

## A Business perspective: Valuing vocational education as a pathway to success

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My name is Stephen Rooney and I am the lead on skills policy at the Confederation of British Industry –or CBI. The CBI is the UK’s leading business organisation, speaking for 190,000 businesses of all sizes and from all sectors that together employ around a third of the UK’s private sector workforce.

The title that I was given for my talk was “A Business perspective: valuing vocational education (especially apprenticeships) as a pathway to success.” The emphasis on apprenticeships is a reflection of the current political focus being placed on this valuable form of vocational training – which, as I will highlight, can provide routes to the higher-level skills that business and the economy needs. I will begin by talking about the skills crisis facing the UK, before talking about the importance of vocational training (particularly apprenticeships) and its role in addressing the skills crisis. I will also emphasise the importance of continued collaboration between VET and Business as a critical factor in ensuring that VET continues to be valued as a pathway to success.

### **The UK’s skills crisis:**

The UK has a huge skills challenge on its hands, with 2 million additional jobs expected to require higher-level skills by 2022.

A highly skilled workforce is the key to creating a virtuous circle where productivity improvement spurs increased investment, which in turn drives productivity growth. The CBI’s 2014 report *A Better off Britain* noted that this skills challenge is particularly acute at the technical level – the level 4 and 5 skills required for roles in the “new middle” of our labour market. For example: account executives, air traffic controllers, construction managers, engineering technicians, financial analysts, IT assistants, paralegals etc. It is *this* gap at technician level that is at the heart of the UK’s skills shortage –and it is worth mentioning that last year, for the first time in the 17-year history of the CBI’s Employment Trends Surveys, businesses’ concerns about skills shortages emerged as **the biggest** perceived threat to UK competitiveness.

Anxiety about recruiting people with the higher-level skills that businesses need is widespread – indeed half of businesses (55%) surveyed in the CBI/Pearson Education and Skills Survey 2015 *Inspiring Growth* expressed that they are *not confident* of finding people with higher-level skills. These concerns are most notable in construction, manufacturing, engineering and **digital**.

In any debate about making the UK a great place to invest and do business, access to a workforce capable of carrying out high-skill processes or innovating to design new ones is an essential ingredient. **Meeting the higher skills challenge ultimately rests on the extent to which we can widen gateways into skilled work, open up routes to higher skills to a more diverse group of people and tackle inequalities.** This includes routes that appeal to individuals for whom a degree may not be the best option. We also need a transformation in the quality of careers provision in schools and colleges — so that vocational options are able to achieve “parity of esteem” with more traditional academic routes. This has been more fully realised in some countries than in others.

### **Apprenticeships**

Apprenticeships will play a vital part in addressing this skills challenge. Through hiring apprentices, businesses are able to develop people from a start at level 2 or level 3 into a great career. This is fantastic for the people concerned as it improves employability, progression prospects and raises future income. It also helps in addressing the UK’s productivity challenge. Investment in skills is responsible for around a fifth of productivity growth –and the growth of apprenticeships over the last Parliament, and further business and political commitment to them is therefore to be welcomed. [Apprenticeship starts have grown to 374,200 so far this year - a rise of 59,600 from last year with half delivered by smaller employers]. While the government’s backing for the expansion of higher apprenticeships is welcome, these still only form a very small proportion (3.5%) of overall apprenticeship starts - 13,200 out of 374,200.

Around two thirds (66%) of the businesses responding to our Education and Skills Survey 2015 are involved in apprenticeships. Provision of apprenticeships has spread beyond traditional sectors such as manufacturing (76% of respondents involved) to new sectors such as professional services (where 42% of respondents now have at least some apprentices).

Prior to the UK General Election in May this year, each of the main political parties included manifesto pledges to target an increase in the number of apprenticeship starts. The Conservatives are now working to achieve their target of 3 million apprenticeship starts by 2020 –an increase of 30% in the 2.3million delivered in the last parliament. The CBI and the government are in agreement about the necessity of growing apprenticeships. But the delivery challenges we face are significant, and we should be clear that the right outcome **is an increase in good quality training that is relevant to business and the individual learner – whether young or old – not merely a tick-box process that delivers 3 million training interventions.**

Given the weak record on delivery of reform in this area, we are concerned that mistakes of the past will be repeated and we have made it clear that the planned levy, currently proposed as a % of payroll, on all large UK employers—announced by the Chancellor in his summer budget— to fund the government’s target of 3 million new apprenticeship starts must give employers real control, uniting standards and funding in one body, and must work for all businesses and in all sectors. Details of the levy will be announced as part of the Comprehensive Spending Review on 25 November.

If the government is to achieve its ambitious target of 3million new apprenticeship starts, VET institutions will certainly be involved in making this a reality. Colleges currently play an invaluable role in delivering apprenticeship programmes, especially for SMEs, and indeed FE colleges are used by nearly half of respondents to our *Education and Skills Survey* to support delivery of quality apprenticeship programmes and similar skills training.

VET institutions are uniquely placed to provide high quality professional and technical learning pathways and skill development whilst imbuing learners with confidence, ambition and the attitudes/aptitudes that businesses value in recruits. VET institutions also support *diversity* and *social inclusion* by promoting participation from those in areas with high levels of deprivation and ensuring access for those who have barriers to learning. Strong links between UK VET institutions and employers is critical however, to ensuring that rigorous and relevant courses prepare young people for the world of work.

Over recent years the UK has experienced a shifting, often confusing, qualifications landscape. The key driver of success of qualifications is **confidence** that they are equipping young people with skills, knowledge and capabilities valued by employers. There is no single best approach to their form. It may surprise you to learn that the majority of businesses either prefer recruits to hold a mix of both academic and vocational qualifications (37%), or value academic and vocational qualifications equally (37%). But there are real problems of confidence in some areas of vocational qualifications. A growing number of vocational qualifications and frequent shifts in their form and content have led to a degree of employer uncertainty over whether all those awarded them are fully equipped with the skills and knowledge required. Although reforms are underway, close to half of businesses (45%) say that using the respected, well-understood A-level brand as a quality badge for high-quality, rigorous vocational programmes would help in building employer trust and confidence.

The challenge is, I think, both to raise business awareness of the qualifications *and* to win confidence in their quality and consistency. Ensuring the business-relevance of vocational qualifications depends on employers playing a central role in guiding awarding organisations in the design of qualifications. Building business confidence in this way is central to the success and value of qualifications. Many businesses are already involved in the process. Among our respondents, a third (33%) report that they are currently engaged with awarding organisations in designing vocational qualifications and want to continue that engagement in future.

The CBI has long believed in the importance of business partnerships with VET institutions. Businesses can contribute in a range of ways to help raise ambition and levels of achievement among young people and support learning. Across respondents to our survey as a whole in 2015, three quarters (73%) have at least some links with VET institutions –which I think reflects the priority employers attach to achieving a greater focus on work awareness among young people –particularly in the 14-18 age group. For young people in the 14-18 age bracket, employers want to see a much greater focus on work awareness. As an aside, asked to identify their three top priority areas for action by schools and colleges for this age group, half of respondents to our survey highlight the need for more engagement with businesses. More extensive engagement should improve young people’s understanding of the skills and attitudes required at work and inspire them about their options. More than four out of five employers (85%) surveyed rated this as one of their three most important considerations when recruiting. One in five businesses also view relevant work experience and business awareness as among the three top considerations when recruiting young people. The CBI has long pointed to the central importance of resilience and a positive attitude, demonstrated for example by a readiness to take part, openness to new ideas and activities, and a desire to achieve. It also involves understanding that hard work and effort yield results.

What is more, there is now widespread consensus that young people need inspiration as much as advice – and that is most likely to come from real-life contact with the world of work. This means that when it comes to big decisions about careers, they understand better where different choices could take them in the future. Business involvement in VET is therefore essential in providing that real-life component, ensuring advice and information are inspiring and grounded in the realities of the evolving labour market. This is particularly important as young people themselves report the most important influences on their career choice by a large margin are talking to people in an industry and work experience/internships. Supporting schools and colleges through involvement in careers activities, such as through delivering inspiring talks, is already widespread. Our results show

that businesses of all sizes are ready to step up their commitment and help further to achieve improvement.

There is a fiscal challenge facing VET institutions in the UK -since 2010, the adult skills budget has been reduced by 40%. According to the AoC (a group representing FE colleges in the UK), depending on where spending reductions are made, adult education could be impacted by a reduction of 190,000 places next year.

Aside from the fiscal challenge, VET institutions in the UK seek to capitalise on available and emerging digital technology to transform the way professional and technical education is delivered. In a digital world, the rapid pace of change means that business operations and the skills that go with them will need continuous renewal. The opportunity for colleges is to take centre stage as they prepare those entering work and those who need to be retrained not only to know and do, but also to learn how to learn.

As many of you will know first-hand, there is a move in the UK towards fewer, often larger, more resilient and efficient VET institutions with greater specialisation, creating institutions that are genuine centres of expertise and are able to support progression in professional and technical disciplines. Further, the Government has made a commitment to National Colleges and new Institutes of Technology (mentioned in the Government's Productivity plan to "deliver high-standard provision at levels 3, 4 and 5). Building on international best practice, Institutes of Technology will be sponsored by employers, registered with professional bodies and aligned with apprenticeship standards." represent an outstanding model for bringing together sets of learning, employers, and local geographies and communities to deliver higher level skills.

The UK has a long history of trying to improve vocational skills development. Over the past 40 years, this has involved the government playing a role as convenor (e.g. industry training boards, sector skills councils, UKCES) and as funder (e.g. "train to gain). The aim of these initiatives was to build a skills system that reacts to labour market needs, but instead, they have tended to reproduce the current system which has fed business disengagement and led to complaints that businesses don't articulate their skills needs clearly. Examples of this can be seen in the wholesale re-badging of Train to Gain provision as apprenticeships in the early part of the last Parliament, and in the lack of responsiveness of the system to employer demand.

The Government, , has acknowledged the need to resolve this problem by handing control of standards to businesses (the so-called *Trailblazer* reform) and making the system employer-focused by routing money to providers through companies own purchasing decisions.

The challenge this brings is one of **quantity vs quality**. Government wants numbers of qualifications to meet its 3m target – businesses want quality competences for staff. Marrying these two effectively is the challenge that we have failed to address effectively for decades.

This is a time of unprecedented change and challenge for VET in the UK in particular. Whilst it is true that we already have some very strong FE colleges and there are others who are already proactively making changes to strengthen their institutions, still there are more who are able and willing to change but have not yet begun. Collaboration between business and VET institutions is critical to ensuring quality outcomes for learners and for business –and it is only through dialogue and continued collaboration that the key elements of the skills agenda (articulated so beautifully yesterday by Mr Santos from DG Employment) [anticipating future skills needs, ensuring skills systems are modernised etc] will be realised and that vocational education will continue to be valued as a pathway to success.