would also mean that employers could potentially use levy funding to invest in training delivered by their local FE colleges, boosting business engagement with the system which, as the [Relationships with training providers](#) section discusses, is clearly needed.

9 Technical education: employer perspectives of T Levels

The skills and capabilities of the workforce are vital to economic sustainability and growth. However, while the UK has a high proportion of degree-qualified individuals, there is a substantial gap to other countries in [intermediate technical skills](#), with the [OECD ranking](#) the UK 24th out of 33 nations. This has serious implications for productivity as the UK faces a [chronic shortage of technician-level skills](#).

Furthermore, young people seeking to develop their technical and vocational skills face a confusing array of qualifications, many of which are not linked to the needs of employers. To help address these issues, the Government is introducing new T Level qualifications to provide a vocational pathway for young people to learn technical skills as an alternative to A Levels.

T Level qualifications are a new technical study programme designed to sit alongside apprenticeships and A Levels. T Levels are Level 3 technical qualifications (equivalent to A Levels), and there are 23 T Level 'routes', covering all the main industry sectors and job roles. They take two years of full-time study, which combines classroom learning and an industry placement lasting at least 45 days. The content of T Levels has been designed by employer panels. The first T Levels started in 2020 and all 23 routes will be available by 2023.

T Levels are specific to England and are not being introduced in any of the devolved nations, so the following survey results relate only to employers based in England. We have produced a separate [report](#) which shines a light on the Scottish context.

Awareness among employers of the new technical qualifications is relatively low, with just 46% of employers reporting that they had heard of T Levels prior to being surveyed. It is

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concerning that this is only slightly above the figure of 40% when we last polled employers in 2018. Of those who had heard of them, the majority rated their level of knowledge of the new qualifications as fairly poor (51%) or very poor (15%).

Awareness levels are highest among public sector organisations (59%) and in the voluntary sector (51%) and are lowest among private sector firms (43%). Larger organisations appear to be no better informed than smaller firms, with 46% of both having heard of the new qualifications.

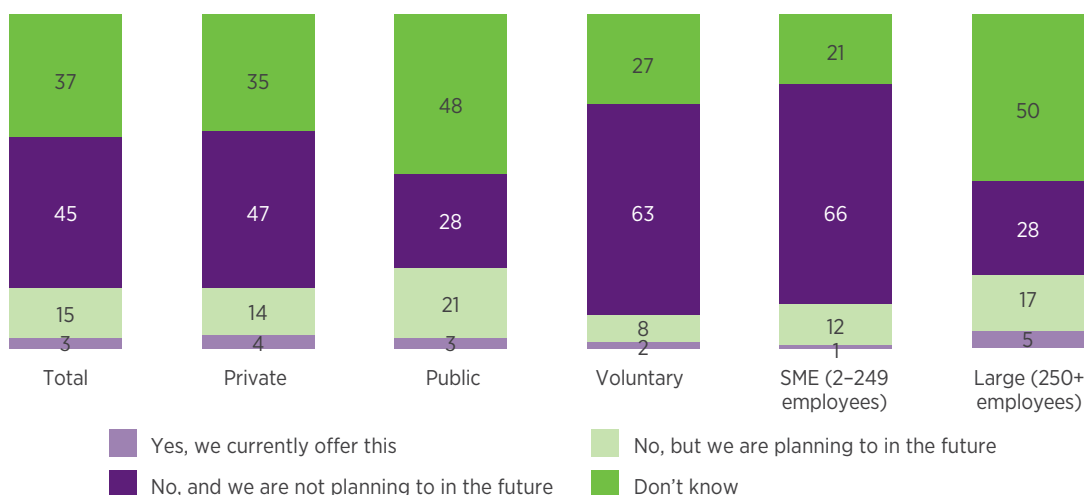
The industry placement forms an integral part of the new qualifications, yet few employers currently offer, or are planning to offer, a T Level industry placement for students (Figure 22). Overall, just 3% of organisations report that they are currently hosting an industry placement, and 15% are planning to in the future. Employers in the public sector and larger employers are more likely to offer industry placements in the future. However, it should be noted that there is considerable uncertainty among employers, with well over a third reporting that they ‘don’t know’ if they will offer a placement. This suggests that there is a considerable way to go to raise awareness among employers and ensure that sufficient industry placement opportunities are unlocked.

For those planning to offer an industry placement, Figure 23 shows that 36% expect to be able to offer a placement within the next year, while 52% think they will be able to host a student in the next year or two.

Box 5: A strategic approach to skills equals better awareness and preparation

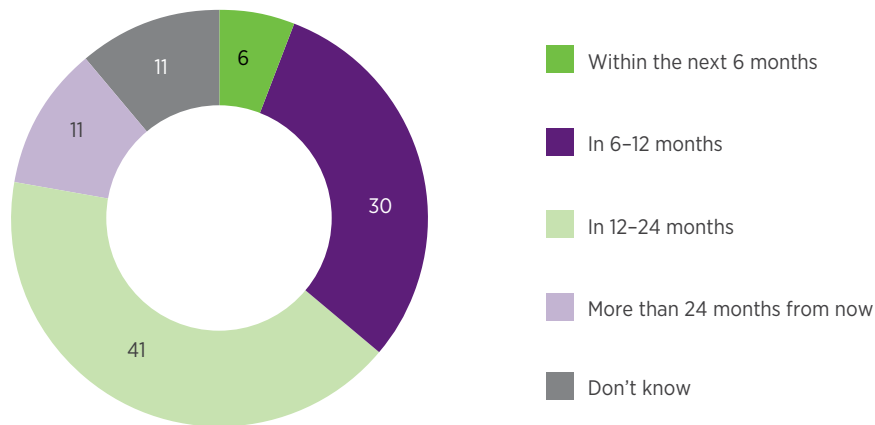
Organisations that take a more strategic approach to workforce skills, compared with those that don’t, are much more likely to have heard of T Levels, rate their knowledge as good or very good, and are currently hosting, or planning to host, a T Level industry placement student. This underlines the need to boost people management capabilities to increase employer engagement in skills-based initiatives.

Figure 22: Whether organisations currently offer, or are considering to offer, a work placement for a T Level student (%)



Base: total: 1,682; private: 1,270; public: 303; voluntary: 99; SME: 738; large: 944.

Figure 23: When do you think your organisation will start offering a work placement for T Level students? (%)



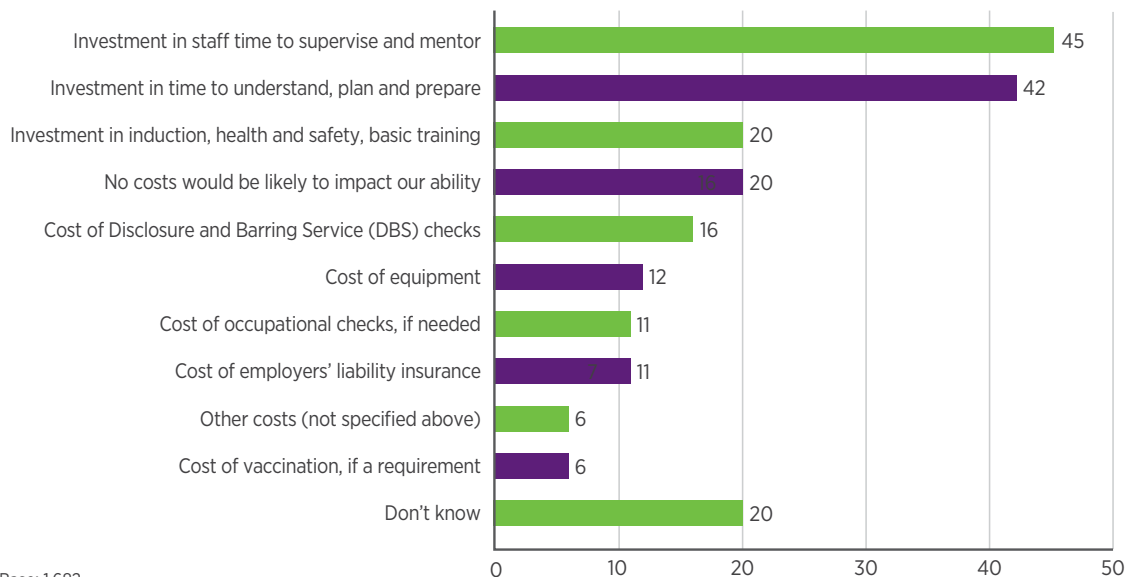
Base (those planning to offer a placement): 249.

Employers were also asked about the financial barriers they might face that could impact on their ability to host industry placements (Figure 24). Twenty per cent reported that they would not face any cost-related barriers to hosting an industry placement student. The two biggest cost-related barriers facing employers are investment in staff time to supervise and mentor students, and investment in time to understand, plan and prepare to host a placement with a T Level provider. Investment of time to supervise and mentor was identified by a greater proportion of SMEs (51%) compared with larger organisations (41%).

In response to the pandemic, the Government introduced temporary flexibilities that allowed for elements of T Level industry placements to take place remotely, to ensure that students who were impacted were able to complete their qualifications. These flexibilities are to be withdrawn from next year. Yet, given that many organisations have shifted to hybrid working on a permanent basis, a higher proportion of employers believe that, in future, placements should be able to be delivered both online and in person (39%) compared with those who think that placements should be delivered only in person (28%).

Organisations that have adopted hybrid working practices could struggle to host placements if existing employees are needed to be available 'in person' to mentor and supervise students. However, beyond these organisational difficulties, in certain occupations, such as

Figure 24: If your organisation were to host industry placements, which, if any, of the following costs would be likely to impact on your ability to host students in the workplace? (%)



Base: 1,682.



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the creative and digital sectors, remote or hybrid working has become the norm, and young people who seek careers in these occupations will need to build the skillset to be able to work effectively and collaborate with colleagues while working in this way.

Employers were asked about what they would value most, in terms of skills and knowledge, if they were to recruit someone with a T Level to an entry role within their company. Interestingly, a higher proportion of employers would value breadth (core employability skills and a broad knowledge of the sector) over depth (the specialist skills and knowledge required for the vacancy) in knowledge and skills, figures of 37% versus 27% respectively, while 37% gave equal weight to both breadth and depth.

10 Conclusions and recommendations

This report shines a light on the experiences and views of UK employers in relation to skills development. It highlights employers' perceptions of the effectiveness of the skills system in meeting their current and future needs, the extent of their engagement with the education system, their relationship with training providers, as well as their understanding of skills challenges and the approaches they are taking to tackle them.

Key findings are as follows:

- 1 Employers are clearly facing a very challenging context, with both labour and skills shortages impacting on their ability to recruit the people they need. The tight labour market is putting upwards pressure on wages, but it is also pushing employers to invest more heavily to upskill their existing employees, offer more apprenticeships and look outside of their traditional talent pools. Employers identify that it is technical and job-specific skills that they find most difficult to find among applicants, followed by broader employability, or essential skills such as problem-solving, customer-handling, planning and organisation skills, and communication skills. This presents policy-makers with an opportunity to harness this trend, provide solutions and engage more employers in skills-based initiatives.
- 2 Alongside recruitment difficulties, many organisations are also struggling with internal skills gaps, with only a minority of employers reporting that all of their staff are fully proficient in their roles.
- 3 Organisations that take a more strategic approach to skills – those that engage in workforce planning and that have training plans and budgets in place – are much more likely to invest in training and development, engage with education institutions and training providers, and prepare for the future. They are also more likely to be aware of, and engage in, skills-based policy initiatives. This emphasises the critical importance of building the people management and leadership capabilities of organisations to drive up the demand for skills and training. This is especially crucial for smaller businesses, which either tend to overestimate their grasp on skills or be unaware of their skills challenges.
- 4 Too few employers engage with FE institutions and many have negative perceptions about their effectiveness in meeting current and future skills needs. However, those that do engage with the sector have much more positive views. This highlights a considerable barrier to the success of the Government's ambition to put employers at the heart of the FE system, and emphasises the need to raise awareness and share examples of the positive impact that FE institutions can play in developing workforce skills if the reforms are to be successful.



- 5** Perhaps the biggest challenge to putting employers at the heart of the FE system is that too many employers – particularly SMEs – are not aware of their skills gaps and people management issues and so don't take action to invest in the skills they need. CIPD research⁶ suggests that the provision of high-quality HR support to small firms at a local level, embedded through key partnerships such as Local Enterprise Partnerships, chambers of commerce and local authorities, has the potential to reach large numbers of employers and make a material difference to owner-manager confidence and capability. Over time, this will help increase productivity and skills investment. This type of integrated business and people management support could be delivered at a local level, via Growth Hubs, to build SME capacity to engage in skills-based interventions.
- 6** One of the key ambitions of the Apprenticeship Levy was to counteract the long-term decline in employer investment in training, yet for almost half of levy-payers, expenditure on training has either remained unchanged or decreased. There is broad support for reform of the Apprenticeship Levy into a more flexible training levy. This would allow employers to invest in other forms of accredited training and provide a more flexible and cost-effective solution for upskilling and reskilling existing employees, while ensuring that a greater share of apprenticeship opportunities went to young people. The Future Skills Unit and the LSIPs could decide which types of accredited training courses should be funded under such a training levy to ensure that it is used to address genuine skills gaps and shortages. This would also mean that employers could potentially use levy funding to invest in training delivered by their local FE colleges, boosting business engagement with the system.
- 7** There is a concerning lack of awareness among employers of T Level qualifications. With only a year left until the full rollout of all T Level routes, it's critical that more is done to increase their understanding and ensure that they are willing and able to engage and provide high-quality work placement opportunities. Work placement by employers is a key component of successful delivery, as is employers' recognition of the value and opportunity provided by this new source of talent.
- 8** The temporary flexibilities that allowed elements of the industry placement to be carried out remotely should be extended. This would ensure that organisations that have adopted remote and hybrid working arrangements are not discouraged from supporting young people studying T Levels. The Government should seek to learn lessons from organisations that made use of these flexibilities, and from students whose placements were delivered in this way.

11 Endnotes

¹ Figures have been weighted and are representative of UK employer by size, sector, industry and region.

² CIPD. (2018) *Labour market outlook: spring 2018*. London: Chartered Institute of Personnel and Development.

³ Felstead, A., Gallie, D., Green, F. and Henseke, G. (2017) *Productivity in Britain: the workers' perspective. First findings from the Skills and Employment Survey 2017*. London: Centre for Learning and Life Chances in Knowledge Economies and Societies, UCL Institute of Education.

⁴ Social Mobility Commission. (2019) *The adult skills gap: is falling investment in UK adults stalling social mobility?*

⁵ CIPD. (2020) *COVID-19 and the youth labour market*. London: Chartered Institute of Personnel and Development.

⁶ CIPD. (2017) *People skills: building ambition and HR capability in small UK firms*. London: Chartered Institute of Personnel and Development.



CIPD

Chartered Institute of Personnel and Development
151 The Broadway London SW19 1JQ United Kingdom
T +44 (0)20 8612 6200 **F** +44 (0)20 8612 6201
E cipd@cipd.co.uk **W** cipd.co.uk

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