

# Workplace Perspectives on Skills

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Report prepared for

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## City-REDI

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## Executive Summary

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*This paper explores both employer and employee perceptions relating to skills and the value of training, drawing on survey evidence, to understand the specific skills and skills investment challenges employers face as the nature of work changes. It investigates how the current skills system both supports and hampers employer decisions to invest in training.*

Employer surveys provide insight into employer perceptions of the skills system. Common skills employers report as lacking include **time management and prioritisation of tasks, management and leadership skills, sales and customer skills, complex analytical skills and digital skills**. Management and leadership skills are important not only in relation to the effective functioning of teams but also in communicating the value of learning. Deficiencies in complex analytical skills and digital skills fell only very marginally between 2015 and 2017. This supports the conclusion of a recent report by the Industrial Strategy Council assessing the UK's skills mismatch to 2030 which argues reskilling the existing workforce in this period will represent a “major challenge”.

Employee surveys also point to challenges within the skills system. The annual Working Lives Survey found **mixed evidence on career progression opportunities**. Research by Ofqual (2018) **indicates learners have a variety of motivations to participate in learning** and that progressing in employment or getting a job was not a key motivating factor. There is evidence that those most in need are accessing training the least frequently.

This report identifies some **key evidence gaps in the employer and employee surveys and seeks to fill those with findings from detailed qualitative employer interviews. Those interviews were structured around three themes:**

- Timeframes for addressing skill needs and the type of skills providers used to address different skills needs
- Current skills development and progression strategies at organisation level
- Looking ahead – improving the system

Detailed qualitative interviews were conducted with fourteen employers across the UK and responses reveal that in addition to demands for *upskilling to cope with economy-wide changes in technology and the needs of the market* companies operate in, there is arguably an even greater demand for individuals (and companies) to possess a *mix of skills* – which could encompass digital, technological, negotiating and other social and behavioural skills.

In terms of *timeframes for skills planning*, employers face a **balancing act of ensuring practical skills are in place for the ‘here and now’** to deal with ‘business as usual’ operations **while also looking ahead** to the skills needed for future business development and success. Smaller companies tend to take a more reactive short-term approach to skills development issues whereas larger firms often adopt a mix of long-term and short-term approaches to skills planning. This is partly influenced by the nature of the companies’ work, for example if it is multi-locational and project based.

Companies use *different types of skills providers* to respond to different skills needs. Large companies tend to use in-house training in conjunction with more formal off-the-job training, including training via local Further Education (FE) Colleges. By contrast, small companies tend



to use self-directed in-house training. Large companies create online portals for training directed at all employees, whereas the SMEs interviewed use **online training** materials created by third parties.

Companies value strong relationships with Higher Education institutes where they can shape the curriculum. Many large employers offer apprenticeships via local FE Colleges to benefit from the high quality of teaching they perceive.

*Formal and less formal processes are used to identify skills needs, with **larger companies being more likely to have formalised procedures** in place. The *quality of managers* and the broader institutional culture is central to shaping the opportunities made available to, and the incentives for, employees to participate in skills development and to utilise their skills in the workplace. This appears to be recognised by both large and small employers who emphasise investment in managerial skills development alongside technical and other skills. However, the extent to which this recognition is translated into investment in managerial training varies.*

**Non-work considerations** are important in some employees' conscious decisions to work in job roles which are below their skills levels and affect their willingness to be geographically mobile to take up new employment and progression opportunities.

Aspects of the skills system identified by employers as working well included: **academic knowledge provided by universities, e-learning and degree apprenticeships. Companies value continuity in the type of providers** they use to minimise disruption to business systems. Recent flux in the skills system has caused disruption, particularly for SMEs.

Employers **desire a more agile and flexible skills system which has a clear national vision**, and better *targeting for smarter skills development. Building quality relationships*, notably between employers and education and training providers, lies at the heart of a skills system that meets the needs of employers, workers, society and the economy.

# 1. Introduction

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## Aim

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This report examines employer and employee perceptions relating to skills and the value of training. It aims to understand the specific skills and skills investment challenges employers face. It has a particular focus on investigating whether fragmented skills provision has hampered individual and/or employer decisions to invest in skills.

## Structure of Report

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The first part of this report (Chapters 2-4) evaluates key findings from existing employer and employee surveys relating to perceptions regarding skills and the value of training. Key evidence gaps are identified. The section explains and justifies the questions included in the employer interview schedule (see Annex 1). The second part of the report (Chapters 5 and 6) responds to these evidence gaps by presenting analysis of detailed qualitative interviews conducted with fourteen employers across the UK.

## Methodology

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The qualitative research in this report involved semi-structured interviews with fourteen employers across the UK (see Annex 2). Semi-structured interviews were selected over structured or loosely structured interviews as they provide the flexibility required to keep an open mind on the possible outcomes of the interviews and allow the interviewer to ask more in-depth follow-up questions. Some structure is used to allow responses to be compared and conclusions to be drawn across respondents.

The companies were recruited via the Confederation of British Industry and the Federation of Small Businesses. Interviews were conducted by phone from July to September 2019 and then analysed thematically. Thematic analysis was selected in order to focus on “*the content and meaning*” of each interview and allow for the interpretation of both “*anticipated and emergent themes in interview*” data (Hislop, 2013a, p.1). The employer interviews were designed to provide insights into selected skills development issues. Whilst employers were of different sizes across a range of sectors and locations in the UK, the findings should be regarded as indicative rather than representative given the small sample size.



## 2. Review of Employer Surveys

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### Background

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Employer surveys provide insight into the skills required by businesses as well as whether workers have such skills. They cover a variety of skills (e.g. basic skills, vocational/technical skills, employability skills (soft/generic skills) and personal attributes (ETF, 2017)).

This review draws heavily on the Employer Perspectives Survey and the Employer Skills Survey. These are comprehensive surveys commissioned by Department for Education, offering neutrality and rigour for examining skills mismatch in the UK and good sample sizes. This report draws on findings from the 2016 Employer Perspectives Survey and the 2017 Employer Skills Survey (i.e. the latest available data).

The Employer Perspectives Survey is an outward looking survey of 18,000 employers across the UK. It focuses on the drivers of employers' decisions regarding recruitment and people development. Time series data is available for 2010, 2012, 2014 and 2016. The survey provides insight into decisions regarding how employers engage with training providers, schools, colleges and individuals, to access the skills they require (Shury et al, 2017). The survey also covers employers' approach to work placements, work inspiration, training and vocational qualifications, traineeships, apprenticeships and their use of standards.

The Employer Skills Survey covers over 87,000 employers with at least two people on the payroll. It examines employer demand for skills, skills shortages and training within firms. It is helpful for understanding skills mismatches in the UK, and the skills challenges that employers face within their workforces and when recruiting. Time series data is available for 2011, 2013, 2015 and 2017.

### Key Findings from Employer Surveys

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This section reviews the key findings from the employer surveys according to three themes:

- A. Timeframes for addressing skill needs and type of skills providers used to address different skills needs
- B. Current skills development and progression strategies at organisation level
- C. Looking ahead – improving the system

First it is useful to first take account of general trends in skills levels and workforce projections in the UK. The UK population is gradually becoming more qualified. Based on the current trajectory, it is predicted that by 2030 there will be an increase of five percentage

points in the proportion of the population aged 25–64 years with qualifications at degree level or above (Evans and Egglestone, 2019). Demand for higher qualifications is expected to outstrip this. By 2030 there could be a 13% increase in jobs requiring a bachelor's degree (for example, nurse anaesthetists and computers systems analysts.). 7 million additional workers, accounting for approximately 20% of the labour market, could find themselves under-skilled compared to the requirements of their job. The Industrial Strategy Council's first publication on skills, *UK Skills Mismatch in 2030* finds more severe skills shortages are predicted in 'workplace skills' than in 'qualifications' and 'knowledge'. (Industrial Strategy Council, 2019). Such changes are likely to create significant pressure on the workforce, with a strong need for workforce upskilling. This report responds to these issues by considering employer and employee evidence in relation to skills development in the workplace.

Large regional imbalances in skills levels exist across the UK (IPPR, 2017). Mismatches indicate inefficiencies in the education system and the labour market. This report aims to provide insight into how the UK economy could prepare more effectively for future skills demands through asking employers about their experiences of using different types of skills providers and whether they have strategies in place to make better use of existing skills in their organisation.

The UK has one of the lowest levels of government investment in adult training among OECD countries. Less than 0.1% of GDP is spent on training in the UK, compared to nearly 0.2% of GDP in Germany, over 0.3% of GDP in France and over 0.5% of GDP in Denmark (Eurostat, 2015). Participation in all levels of adult education has also been declining. The 2019 Adult Participation in Learning Survey reports the lowest rate of participation in its 23-year history (Smith et al, 2019). Employee participation in all types of training fell after the financial crisis and has remained relatively flat since. This report aims to shed light on what works well in terms of how the current skills system facilitates employer investment in training and employee participation and what could be improved.

## A. Timeframes for addressing skill needs and type of skills providers used

### *Levels of Investment in Training*

Employer surveys show that large employers spend less on training per employee than smaller employers. The Employer Perspectives Survey found that 73% of employers offered employees some form of training in 2016, up from 69% in 2014. This was driven by an expansion in training offered by smaller employers.

### *Types of Training offered*

Lower spend on training per employee in large firms may reflect greater use of online and/or in-house training. Large employers are also more likely to offer management/supervisory training than small employers.



The duration and total number of training days provided by employers per employee decreased between 2011 and 2017. Almost all sectors have recorded fewer training days per employee and shorter training courses (Employer Skills Survey, 2017).

### *Types of Providers used*

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In 2016, as in 2014, employers used private providers more frequently than public providers (Employer Perspectives Survey, 2016). Three in five employers who provided training, reported using private providers, compared with only 15% who reported using public providers.

## **B. Current skills development and progression strategies at organisation level**

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Existing research has shown that the people most likely to undertake any form of training are older, higher earning, and from highly educated professions. The lower skilled, lower earning, young and lower qualified are the least likely to undertake training (Social Mobility Commission, 2019). Participation in training varies by occupation and qualification level. Full-time workers are “*significantly more likely*” than respondents working part-time or on a self-employed basis to learn for work or career related reasons (Adult Participation in Learning Survey, 2018, p.27).

### *Barriers to offering training*

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Large firms are more likely than smaller firms to suggest that costs prevent them from investing in training. Insufficient time to plan or receive training was a further barrier. Nonetheless, the majority of firms argue that the main reason they do not invest in training is that staff do not require training (Employer Skills Survey, 2017).

Large organisations tend to have a good understanding and hold positive perceptions of vocational and technical qualifications more frequently than small/micro organisations (Ofqual, 2018).

### *Skills Shortages*

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Skills shortages are an important issue in the UK and vary by sector and occupation. 22% of all vacancies in the UK in 2017 were skill-shortage vacancies.<sup>1</sup>

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<sup>1</sup> Vacancies which employers find hard-to-fill due to applicants lacking relevant skills, qualifications or experience ‘skill-shortage vacancies’

The existence of skills gaps indicates that employers experience internal skills deficiencies.<sup>2</sup> Whilst 87% of establishments in 2017 reported that all of their staff were fully proficient at their jobs, 13% of establishments reported having at least one staff member who was not fully proficient.

Employers identify three main causes of skills gaps: staff being new to the role, being unable to recruit staff with the required skills, and problems retaining staff. All have increased since 2015. The Employer Skills Survey found that common skills lacking were; time management and prioritisation of tasks, management and leadership skills, deficiencies in sales and customer skills, complex analytical skills and digital skills. Deficiencies in complex analytical skills and digital skills had fallen only very marginally between 2015 and 2017.

Two-thirds of employers in the Employer Skills Survey with skills gaps reported that the skills gap had an impact on the performance of their organisation. 17% reported “*a major impact*”. Although they are less likely to occur than in large employers, the impact of skills gaps appears to be particularly acute on small employers (Winterbotham et al, 2018).

The Employer Skills Survey emphasises the growing importance of skills imbalances stemming from staff being underutilised. 35% of employers reported having at least one staff member with both qualifications and skills more advanced than required for their current job, up from 30% in 2015. The survey also provides information on how the proportion of staff underutilised varies by sector.<sup>3</sup>

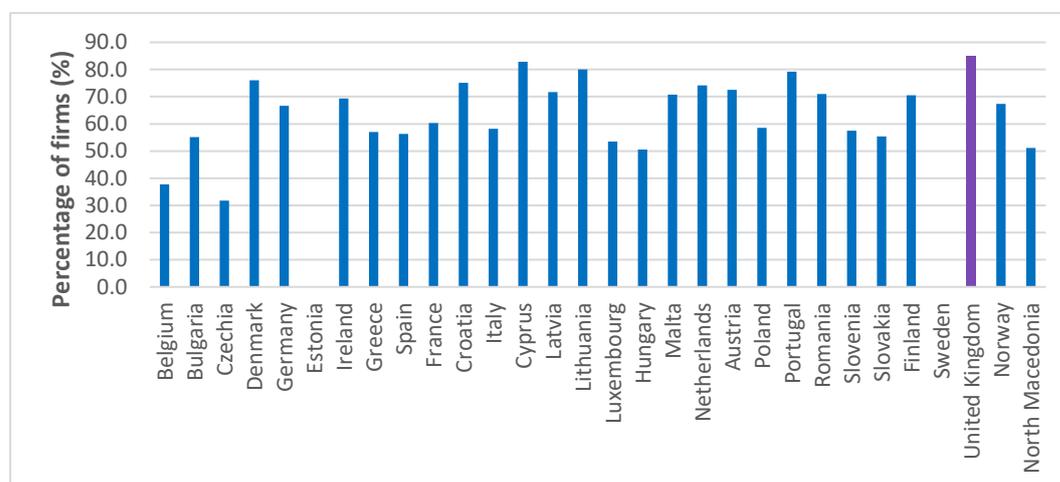
Even when faced with such skills shortages, UK employers stand out internationally for their focus on recruitment rather than training. Figure 1 shows that UK employers are amongst the most likely to recruit rather than train.

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<sup>2</sup> A skills gap occurs where a staff member is not fully proficient in their role.

<sup>3</sup> It was highest in the Hotels and Restaurant sector (16%) and among employers with 2 to 4 staff (20%) (Winterbotham et al, p.62).

**Figure 1 Reaction to future skills needs: recruitment of new staff with suitable qualifications, skills and competencies (% of all enterprise), Eurostat (2019)**



**Data relates to 2015. Data is missing for Estonia and Sweden.**

### C. Looking ahead – improving the system

This section considers existing literature relating to how the UK skills system can be further improved. Given recent considerable changes to the apprenticeship system, including the introduction of an Apprenticeship Levy on large employers in 2016, it gives particular consideration to the apprenticeship system.

The proportion of employers offering apprenticeships has steadily increased from 13% in 2012 to 18% in 2017 (Employer Perspectives Survey, 2017). However, engagement with apprenticeships varies by company size and sector. Large employers were the most likely to report expected increases.

It is important to understand what factors influence whether employers decide to offer apprenticeships or not. Employers perceive structural barriers to hiring apprentices, such as apprenticeships not being suitable for their size of firm, apprenticeships not being available in their sector and not having the funds to train apprentices (Shury et al, 2016).

## 3. Review of Employee Surveys

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### Background

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There are several surveys of individuals/employees that are relevant for understanding individuals' perspectives on learning. The following section of this report summarises some examples of such surveys.

The annual Adult Participation in Learning Survey (Smith et al, 2019; Egglestone et al, 2018) is particularly relevant for understanding learner/employee needs.<sup>4</sup> It provides evidence on who participates in learning, their motivations, barriers, and benefits experienced. The survey adopted a broad definition of learning, including a wide range of formal, non-formal and informal learning, far beyond the limits of publicly offered educational opportunities for adults.

The Ofqual 2018 report on Perceptions of Vocational and Technical Qualifications provides insight into employer, employee and training provider attitudes towards Functional Skills Qualifications in English and Maths, apprenticeship End-Point Assessments and other Vocational and Technical Qualifications.<sup>5</sup>

The 2019 CIPD UK Working Lives report presents the results of a survey around 6,000 workers across the UK in different sectors in relation to job quality.

The 2017 Eurofound 6th European Working Conditions Survey aims to measure working conditions across European countries, identifying groups at risk, highlighting issues of concern and areas of progress and, ultimately, contributing to EU policy development aimed at improving job quality.<sup>6</sup>

### Key Findings

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#### A. Learner Access to Training

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Only around half of workers report being able to access the training they require for their current role. In the CIPD annual Working Lives Survey, 51% of workers (except line managers) agreed or strongly agreed that they received the training and information they need to do their job well and only 30% of workers agreed that their job offers good opportunities for career advancement. However, the UK is one of the top five countries for career advancement identified in Eurofound's 2017 European Working Conditions Survey (p.92).

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<sup>4</sup> It draws on data from a national representative survey of 5,000 adults aged 17 and over across the UK).

<sup>5</sup> It is based on surveys conducted via phone and online with 2070 employers, 532 training providers and 604 learners in 2017 and 2018.

<sup>6</sup> The 2017 survey is based on interviews with almost 44,000 workers in 35 EU countries. The UK sample size is fairly small.



## B. Motivations for accessing Learning

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Existing employee surveys provide analysis of the perceptions of learners. Learners taking Functional Skills had a variety of motivations to participate in learning (Ofqual, 2018). It is notable that 'progressing in their current job' or 'getting a job' was not a key motivating factor. Getting a job was a more important motivating factor behind choosing to take an apprenticeship than in choosing to take a Functional Skills Qualification.

Adults face a variety of barriers to learning. Among adults who have not participated in learning in the last three years, the most commonly cited barriers were work or other time pressures (14%), feeling too old (10%), lack of interest (10%), childcare arrangements or other caring responsibilities (9%), and cost (9%). Almost 40% of respondents stated that nothing prevents them from participating in learning (Egglestone et al, 2018). This potentially suggests that undertaking further study is not something which they consider or feel would be of value to them. This emphasises the importance of employers and managers explaining the value and relevance of training to employees' current and future roles.

Different types of barriers appear to impact differently by age, gender, social class and disadvantage. Situational barriers<sup>7</sup> appear to be a larger issue for women (cited by 33%) than men (cited by 25%) (Egglestone et al, 2018). Adults with higher qualification levels and those in higher social grades cite situational barriers more frequently than those with lower qualification levels. By contrast, disadvantaged individuals are "*most likely to cite dispositional barriers*"<sup>8</sup> (Egglestone et al, p.44). This suggests that individuals who are the most disadvantaged and perhaps have the greatest need for training, are not accessing training due to a lack of awareness of options available or a lack of confidence.

Employee surveys reveal that among current and recent learners key barriers include: work and time pressures (15%), cost (7%) and childcare or caring responsibilities (7%). Unlike adults who have not participated in learning in the last three years, adults who participate in learning cite situational barriers (39%) more than dispositional barriers (21%). Institutional barriers<sup>9</sup> are infrequently cited (2%).

Learners indicate they would be encouraged to take up learning or increase their take-up of learning (for those already undertaking training) by lower learning costs, courses which better reflected their interests, and increased ability to learn from home (Egglestone et al, 2018, p.50). Almost 40% of those surveyed stated that nothing would increase the likelihood of them taking up learning suggesting that if learners are to be successfully engaged in learning, it is imperative to better communicate the value of learning (Egglestone et al, 2018).

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<sup>7</sup> Barriers arising from an adult's personal and family situation.

<sup>8</sup> Barriers relating to the attitudes, perceptions and expectations of adults surveyed. Respondents could give more than one answer, and so may be represented in more than one category.

<sup>9</sup> Barriers arising from the unresponsiveness of educational institutions.

## 4. Key evidence gaps from employer and employee surveys

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This chapter highlights key evidence gaps relating to:

- A. Timescales for addressing skills needs and skills providers used
- B. Skills development and progression strategies at organisational level
- C. Improving the skills system

### A. Timeframes for addressing skill needs and skills providers used

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Whilst employer surveys show larger organisations generally have a better understanding and more positive perceptions of the value of qualifications and assessments than small/micro firms, they provide little analysis of the types of barriers businesses face in terms of navigating the skills system. The qualitative interviews in this study were designed to elicit insight into the different types of challenges faced in understanding the skills system by company size.

The surveys provide limited explanation of why large employers spend less than small employers proportionally on staff training and why the average number of training days per employee is declining. Although evidence exists that large employers offer online/in-house training more frequently the surveys do not consider the merits of different types of training and the barriers to using them. The qualitative interviews in this study provide insights into why different employers use different types of training and how these preferences differ by company size.

The Employer Skills Survey provides insight into current skills needs but is less useful for understanding the extent to which employers are considering future skills needs. The interview questions (see Annex 1) used in the targeted qualitative research reported in Chapter 5 enable deeper understanding of the extent to which employers are preparing for future skills needs. They examine the time horizons used for skills planning and explore mismatches between future skills needs specified by employers and wider employment and sectoral trends.

A gap in understanding the reasons behind the greater use of private rather than public training providers among employers also exists in the employer surveys reviewed. The interviews focus on the types of providers employers use to address different skills needs, investigating what employers perceive different types of providers can and cannot provide and the degree to which they are responsive. Having responsive training partners is one of six elements identified as central to creating an ideal well-functioning skills ecosystem (Green and Hogarth, 2016).



## B. Current organisational skills development and progression strategies

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The differences in uptake of training by different groups of workers identified in surveys raises the question of whether this is because of variations in training offered or differences in individuals' interest in training. Evidence from the 2017 Adult Participation in Learning Survey emphasises how whilst nearly two out of five respondents did not report barriers to undertaking learning, they still did not participate in training. The interviews explore which groups employers focus training on and why, and the strategies employers have in place to address skills needs.

The extent to which individuals lacking the skills that employers require do not take part in training to improve their skill levels because they turn down training offered is unclear in the existing literature. The employee surveys reviewed in this paper provide little analysis of the work and personal barriers that employees face to undertaking skills training. The interviews explore whether there are particular groups of employees who employers think would benefit from training but among whom take-up of training is low, and possible reasons for this.

Although Eurostat and the 2017 Employer Skills Survey data indicates that even when faced with skills shortages, employers in the UK are reluctant to train existing staff or offer training to lower qualified candidates, little existing literature examines the reasons for the preference for recruitment over training. The interview guide responds to this gap by focusing on the extent to which companies have strategies in place to reassess training priorities and where to target spend.

Whilst the 2017 Employer Skills Survey shows the growing importance of skills imbalances stemming from staff being underutilised, the reasons for this imbalance are not investigated in the survey. This report aims to provide insight in relation to this issue by considering the extent to which skills planning takes place within companies, and whether staff being underutilised is the result of differential access to training amongst employees, or a lack of understanding of the full range of skills employees possess and of shortcomings in skills planning.

## C. Looking ahead – improving the system

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Although the employer surveys demonstrate how engagement with apprenticeships varies by size, location and sector, they do not consider how employers could be incentivised to offer more training or take on apprentices. The interviews provide insights into what might encourage employers to invest more in training.

Neither the Employer Skills Survey nor the Employer Perspectives Survey consider how the mismatch between the skills held by individuals and the skills sought by employers can be

addressed. The interviews are designed to provide insight into how employers perceive the skills system could be improved.

Recent changes in the focus of UK skills policy from a centrally-driven to an employer-led skills system have taken place in the context of “frequent and on-going institutional change” (Green and Hogarth, 2016, p.4). Green and Hogarth identify four key challenges in creating an employer-led skills system: understanding employer needs; provider constraints; complexity of the skills system; and appropriate geographical scales for intervention. These challenges were used to draw up prompts in the ‘looking ahead’ section. A question asking participants to identify ‘what works less well’ in terms of how the current skills system is designed to gain insights into the extent to which employers feel flux in the system is a barrier, and how flexible the current system is in responding to employer needs.



## 5. Insights from Employer Interviews

This chapter is structured around the three evidence gaps outlined in Chapter 4.

### Timeframes for addressing skills needs and skills providers used

#### Box 1: Key Findings Timeframes

Timeframes are determined by business objectives, what goods and services businesses deliver, and client demands.

Smaller companies tend to take a more reactive short-term approach to skills development issues whereas larger firms often adopt a mix of long-term and short-term approaches to skills planning.

Companies are primarily looking for employees who possess one or more of the following skills: digital, technical, management and leadership, social and behavioural. Large companies particularly seeking to invest in management and leadership skills as part of long-term growth strategies. Management and leadership skills are essential to fostering skills development within companies. Developing social and behavioural skills is important for 'large transformational projects' and mid-career development.

In line with trends such as automation, AI and digitisation, digital skills are desired by companies of all sizes across sectors.

Client demands for greater efficiency and specific technical skills were increasingly being developed at the point of need.

Employers use various providers including HE Institutions, FE Colleges, apprenticeship providers, private providers, in-house provision and online training.

Provider use has changed following the introduction of the Apprenticeship Levy; degree apprenticeships have grown and there has been a shift towards greater in-house and online training.

### Timeframes

This section considers the timeframes adopted for skills planning and development by the businesses interviewed. Key issues analysed are: What governs businesses' timeframes for skills? What is the length of businesses' timeframes for skills?

## What governs businesses' timeframes for skills?

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Understanding the factors governing businesses' timeframes for skills development is crucial in evaluating the ability of the skills system to adapt to projected changes in skills demand explored in Chapters 2 and 3. The businesses consulted in this research suggested that their timeframes for skills development are governed by business plans and the nature of the work of the company.

### *Business plans*

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**Business plans and company culture are driving forces in timeframes used for skills planning.** Timeframes are determined by business objectives, what they deliver, and client demands. Formalising short-, medium- and long-term skills planning to address skills deficiencies and drive company growth is particularly associated with large firms. In smaller firms, commitment to training was often aligned to a business plan to “*give back to the staff*” as the company continued to grow.

### *Nature of work*

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**The nature of the work that companies perform impacts on their skills planning timeframes. Those dealing with multi-locational, time-limited, and project-based work face particular challenges.**

Companies with more highly skilled workers reported challenges with regard to skills planning. Companies requiring lower-skilled workers suggested that skills planning is not necessarily needed but was desirable to address retention issues. One SME was able to take a flexible approach, adapting their roles according to the skills and potential of existing staff and new recruits, and the company's needs, because the skills required by the firm varied little over time.

By contrast, other companies emphasised how the fast pace of change in the technical skills they require, alongside the project-based nature of their work, meant they need to be agile in responding to demands for specific skills requirements, while also ensuring more general skills are replenished and updated on an ongoing basis. Because of the pace of change in technical skills and the requirement from clients to complete tasks “*cheaper, faster, and smarter*”, the development of specific technical skills had to be at the point of need so new skills are utilised immediately. Project-specific work at multiple sites presents a logistical challenge in terms of what skills are required where and when. Some companies turn to subcontracting to supplement the skills available through the direct workforce. Planning was described as difficult until projects are awarded. Ongoing monitoring and revisions are necessary to cope with project delays and alterations.



## What is the length of businesses' timeframes for skills?

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**Company size is important in differentiating the skills planning timeframes adopted by firms.** In most cases, small companies interviewed adopt a shorter-term approach to skills planning, perhaps reflecting greater challenges in strategic planning, knowledge and capacity compared with larger firms. One SME suggested that, what training there is in small businesses tends to respond to things that have gone wrong rather than being “proactive” in terms of ensuring that errors do not happen in the first place. By contrast, larger firms interviewed had greater capacity to consider both immediate skills needs (to reflect the pace of technological change and business developments) and planning for skills required over the much longer 15-20 year timeframe (to respond to future changes in the labour market).

### *By type of skills*

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**The type of skill was also suggested by employers of all sizes to influence skills planning among firms.** In-house, operational or general transferable skills planning was generally conducted over a shorter time frame than planning for specific technical or professional training programmes. One large firm planned one to two years ahead for graduates, and three to five years ahead for apprentices, while having a much shorter timeframe for operational skills planning. SMEs reported planning three to five years ahead for professional training programmes but had shorter timeframes for in house training and specific technical skills training.

## Skills sought by businesses

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### Which types of skills are businesses looking for?

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**Companies are primarily looking for digital skills, technical skills, management and leadership skills, social and behavioural skills, and employees who have a mix of these.** The section below considers each of these skills.

### *Digital skills*

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**Digital skills are desired by small businesses and larger companies in a variety of sectors.** Some larger firms, noted the increasing weighting they place on digital skills for engineers and technicians. Where data analytics were at the heart of the business, digital competence and awareness were considered essential in a fast changing, disruptive world. SMEs described digital skills as increasingly important, as employees are required to adapt and react to rapidly changing digital skills requirements. Unskilled work was considered not to require digital skills, although the role of digital skills for work scheduling was noted, which could apply in a range of contexts but with different levels of sophistication.

The importance most employers place on digital skills fits with trends such as automation, AI and digitisation and evidence from the Employer Skills Survey - citing a lack of digital skills among applicants as an important cause of skills gaps. It is also consistent with the Industrial Strategy Council's UK Skills Mismatch in 2030 report which finds 5 million workers risk becoming acutely under-skilled in basic digital skills by 2030, whilst up to two-thirds of the workforce may face some under-skilling (Industrial Strategy Council, 2019).

### *Technical skills*

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**Most of the employers interviewed continue to place a high value on technical skills but the type of technical skills desired are changing due to digitisation. Employers seek other skills in conjunction with technical ones.**

**Technical skills were suggested to be important to** meet mandatory and regulatory requirements and to respond to rapid technological change. While traditional technical skills will always be important in some industries, and are looked for alongside digital skills, the precise nature of the skills required is changing. Some interviewees argued that in future creativity skills (e.g. creating a vision) will be more important, as technology will develop the solution. One way of overcoming uncertainty over the precise skills required in future was prioritising the recruitment of *“people with the hunger/ attitude”* on the grounds that they will be motivated to learn. *“Buying in”* experienced workers is another reported way of meeting requirements for technical skills.

Outsourcing technical roles can impact on the nature of skills required in the UK. For example, outsourcing an entire function meant one company placed greater emphasis on generic and consultancy skills for UK-based employees.

The importance employers place on technical skills is consistent with the finding from the Industrial Strategy Council's UK Skills Mismatch in 2030 report that by 2030 1.5 million workers are likely to be acutely under-skilled in at least one STEM workplace skill.

### *Management and Leadership skills*

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As emphasised in research by the OECD and World Management Survey (OECD, 2018), the **UK already faces a shortage of leadership and management skills**. The UK Skills Mismatch in 2030 report indicates that such shortages are likely to grow by 2030. The interviews revealed that management and leadership skills are primarily sought by large companies but also by some larger SMEs in high-skill sectors. Reasons given by the firms interviewed to justify this included; the quality of managers being *“crucially important”* for skills development, and more generally, *“people are our advert”* and *“it is essential to ensure succession planning”*. Investment in management and leadership skills was considered as a long-term investment.

The **companies interviewed prioritise the development of management and leadership skills through various routes**. For large firms, this revolves around in-firm approaches such as including management competencies within role profiles and creating clear career paths for people to follow at a managerial and leadership level (so focusing on developing people skills



over the medium-and long-term). There was some appetite to learn from experience in other sectors, for example, examining approaches concerned with shifts in “*behaviour, values and leadership*” in the public sector, such as among the Police and the NHS which “*work under significant pressure*” and “*budget constraints*”. SMEs generally referred to upskilling their leadership teams through paying for senior employees to complete masters courses.

### *Social and behavioural skills*

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Another type of skill valued across the companies interviewed, regardless of size and sector, is social skills. **Behavioural skills are becoming more important** as the number of highly skilled jobs in the labour market expands, but respondents felt education and training providers were placing insufficient emphasis on these. Both large and small employers interviewed expressed frustration that school leavers and some graduates do not have strong team working and communication skills, particularly telephone and conversation skills. Interviewees explained that behavioural skills, including presentation skills, are particularly important for ‘large transformational projects’, and are also a focus at mid-career. In large firms, behavioural competencies are developed through role profiles and through company-wide emphasis on ‘interacting socially’.

### *Mix of skills*

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**Interviewees suggested that having a mix of skills was increasingly important in a rapidly changing and complex labour market.** Some of the skills required are not necessarily developed in the current education system. The precise mix of skills required varied but generally involved technical/digital skills and softer skills. Both large firms and SMEs suggested that developing rounded individuals and managers who are strong technically and digitally and have strong interpersonal skills (for example, negotiation skills for sales people and wider team leadership skills) was an essential part of their growth plans. There are some skills that might be overlooked in conventional skills policy but can be fundamental for accessing jobs in some geographical areas; thereby impacting on the sustainability and growth of some businesses.

## Types of providers used

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### Box 2: Key Findings types of providers used

Companies work with universities to offer summer vacation or year out ‘placements’ and to recruit graduates. They often value strong relationships with a few universities based on their ability to shape the curriculum and on data analysis of the ‘success’/retention of graduates from different institutes. Cost pressures also play a role. Degree Apprenticeships are a particularly important way for companies to have input in terms of programme design.

Many large employers offer apprenticeships via local FE Colleges to benefit from the high quality of teaching and the ability to create bespoke training. It is imperative for government, industry and educational institutions to work together more effectively to ensure skills provision better matches labour market demand and addresses the challenges faced by employers.

Companies frequently use local FE Colleges for mandatory training but barriers to using FE Colleges were identified in geographically remote areas with limited choice.

Training from professional and local organisations often takes the form of bite-sized courses which are valued by companies working under time pressure.

In-house training is used by firms of all sizes. In large companies, in-house training tends to exist in conjunction with more formal off-the-job training. Micro companies use self-directed in-house training as a key form of training.

Larger companies often create online portals for training directed at all employees, covering areas such as finance, commercial compliance, the legislative environment and problem solving. SMEs tend to use online training materials created by third parties.

Companies value continuity in the type of providers they use to minimise disruption to business systems. The introduction of the Apprenticeship Levy, degree apprenticeships and a move towards greater in-house and online training, has contributed to recent changes in provider use.

### Which provider types do businesses use and why (by size and capacity)?

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In line with the variety of training options available in the UK, **the employers interviewed use a range of providers for recruitment and training.** A big problem highlighted by small employers is *“keeping up to speed with what is available”*. This section considers the different types of providers used.



### *Higher Education (HE)/ University*

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**The companies interviewed emphasised the value of universities in building strong relationships with employers.**

Several employers interviewed work with selected universities to recruit students into graduate programmes, with the larger companies tending to have stronger links. Partnerships took the form of offering summer vacation, work experience or year out ‘placements’ to students; establishing programmes to recruit graduates from particular universities; collaborating with local universities on the content and format of degree apprenticeship programmes, inputting in terms of curricula and programme design, etc. Even where companies recruited experienced workers rather than new graduates and did not otherwise engage with the HE sector, evidence was found of sandwich placements being offered to provide experience to students. Employers prioritise working with local universities where possible – for ease of travel, and to reduce costs and time away from the workplace. Some companies are seeking to broaden the range of universities that they work with; having historically recruited from elite universities across the UK, one now prefers to deal with a broader range of universities - partly motivated by a desire to recruit a more diverse workforce. The importance of the “*track-record*” of the university and understanding how the content of courses differs by institution was emphasised. Nonetheless, budget availability influences the number of universities that companies collaborate with. Companies explained that they cannot afford to spend money on a university that has delivered little. As such, it is crucial for universities that they “*deliver*” what companies want.

### Box 3: Large Digital Technologies Company Case Study

Established over 100 years ago, the Large Digital Technologies Firm operates worldwide. It employs over 100,000 employees globally and over 4,000 employees in the UK.

The company has a very developed skills strategy, adopting a short-term approach to skills planning within each country and a medium-term approach to skills planning across countries. Short-term skills planning mainly revolves around ensuring that employees have the skills to develop, market and service new products, which are introduced frequently. Medium-long-term skills relate to people skills from a leadership perspective. The company aims to create clear career paths people can follow on a managerial and leadership level. They consider this to be important for success planning.

High value is placed on technical and people skills. Whilst traditional engineering skills will always be important, they consider that creativity skills (e.g. being able to create a vision) will be more important in future, as technology will develop solutions.

The company has established apprentice and graduate development programmes, working together with colleges and institutions. Specific programmes also exist to support the development of middle management. Formal conversations take place to identify candidates for senior/ executive-level programmes. At the start of the year managers arrange meetings with employees to review the year's accomplishments, set objectives and discuss development opportunities.

The firm uses an online learning portal to monitor employee time spent on training, and monthly spend.



## Apprentices

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**Many of the large employers interviewed offer apprenticeships**, often relating to particular parts of projects. Large, technical firms in particular have recently broadened their apprenticeship offerings, including developing degree apprenticeship courses with local universities.

Companies interviewed most commonly described delivering apprenticeships via local FE Colleges. They took this approach due to the perceived high quality of teaching as well as the ability to create bespoke apprenticeships. Types of bespoke training via local FE Colleges relates to the timing of training (for example, block release training) and content (one company valued being able to design content to respond to input from customers in terms of what is needed). Training via local FE Colleges also responds to in-house capacity constraints, particularly in large firms with a geographically spread workforce. The interviews revealed some criticism of FE Colleges among employers for not training students in a particular, or the latest, technology.

**Several employees, both SMEs and large companies, emphasised that it is imperative for government, industry and educational institutions to work together more to ensure skills provision better matches labour market demand and addresses the challenges employers face.**

Interviewees suggested businesses often have technological solutions but not the problem-solving creativity found in academia and that the most realistic way of developing the transferable skills desired by employers is for the skills to be embedded within specialist provision and then honed in the business environment.

## Further Education (FE)

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Other employers described using local Further Education (FE) Colleges for additional types of training (other than apprenticeships), such as mandatory training. However, **barriers to using FE Colleges were identified in geographically remote areas where there is less course choice** as not every training provider runs every course. **This appears to be a particular constraint for SMEs. There was some evidence that SMEs not already engaged in the skills system, struggle to find out about courses offered and colleges to work with.** In addition to mandatory training, some evidence emerged of companies seeking to make more innovative use of provision within FE. One company had joined up with a local citizens organisation to work with schools and colleges to recruit a more diverse range of candidates. They described the programme as having "*fantastic results*".

## Private sector providers

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**Both large and smaller employers, revealed that they use private sector training providers particularly for specialist training and when they do not have the capacity to**

**meet training demand in-house.** It was suggested private providers can better adapt the content of specialist courses to business needs than Further Education providers. Examples of courses sought via private providers often related to developing soft skills - for example, project management, customer relations, sales, time management skills.

### *Other professional and local organisations*

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**Employers described accessing training in project management, customer relations, sales and time management via professional and local organisations.** The bite size nature of courses (often between two and four hours) is particularly valued as it means that employees do not need to take a long time out of their business to access training. Time pressure was a common theme across the employer interviews, especially for SMEs.

### *In-house provision*

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The interviews provide insight into the **trend for greater use of in-house training among larger employers** noted in Chapter 2, suggesting this is related to greater capacity and expertise within larger firms to deliver training. In larger companies, in-house training (for example, management and leadership training) tends to exist in conjunction with more formal off-the-job training (such as training via local FE Colleges). One model adopted is a 20:70:10 learning model where 20% of learning is through coaching, mentoring and the use of a buddying system; 70% of learning is experiential (learning through first-hand experience) and 10% is through tutor-led learning (for example, learning provided by a FE tutor). However, in micro companies in-house training appears to be the main form of training available and often involves learners self-teaching rather than training delivered by a trainer. Reasons given for promoting self-training include that SMEs often find it difficult to access formal training that responds quickly to technological change and that in-house training provides greater opportunities for hands-on learning. It was noted that solely training in-house risked businesses missing out on new ideas to innovate, which can emerge from attending external training.

### *Online training*

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The interviews increase understanding of the **trend for greater use of online training.** As discussed in Chapter 2, surveys show this is more prevalent amongst larger firms than smaller firms. Interviewees in large companies described establishing online portals as part of a policy to centralise learning and encourage employees to share learning. By contrast, where the SMEs interviewed described using online learning, this involved using free, publicly available online materials created by third parties - often created by global companies such as Google and Facebook. Employees self-trained to develop their skills and keep up to date with the latest trends relevant to their sector (e.g. in relation to social media). The companies consulted suggest this occurs because larger firms have greater resources than smaller firms to invest in developing and maintaining online portals for training. Such resources tend to be directed at all employees and cover areas such as finance, commercial compliance, the legislative environment and problem solving.



## How has provider use changed over time and why?

**Generally, interviewees prefer continuity in the type of providers they use in order to minimise disruption to business systems.** Where companies had switched provider, change was generally motivated by one or more of the following factors: the introduction of the Apprenticeship Levy, the introduction of Degree Apprenticeships, and a move towards greater in-house and online training.

### *Introduction of the Apprenticeship Levy*

**The introduction of the Apprenticeship Levy appears to have led to some change in the type of skills provider used by both SMEs and large companies. The levy was suggested to have had a destabilising impact** on established relationships with Further Education colleges for non-levy payers.

Some SMEs perceive that when the Apprenticeship Levy was introduced, many providers were directed/incentivised to supply levy payers. For years one company had used a variety of providers for lower and mid-level apprentices and found local delivery to be good. However, following the levy, they felt there was a 6-12 month lag before providers offered services to non-levy payers. In addition, evidence was found that some non-levy payers perceive there to be fewer opportunities to take on apprentices as when they looked to recruit apprentices via the online national apprenticeship portal, they found that more apprenticeships were available for large than SME employers in their area. Despite previously having apprenticeships, and a keen desire to recruit apprentices, one firm interviewed has not taken on any apprentices since the introduction of the levy. A further reason for SMEs not recruiting apprentices is uncertainty regarding the financial benefits of taking on an apprentice under the new system. For larger companies, even where apprenticeships make sense in terms of their resource pipeline, some consider them difficult to sustain year-on-year.

### *Expansion of Apprenticeships*

Interviewees revealed that the expansion of apprenticeships, especially at higher levels has led to increased focus on apprenticeships as a means of skills development, particularly among large firms. Larger firms with a technical focus reported partnering with (often local) HE and FE providers to offer increasing numbers of degree apprenticeships. Interviewees suggested **recruiting degree apprentices rather than graduates has advantages in terms of individuals benefiting from greater work experience and greater contact time.** Whilst there will remain a need for graduates (especially those who are sponsored and/or recruited through placements), some companies suggested the number of graduates that they recruit conventionally will decline as they expand the number of degree apprentices working within the company.

However, other interviewees from SMEs and large companies suggested the expansion in apprenticeship levels has led to negative changes in how apprenticeships are perceived. Some companies feel that the approach to the expansion of apprenticeships has been “scatter-gun”



as opposed to strategic. It was also suggested that the expansion in apprenticeship levels has led to a decline in the perception of lower level apprenticeships. Whereas all apprenticeships used to be seen as a skilled profession, now the existence of apprenticeships from level 2 to degree level, means that it is hard to consider all apprenticeships as equal. “*Stigma*” around the term “*apprentice*” was identified which could be putting people off applying for apprenticeships. To address this issue, interviewees emphasised the need to fully inform school leavers, parents and teachers of the potential of degree apprenticeships.

### *Move towards greater in-house and online training*

The move towards greater in-house and online training described above is often associated with an acknowledgement of the need to standardise training and learning for all employees across the company. Larger firms with a technical focus described using established online portals, where employees could complete mandatory training. E-learning portals were suggested to offer opportunities for training in sectors with field operatives where it has traditionally been difficult for staff to access training due to a reluctance among managers to release them for training when this would mean increased pressure on delivery. E-learning portals also enable companies to monitor and evaluate training uptake and completion.

#### **Box 4: Chemical Company SME Case Study**

Established for over twenty years, the company employs nearly fifty people. It constantly adjusts skills plans according to company needs. It undertakes formal annual training reviews for current and future staff, considering skills likely to be required in future. The main skills they require are supervisory, management, technical, logistical, financial, administration and sales. A Director and a sales manager are being supported to undertake MBAs at a leading university with a strong reputation, located a few hours away from the company base.

The company has faced disruption to established links with a local FE college following the introduction of the Apprenticeship Levy as providers were focusing on services for levy payers. They attribute challenges with recruitment to perceptions among job seekers that apprenticeships are lower-skilled than previously, and school leavers being poorly prepared for the workplace.

They would invest more in training if tax relief on firm investment in training was available.

## B. Current skills development and progression strategies at organisation level

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### Box 5: Key Findings on current skills development and progression strategies at organisation level

Core business needs and mandatory training requirements are key in explaining who is most likely to receive training.

Formal and less formal processes are used to identify skills needs, with larger companies being the most likely to have formalised procedures in place.

Management quality is crucial, with line managers playing an important role in identifying skills needs and facilitating workers' participation in skills development.

Non-work considerations are an important factor in some employees' decisions to work in job roles below their skills levels and in their unwillingness to be geographically mobile to take up employment and progression opportunities.

This section examines which groups of employees are prioritised for skills development, and how skills needs are identified, addressed and utilised.

### Recipients of training

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**Budget constraints mean small companies interviewed often focused training on operations/technical staff or senior managers/owners to meet core business and mandatory needs, while larger employers were more likely to state that they focused training on all employees.**

Small businesses are often reluctant to train because of a fear of poaching, especially where there might not be an opportunity for progression except by moving to a different firm. Large companies interviewed tend to focus training on different groups of employees according to experience rather than on employees with particular skills. Groups offered training include; apprentices and graduates (who are treated as two separate groups), technical professionals, line managers and women (who are often under-represented in their workforce).



## How are skills needs identified, addressed and utilised?

Analysis of the interviews reveals an important distinction between formal processes to identify and address skills needs and less formal processes.

### Box 6: Small Engineering Design Company Case Study

Founded 20 years ago, the company has 6 employees. They operate using a 12 month skills plan but do not have a systemised approach to reassessing training priorities. They require employees with strong technical skills (e.g. social media and, web design skills) and soft skills (e.g. being able to resolve issues effectively by phone).

The firm encourages staff to access technological training online and self-train, as this is cheaper, more flexible and more up to date than FE training provision. Soft-skills training is completed via freelance training providers (who tailor the content) or organisational training sessions (which are short and fit well with the company's needs).

They would be interested in hiring apprentices but the current system does not fit with their working environment. To attract employees, they take advantage of technological development to offer the possibility of working remotely and so do not think they would be able to supervise apprentices effectively.

### Formal processes

**Most companies interviewed, with the exception of micro companies, had systems for regular reviews to identify skills development needs.** Some evidence was found that reviews in large firms are more formalised than those in SMEs but interviewees from both SMEs and large firms generally reported skills reviews on an annual and often on a 6-monthly basis. Reviews were revealed to generally be conducted by directors in conjunction with team leaders in SMEs and by team leaders in large firms. Reviews focus on identifying training needs for current and future staff, reviewing individuals' ongoing performance at individual and team level and personal development requirements to meet goals.

**Managers play an important role in effectively conducting annual reviews, identifying key skills gaps for individual employees, explaining the value of training and establishing routes for employees to access the training they require.** Implementing formal processes for identifying skills needs can be challenging if company culture has previously favoured ad-hoc informal conversations about skills management. Evidence was found that the process of instigating line-manager led annual reviews for staff has been challenging in some firms where some managers have struggled to hold conversations regarding development. Interviewees highlighted the value of line managers in encouraging their teams to be ambitious.

**In addition to training, companies interviewed use a variety of other approaches to address skills needs.** This includes programmes for middle management and a pyramid

approach to people advancement - for example, offering mentors to people from the succession management programme, arranging a senior/executive level programme for CEO level and potential CEO level staff, and inviting staff from the high potential route to present at monthly management team meetings to give the management insight into the skills and talent in the company.

**Not all companies evaluate training in order to ensure that provision is effectively addressing the skills needs of individuals.** The level of analysis conducted depends on the level and duration of the course, varying from identifying whether employees have enjoyed the course and analysing what they have learnt, to evaluating the impact of investment in the course on programme performance.

### *Less formal processes*

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**Smaller companies reported they often use less formal processes to evaluate skills needs and identify progression strategies for employees** (such as informal quarterly conversations with employees). For those employers with a relatively small number of employees it is possible to get to know workers and to know their skills. **Among larger companies, informal conversations to identify and address skills needs tend to occur in addition to formal conversations.** Some larger firms reported using online platforms to formally monitor the up-take of training, the type of training completed, and business spend.

**Companies of all sizes described how they encourage their employees to share learning informally.** This includes encouraging employees who attend courses to share their new knowledge with colleagues and via 'communities of practice'. Smaller companies suggested that sharing learning is particularly important because they do not want knowledge to be held by a single employee. Some smaller companies encourage employees to have at least a basic understanding of other roles in the company developed through informal conversations.

### *Understanding skills utilisation and progression*

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#### *Participation and progression*

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In debates on in-work progression much emphasis has been on individuals rather than employers. Yet employer norms, culture and behaviour are of crucial importance in understanding skills development and progression strategies. One way of facilitating in-work progression is to develop skills in-house.

**All the large companies interviewed developed skills in-house to some extent, although how companies identified candidates internally to fill skills gaps and recruited on the external labour market to address skills shortages varied.** Where training was offered in SMEs, high take up was reported. Also interviewees from SMEs revealed a policy of looking to internal recruitment first when vacancies arose. In some instances specific individuals were



approached about particular vacancies, in addition to a policy of emailing all staff about upcoming vacancies. In this instance the size of the company was such that senior management would be aware of the strengths and potential of most employees. As noted above, one large employer invited individual employees from a 'high potential route' to a monthly management meeting which rotated around different businesses in the group. This made senior management aware of upcoming talent. These examples contrast with practice at another company which, although it had internal staff development policies, relied largely on 'buying-in' experienced talent and outsourcing various functions as and when they were needed.

**The quality of managers is of crucial importance for skills development.** Some evidence emerged of managers hindering skills development either through ingrained internal resistance amongst some managers to release staff for training (particularly for softer skills, due to a primary focus on operational delivery) or concern over the costs involved in training and their crucial role in generating revenue.

**Some of the large employers had formal HR systems for recording skills development and utilisation, and also encouraged development of online learning resources across functional areas.** Systems were used to: provide information on the progression within the business of recruits from different HE providers (which in turn helped to inform which providers to engage with) and encouraging broader sharing of solutions through a company-wide online library of learning across functional areas which all could contribute to. Concern was expressed in some SMEs about "falling behind" in terms of better using existing skills because systems did not exist for employees to share solutions to problems widely within the company. This limited dissemination was attributed to an institutional culture which encouraged employees to share within their own teams, but not more broadly.

### *Work versus non-work orientations*

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From an employer perspective, skills development, utilisation and progression can lead to enhanced business performance, including productivity improvements. Skills development can also translate into wage and career progression for employees. Yet not all employees are necessarily motivated (at least at the current point in their life) to develop or utilise their skills to the maximum possible extent, and this in turn may lead to challenges for employers and have implications for business models.

Two themes related to the balance of work versus non-work motivations of employees were evident in the employer interviews. The first relates to preserving non-work time and the second to employees' attitudes to spatial mobility.

**Some employees were viewed as making a conscious decision to work in jobs for which they are over skilled to preserve their non-work time and escape the demands of more senior jobs.** A company interviewed which operates in an unskilled sector pointed to some employees "*choosing*" such "*unskilled*" work in order to provide some income while "*fitting*

*around*” other activities – such as pursuing education or volunteering. Other employees took on a cleaning job as a “stop gap” while waiting for a more desirable opportunity, or to “escape the demands” of more senior jobs. Among larger employers with a technical focus there were highly qualified workers on the production line who would be capable of taking on more senior roles. They were reported to have made an explicit decision to stay in their current roles to preserve their non-work time and to be able to pursue non-work interests which were important to them without the responsibilities of a more senior/ demanding role ‘eating in’ to their non-work time. While in some respects this might be seen as a loss to the business, their jobs were well-paid and they performed well in them.

**Spatial immobility can constrain skills development and progression, posing challenges for businesses.** “*Lack of ambition*” and “*work-life balance*” issues amongst some employees who were “*comfortable*” in their role posed some challenges in terms of encouraging skills development and addressing business needs. A company with multiple sites felt that many employees had a “*localised mentality*”: 90 per cent were reported as being unwilling to move to another site within the company although the sites were not that geographically distant (albeit being further away than the average daily commuting distance).

Changing attitudes to spatial mobility were also reported in the interviews as posing a challenge to business development in companies with projects which can take place at sites around the UK. Ideally the company needs skills to be mobile to enable deployment when and where they are needed. A “*behaviour change*” was apparent, with younger cohorts reported as being “*less geographically mobile*” than older cohorts of employees. Rather than being willing to move (usually on a temporary basis) to work on projects in different parts of the country, younger workers were reported as moving to other companies in their home location and/or taking a break in employment with the company when work in their home location became more scarce, and coming back into the company’s employment when there was work in the local vicinity again. While a range of non-work (including broader household and other socio-economic and cultural issues) underlie this behaviour change, for the company it made skills planning more difficult.



## A. Looking ahead – improving the skills system

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### Box 7: Key Findings on improving the skills system

Employers disagree on the trends and drivers of employer investment in training.
Persistent flux in the skills system has caused challenges for employers, particularly SMEs.
Academic knowledge provided by universities, e-learning and degree apprenticeships were identified by employers as working well
Employers valued the expansion of apprenticeships in creating more diverse entry routes, but suggested the system is complicated, particularly for smaller firms. Some large companies viewed the Apprenticeship Levy as a tax.
Employers desire a more agile and flexible skills system which has a clear national vision, stronger relationships between actors, and greater clarity about qualification standards.

### Investment in Training Trends

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As discussed in Chapter 1, large employers spend less as a proportion of total employer spending on training and far less per employee compared to smaller employers. The 2017 Employer Skills Survey indicates that investment in training by employers fell between 2011 and 2013 and is now increasing only very gradually. The number of employees in job-related training of a week or longer has been in steady decline, especially for off-the-job training. Internationally, UK employees are slightly more likely to be in non-formal training than the EU average and less likely to be invested in formal, vocational training than across the EU.

### Employer views on training trends

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**There were mixed views from employers on the drivers and trends in employer investment in training.** Several employers highlighted the possible importance of measurement issues. While “*traditional training*” might have declined, they felt that a shift to more on-the-job training, in-house development opportunities and online training was evident. It was reported that employees tend not to view such opportunities for skills development as ‘training’ in the same way as more formal off-the-job training which is easier to recognise and measure. Other employers refuted any decline in training in their sector or considered that investment in training had started to pick up in recent years in response to business facing greater difficulties in recruiting and retaining staff. A rise in formal qualification levels, such that employer investment in training might not be as important as previously because workforces

are more highly qualified was also cited as a possible cause. High staff turnover rates might mitigate against investment in training. Another employer suggested the presence of EU migrant workers providing additional flexibility in sectors such as construction had a dampening effect on training levels. For employers (particularly SMEs) with limited engagement with the skills system, questions of training trends and improving the skills system were considered “not material”. It was suggested Trade Training Boards can play a more active role in encouraging training.

## What works well and less well at the current time?

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### *Change versus continuity*

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**Several employers interviewed bemoaned that that the skills system is “forever changing”.** In general, the insight evidence suggests that this is less of an issue for the largest companies with the most resources (in terms of specialist staff and finance). Small employers can find it difficult to engage with the system and medium-sized employers can to some extent feel ‘left behind’ – often wanting to engage but not being sure how the skills system can best work for them.

**Sources of frustration included “constant policy change” without meaningful consultation and revisions to standards.** A lack of clarity among companies regarding the financial outgoings to firms hiring apprentices was identified. Large employers expressed frustration at “*constantly changing apprenticeship standards*”, a new scoring system for GCSEs and a move away from NVQs. Some employers were frustrated about a lack of employer consultation on T-levels and were concerned over how students pursuing these will work *with* industry in a way that works *for* industry.

**Implications and risks of policy changes include employer confusion and disengagement, particularly among SMEs.** It was suggested that the skills system and funding landscape “*desperately needs simplifying*” so that it is clearer what government is seeking to achieve through skills policy and the help that is available to employers to navigate the system. Some companies stressed the risks of a lack of meaningful employer consultation regarding new qualifications lead to a disjuncture between the theory of how they were meant to operate and the capacity of employers to accommodate them in practice.

### *What’s working well ... and less well*

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In terms of what was working well, **employers interviewed emphasised the quality of academic knowledge provided by universities, the benefits of e-learning, and the potential of degree apprenticeships.** However, there were some concerns expressed that universities were not adapting as well or as quickly as would be desirable to the changing business environment; while businesses want “*agile and innovative solutions*”, getting from “*conception to rollout with educational institutions takes time*”.

E-learning was identified by both small and large companies as working well because it offers less expensive, and more flexible, learning than formal courses. When developed and



championed in-house it enhances opportunities for learning at the point of need, in bite-sized chunks.

A relatively new element of the skills system which was noted as working well by nearly all interviewees who mentioned it was degree apprenticeships. Positive elements of degree apprenticeships cited were that they are aligned to business needs and offer the opportunity for training in the company culture. Moreover, they offer individuals an opportunity to get a degree while in employment, without incurring debt. Several employers interviewed consider that the balance between degree apprenticeships and graduates employed would shift further in favour of the former in the future.

More generally, as discussed at the end of section A, views about the expansion of apprenticeships and the introduction and operation of the Apprenticeship Levy were mixed. On the positive side, the policy had opened up more diverse entry routes which were beneficial for the business. However, other interviewees from both SME and large companies variously pointed to the apprenticeship system being flawed, too complicated to engage with for small companies – especially one operating on a semi-virtual basis, clunky apprenticeship standards, the lack of challenge for school leavers in Level 2 apprenticeships and the need for greater flexibility in the Apprenticeship Levy. For some larger companies the Levy was viewed as a “*tax*”, necessitating the employment of extra staff to “*recover*” it. While the largest companies have the capacity to sustain the Apprenticeship Levy, there was some uncertainty about the smaller levy-payers being able to do so. Interviewees suggested that “*levies drive a recovery rather than an investment mentality*” – and it is the latter that is needed.

There was general agreement amongst interviewees that the skills system was not delivering the “*people skills*” and “*work behaviours*” that they required – especially amongst new recruits from the education system. Key softer skills reported as lacking by interviewees include; time management, how to have difficult conversations and leadership. However, possession of these softer skills was not always sufficient to meet employer requirements; one company in a rural area emphasised the ability to drive as the key “*missing skill*” amongst potential recruits.

### *The importance of relationships*

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**A recurring theme in the employer interviews is the importance of developing strong relationships between employers and other actors in the skills system, such as universities and schools, if it is to deliver effectively for all parties.**

Some of the large employers, particularly larger firms with a technical focus, emphasised the importance of developing links with specific universities in order that courses can be tailored to company needs. Rather than adopt a “*spray and pray*” approach to recruitment, they focused on developing and monitoring relationships with specific universities and looked to influence course content. Deep relationships were suggested as being central to generating bespoke courses tailored to employer requirements. Even an employer which engaged little

with the skills system saw the long-term advantage of developing an undergraduate student placement programme with a local university to provide students with insight into how business worked.

Interviewees bemoaned sub-optimal relationships between businesses and schools. This was suggested to contribute to poor attitudes, poor time keeping and communication skills among school leavers. Some employers felt schools needed more support to engage with businesses and to develop extra-curricular activities that would be of value for students in the world of work. Poor engagement between businesses and schools hinders both students and employers longer-term.

## How can the skills system be improved?

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Employer insights on how the skills system can be improved are structured here around three broad themes: first, knowing the goal of the system; secondly, standards; and thirdly, the role of incentives.

### *Knowing the goal and developing stronger relationships*

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**Interviewees suggested that the UK needs to have a clearer strategy on skills to mark itself out in a broader international arena.** They emphasised the strategic importance of having a clear vision for the UK: *“knowing what we want to stand for, what we want to be good at – and hence what skills technologies and capabilities we need”*. Similarly, they suggested that skills investment should prioritise areas where the UK was, or wanted to be, “world leading”.

Overall, a strong desire for a more agile and flexible skills system emerged. Given the pace of change in digital technologies, *“smaller units of bankable higher education”* and *“bite-sized learning”* were identified as key components of such a system among large employers. In contrast, the research highlighted the importance of the skills system equipping people to access work in the first place.

Interviewees provided suggestions regarding how to address the recurring theme of a **desire to build better relationships between education providers and employers to better prepare and equip young people for employment.** This included emphasising the need for: more companies to work with young children to open their eyes to different career possibilities; more support for schools to run activities outside the core curriculum in order to develop soft skills that would help young people in the transition to, and progress in, employment.

Employers requiring recruits with strong digital and technology skills also highlighted the need to encourage more girls to study STEM subjects – a goal requiring action within the education sector, the careers service and from families. Relatedly, to build knowledge and appreciation of employers’ and providers’ requirements and constraints, more staff exchanges/secondments (in both directions) between employers and education providers, were suggested as means of enabling companies to have a better view of the skills that



students are developing and of facilitating the education sector to better respond to business needs.

## Standards

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**There was a general appetite for greater clarity about what the ‘standard’ is for an apprenticeship, a degree, etc.** It was suggested the standards for formal qualifications should be made more “*coherent and concrete*” and that new apprenticeship standards reliant on end point assessments were a retrograde step as they may not involve qualifications. There was a sense that clearer standards would help employers and assist learners, enabling them to distinguish better the levels expected, and make more informed choices about which qualifications/ skills development pathways to pursue.

## The role of incentives

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**There were mixed views regarding whether external incentives have a positive role to play in encouraging employers to invest in skills development.**

The SMEs interviewed were more likely than the larger companies to identify an explicit role for financial incentives within the skills system. They felt that given the challenges of retaining skilled staff, there was a need to de-risk the cost of training by providing employers with financial support. Tax credits were suggested as being potentially beneficial in encouraging companies to invest more in training. Large companies generally felt that they were “*investing well*” already.

For some large companies interviewed, the incentives about how much and where to invest in skills were primarily company-specific. Business drivers were reported as being of foremost importance in skills investment decisions and whether to continue investment in the same format would also be guided by analysis and evaluation of “*where the money was spent*” and “*how the business performed.*” It is the larger companies that have the resources and systems in place to undertake such analyses.

Some large employers interviewed thought incentives within the company (as opposed to external incentives) would drive positive activity. One interviewee suggested internal organisational incentives (e.g. small bonuses) for specific departments/ employees to partner colleges and schools would help stimulate relationship building between the company and education and training providers.

With customer demands for smarter and quicker service delivery, it was noted that further employer investment in skills could come from higher margins, in turn enabling greater investment in skills development. In theory, there would be an incentive for customers to pay more in order to receive a better service.



## 6. Conclusions

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### The key conclusions emerging from employer insights on skills development are:

1. Seemingly constant policy change is confusing for employers – especially SMEs. The call from employers is to *refine rather than revolutionise* the system and better communicate the vision/ aims of new initiatives.

2. *Building quality relationships*, notably between employers and training providers, lies at the heart of a skills system that meets the needs of employers, workers, society and the economy.

3. In terms of *timeframes for skills planning* employers face a balancing act of ensuring practical skills are in place for the ‘here and now’ to deal with ‘business as usual’ operations while at the same time looking ahead at strategic skills needed for future business development and success.

4. There is a clear *growth in demand for programming and data analytics skills* as part of a more general requirement for digital awareness amongst employees.

5. In addition to demands for *upskilling* to cope with economy-wide changes in technology, the business environment and the external market place which drive client demand, there is arguably even greater demand for cross-skilling emerging. Individuals (and companies) need to possess a *mix of skills* – encompassing (at least in some instances) digital, technological, negotiating and other social and behavioural skills. The need for cross-skilled ‘expert generalists’ is particularly apparent in rural areas *ceteris paribus*, where there are fewer specialists on whom to draw.

6. There is a need for *better quality targeting for smarter skills development*, as opposed to an increasing volume of skills development per se.

7. The *quality of managers* and the broader institutional culture is central to shaping the opportunities made available to, and the incentives for, employees to participate in skills development and to utilise their skills in the workplace. This appears to be recognised by employers but investment in managerial training by firms continues to vary.

8. While formal qualifications remain important and employers’ desire clarity of standards, there appears to be a trend towards *greater emphasis on informal learning and e-learning and on sharing of that learning* with peers/ broader communities of practice.

9. The *size of employers* affects their ability to navigate and utilise the current skills system. Large companies have more resources than SMEs (in terms of both finance and specialist personnel) to deal with changes in the skills system, to invest in relationships with providers, and to develop bespoke programmes. By contrast, some smaller companies are

less engaged with the skills system, partly because of a lack of resources and partly because they see less need to do so. It is the medium-sized companies which appear to be most at risk of being adversely buffeted by changes in the skills system, given their desire/ need to engage with providers who may be more focused on the greater prize of engagement with large companies.

10. Employers are part of the *wider skills system*. Hence actions by employers alone are likely to have limited impact on skills development activity. The extent to which education and skills providers are able to align with employers' needs is also shaped by the broader incentive structures and frameworks that they operate within. This highlights the importance of taking a holistic view, rather than a partial perspective on the skills system.



## Annex 1: Questions for Employer Interviews

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The questions focus on three themes:

- A. Timeframes for addressing skills needs and type of skill providers used to address different skills needs
- B. Current skills development and progression strategies at organisation level
- C. Looking ahead – improving the system

The below questions represent the starting point for discussion in each section of the interview. Tailored follow-up questions were then asked according to the responses from each interviewee.

### **A. Timeframes for addressing skills needs and types of skill providers used to address different skills needs:**

1. What are your time horizons for skills planning?
2. How do these time horizons vary for different types of skills?
3. How specific are your skills requirements over different time horizons?
4. To what extent are you focusing on specific technical skills/ generic transferable skills/ mixes of different types of skills?
5. Who do you go to (i.e. what types of education/training provider) for different types/levels of skills? Please give examples.
6. Why do you go to those education/training providers?
7. (How) has your use of different types of skills providers changed over time? Have you changed your attitudes regarding who you go to for training in light of changes/flux in the skill system (e.g. the expansion of apprenticeships, the move from a centrally-driven skills system to an employer-led skills system, etc.)? Why? Which changes have influenced you most and why? Please provide examples.

### **B. Current skills development and progression strategies at organisation level**

1. Which groups of employees do you focus training on and why?<sup>10</sup>
2. Do you have formal (or informal) conversations (on a regular basis) with your employees about opportunities for skill development and progression?
3. Are there particular groups of employees who you think would benefit from training but amongst whom take-up of training is low? Or groups where take-up would be higher if the employer had a larger training budget. Who are they? Why do you think take-up has been low?
4. Do you have any systems in place for reassessing training priorities and where to target spend?
  - a. Are you aware of tools or organisational structures that could be used to improve skill monitoring/skill utilisation?
  - b. Do you have strategies in place to make better use of existing skills in your organisation? For example: Identifying skills over and above those essential for the job that could be better utilised, Encouraging employees to apply and share

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<sup>10</sup> Survey evidence suggests that training investment tends to be focused on the more highly qualified, while there are others who may be less proactive in seeking training who would benefit from it.

these skills (e.g. on other projects) within the organisation. Please provide examples.



### **C. Looking ahead – improving the system**

The skills system has seen considerable flux in recent years:

1. Please give two/three examples of ‘what works well’ in terms of how the current skills system facilitates employer investment in training
2. Please give two/three examples of ‘what works less well’ in terms of how the current skills system acts as a barrier to employer investment in training
3. Did you know that employer investment in training has declined over time and by some measures is low in comparison with international competitors? Why do you think this might be? What if anything should be done about this?
4. What would incentivise you to invest more in training?
5. Overall, how could the skills system be improved? – E.g. in terms of ‘joining up’, ‘types of provision’, other.

## Annex 2: Companies Interviewed

Code	Location	Sector	Size (number of employees)
1	Rural Northern England	Cleaning	SME
2	London	Chemical	SME
3	Rural Southern England	Food	Large
4	Multi-Site (including London and South East)	Civil Engineering Services	Large
5	Rural Eastern England	Business services	SME
6	Multi-Site (including London and South East)	Design, Engineering and Project Management Consultancy	Large
7	Midlands	Accountancy	SME
8	Midlands	Advanced Engineering	Large
9	Midlands	Logistics and Real Estate	SME
10	Northern England	Digital Technologies	Large
11	Midlands	Specialised design activities	SME
12	Northern England	Management Consultancy	SME
13	Multi-Site (all regions)	Energy Distribution	Large
14	Scotland	Transportation	Large



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