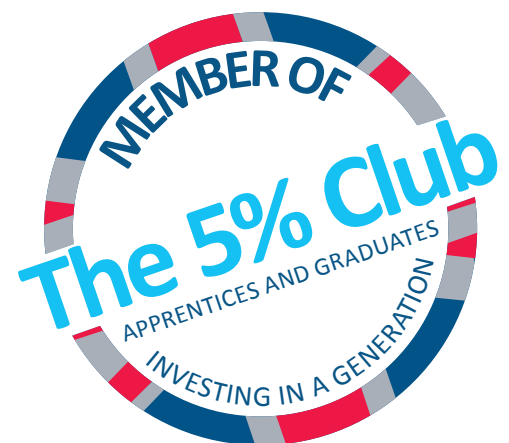




Bridges and Ladders: social mobility and a skilled workforce



About The 5% Club

The 5% Club is uniquely an employer-led not-for-profit organisation founded in 2013. It works with UK employers and key influencers to inspire, educate and retain a growing body of people into “earn and learn” placements in order to increase the number of apprentices, sponsored students and graduate trainees.

The goal of the Club is to increase the employment and career prospects of today’s youth and equip the UK with the skilled workforce it needs to compete globally. Members aspire to having at least 5% of their UK work force in “earn and learn” positions within 5 years of joining. Progress is measured annually and reported by the member in its Annual Report or equivalent.

In setting up The 5% Club, we wanted to encourage leading firms of all sizes invest in a generation - to put their money where their mouth is and set a clear example for many more employers to follow. We believe that the aim should be to build a much broader way for people to enter the job market or reskill, moving away from the entrenched university focus and create a world-class vocational system in the UK that is on a par with, if not better than, systems such as that in Germany.

The 5% Club believes that employers are best placed to identify the skills that the economy will need in the future and best placed to drive high quality, relevant training which can be the bedrock to a long and fulfilling career. By joining The 5% Club, employers demonstrate to their customers, employees and potential recruits that they are a business committed to developing their workforce and building the skills the UK economy will need to thrive.

Nick Clegg Foreword



In spite of real progress in areas such as early years provision, school attainment and expanded access to university, the UK still has a long way to go to defeat deep-seated imbalances such as those which remain between academic and vocational qualifications. There have been countless attempts to rebalance the relationship between the two over the years - from the Tomlinson Review in 2004, to the more recent apprenticeship drive. In spite of this, as this paper highlights, there is more to be done before vocational learning has the status it deserves and becomes the first choice for bright, talented young people from all backgrounds.

The importance of business commitment to The 5 % Club and other initiatives cannot be overstated. It is commendable that the private sector is taking a lead. The dual, linked challenges of tackling social inequality and ensuring we have the skilled workforce the country needs will not be solved by government alone: only with all parties working in partnership will the vocational route become the engine for social mobility and economic growth it should be.

Nick Clegg



Founder and Chairman,
Leo Quinn. Balfour Beatty,
Group Chief Executive



Director General, Penelope,
Viscountess Cobham CBE

Executive summary

The UK has been hugely successful in tackling unemployment in recent years. The jobless rate is at its lowest level since 1975, the employment rate has never been higher, and there are three quarter of a million unfilled jobs¹. But the UK is facing a national skills shortages in key industries, while youth unemployment (including graduates) stands close to 13%², and the percentage of young people who were not in employment, education or training (NEET) for a year or more rose from 9.8 per cent to 11.2 per cent in the first quarter of this year, compared with the first quarter of last year³.

At the same time, social mobility in the UK is getting worse⁴ for a generation of young people. Young people from low-income homes are a third more likely to drop out of education at 16 and 30% less likely to study A-levels that could get them into a top university⁵. They often do not know what options are available to them once they leave education and can end up in low-skilled, low-paid jobs – exactly the kind of jobs which are disappearing due to increasing automation and digitisation.

For a time, higher education was considered to be the best engine of social mobility and young people were encouraged to pursue academic routes while universities broadened their appeal to people from all backgrounds. This led to a move away from vocational and technical routes, a form of snobbery around them, a perception that they lead to lower pay and, some employers would argue, a growing disconnect between the skills young people have, and the skills employers need. This not only hampers young people's successful transition into employment: it also impedes employers' ability to access the talents and skills they need to be successful in the future.

A more accessible university sector is only part of the solution for meaningful social mobility. Significant spending on schools and universities has not produced the expected improvement in opportunity for young people trapped in disadvantaged areas. However, evidence from other countries demonstrates that a high-quality vocational-education system can be a powerful driver of social mobility: a mechanism helping students from less advantaged backgrounds access higher education for the first time. In countries with higher levels of social mobility, such as Germany, the Netherlands, Finland, Denmark

and Sweden, pupils are offered technical and vocational pathways which are respected by employers, delivered by schools, and which do not carry the label of “second best”. This is what welcome recent UK policy announcements are aiming to deliver – but more must be done to achieve it and it must be done faster. Earn and learn must be seen as an option equal to academic routes.

It would be patronising and wrong to suggest that those from disadvantaged backgrounds should take up vocational routes rather than go to university. The aim, however, must be to remove any remaining prejudices and misconceptions which exist in relation to vocational routes, and to tackle the perception that academic routes are “better”. We must reach, as soon as possible, parity of esteem between academic and vocational and technical routes: no one should be prevented from achieving their full potential because of the route they took to qualification.

Where you are from should not dictate where you are going. As the UK begins to shape its new identity as an independent nation outside the EU, it needs a long-term strategy to simultaneously improve social mobility, and boost its ability to compete globally by ensuring access to the skilled workforce business needs. Proper social mobility and effective education and training are two key elements for addressing the UK's productivity problem, which will be even more acute if we are to compete as ‘global Britain’ post-Brexit and if we are to have the high-skill economy we need to take advantage of the opportunities the digital revolution offers.

If the UK is to ensure inclusive growth, we need government and business leaders to work together to find ways to improve social mobility at the same time as ensuring a skilled workforce. These issues must be addressed as part of a holistic industrial strategy which considers a range of skills-related issues, including the need to train people for the jobs of the future which may not exist yet today and to provide them with adaptable skills.

We must improve the transition from school to work for all young people, but particularly for those who do not go on to study A Levels and Higher Education, a group disproportionately made up of those from disadvantaged backgrounds.

There are a number of recommendations identified in this paper:

1. Increasing the number of higher and degree apprenticeships, which have a much closer link to employers and future careers, would help reduce the number of graduates going on to work in roles for which they are over-qualified.
2. It is welcome that the Government is considering a parallel scheme to UCAS for vocational routes – this should be made a reality as soon as possible.
3. All students should have better access to career advice and information, beginning as early as possible at secondary level.
4. Employers should consider whether roles they are recruiting for require a degree as a qualification or whether they are needlessly putting in place artificial barriers which limit social mobility, excluding those who may have taken a vocational qualification.
5. Employers should consider carrying out ‘blind interviews’ where the route to qualification taken by the candidate is only revealed to the recruiter once they have been offered the job.
6. If vocational and technical education and training are to achieve genuine parity of esteem, it is vital that the Further Education sector is well supported.
7. The education system must become more focused more quickly on teaching transferable digital, creative and analytical skills.
8. Measures should be considered to attract good, experienced teachers to the most disadvantaged areas and to underperforming schools, and to encourage them to stay.
9. Businesses must be more vocal in communicating to the education sector and to policymakers the skills they need, developing relationships with schools and academies and inputting into curricula where possible.
10. Employers should consider initiatives which aim to widen participation, including structured work experience, scholarships, sponsorship, placements, and targeted recruitment activities.
11. The Government should continue its investment in programmes such as Future Digital Inclusion and Widening Digital Participation, as well as measures such as free Wi-Fi in all libraries, to enable those from all backgrounds to develop digital skills.
12. Government and industry must work together to ensure that technical education is training young people for the roles of the future, rather than those which are likely to become obsolete.

Babcock International Group runs an extensive outreach programme from Devonport Royal Dockyard, supported by its pool of 250 STEM Ambassadors.

The organisation has developed unique, strong relationships with over 30 local schools, many of which have a high percentage of people premium students. Through these relationships, Babcock delivers long-term support for STEM in a fun, hands-on way, aiming to improve student confidence and increase the number of young people pursuing STEM careers.

The outreach programme includes workshops, school visit, site visits, work experience programmes and support for teachers, helping them to teach STEM more effectively, along with careers talks and presentations on employability skills.

The programme is having a demonstrable impact, with the schools involved seeing a significant interest in STEM subjects and, in particular, an increase in the number of girls choosing to join extra-curricular STEM activities.

¹ Office for National Statistics, May 2017

² House of Commons Briefing Paper Number 5871, Youth Unemployment Statistics, June 2017, based on ONS Labour Market Statistics bulletins

³ According to an analysis of Office for National Statistics data by the Learning and Work Institute, August 2017

⁴ The Social Mobility Commission, State of the Nation 2016 report, November 2016

⁵ Ibid

Social Mobility and Brexit

The vote to leave the EU and the close correlation between areas that voted leave and places considered to have fewer opportunities and low social mobility, highlighted the sense of disconnect with the status quo felt by large numbers of people in the UK.

At the same time, intergenerational inequality is increasingly having a negative impact on the social mobility prospects of the young. According to the Institute for Fiscal Studies⁶ younger generations will have less wealth at each point in life than earlier generations. This has been highlighted by the fact that young people have been significantly more impacted by others by the drop in earnings following the recession⁷, and are less likely than previous generations to own their own homes in what has become an increasingly competitive housing market. Meanwhile, as the “dependency ratio” - the ratio of dependents to active workers – increases, typical pensioner household income is for the first time higher than that of the average working-age household and pensioners are now disproportionately unlikely to be in poverty⁸ - which is of course a positive development.

Intergenerational inequality has the potential to seriously damage existing progress on social mobility. While young people without family wealth and connections may struggle to save a deposit for a house or find internships leading to employment, those from wealthier backgrounds will continue to have help to access opportunities. For example, an estimated 92% of arts internships and 76% of PR internships are unpaid⁹, making it difficult for those from less advantaged backgrounds to access them. Fashion and politics are other industries where experience of the workplace via internships makes it more likely to gain employment.



There is a symbiotic need both to support those who have been, or feel that they have been “left behind”, while at the same time ensuring that the UK economy is as robust as possible, with a skilled domestic workforce. Developing skills in areas of immediate relevance to employers is a key way in which this twin challenge can be addressed. Equipping the next generation with the skills they need to find meaningful employment fits the Government’s objective of improving the UK’s poor productivity levels¹⁰, while improving access to education, training and meaningful employment is a key way of improving social mobility. However, while obtaining a degree clearly offers many benefits and opportunities, it is not the only option: university is not suitable for everyone. Nor does it always offer the best route to meaningful employment.

QinetiQ undertakes a wide range of STEM (science, technology, engineering and maths) outreach for school children with the aim of inspiring the next generation of scientists and engineers. For the past four years, volunteers from QinetiQ have helped the Jon Egging Trust deliver their Blue Skies Programme for young people who face significant barriers to learning. The programme engages with those who may be at higher risk of becoming NEETS (not in education, employment or training) to discover career and life paths they didn’t realise were in their reach, and supports them into further training and employment.

Volunteers from QinetiQ have hosted career insight days, practice interviews and practical STEM activities at MOD Boscombe Down as part of the Blue Skies Programme to build young people’s knowledge of careers in the defence and technology industry. Over the past 4 years, QinetiQ employees have helped approximately 80 young people aged 13-15 on the Blue Skies programme to develop the mind-set, self-belief and skills they need to achieve their educational goals and enter the world of work.

Merseyside and Cheshire based housing association **Plus Dane** aims to providing meaningful employment and career opportunities for those seeking a vocational route into a career. Plus Dane announced a new policy in March 2017: all entry-level jobs will now be apprenticeships, to ensure that even more young people can benefit from an alternative route to higher education and make a valuable contribution to the business across all teams, from repairs and maintenance to corporate services, HR, IT and property.

Plus Dane’s chief executive, Barbara Spicer, was awarded a CBE for her services to education, learning and skills, in 2015, and is passionate about vocational training, having herself followed a non-traditional career path.

For example, the UK has a high proportion of graduates in non-graduate jobs - 58.8% of graduates are in jobs deemed to be non-graduate roles, according to the Chartered Institute of Personnel and Development¹¹. While this may indicate a need for universities to provide better careers support and advice for those undertaking degrees, it is also the case that increasing the number of higher and degree apprenticeships, which have a much closer link to employers and future careers, would help with this issue.

The increased focus on vocational and technical routes, and new structures which have been established to develop closer links between young people and employers are therefore very welcome. However, there is more that can be done and it must be done faster, both to ensure the fabric of UK society is not damaged by widening social differences and to improve our national global competitiveness.

The period following the end of compulsory education is critical for young people: the decisions made can impact upon their entire future. It is currently too easy for young people to close down their subject options too soon – often before they understand what it is they are giving up. Transition points, for example, between primary and secondary education, considering options at the age of 16, leaving compulsory education and moving into work, or progression within a profession. At each of these transition points, young people need guidance to ensure that they are informed of all the options available, so they can make the decision that best suits their end goals. A key example is equipping young people with the tools they need to navigate the available options in terms of apprenticeships and other vocational routes: whereas UCAS is an established, accessible method for applying to university courses, there is no equivalent for apprenticeships, or

technical and vocational education, leaving young people wishing to pursue this pathway at a disadvantage. It is welcome that the Government is considering a parallel scheme for vocational routes, and we urge them to find a way to make this a reality as soon as possible.

Linked to this, it is our view that all students should have better access to career advice and information, beginning as early as possible at secondary level, enabling them and their parents to make informed choices from all of the various routes and options. At the moment, schools remain better informed and more likely to signpost academic routes: 86% of young people say their school provides information about going to university, with only 48% saying they get information about apprenticeships¹². Parents, who in many cases will have the most significant influence over the route their children will decide to pursue, are even less likely to advocate vocational routes, with only 6% knowing about ‘vocational further education courses’; and only 9% fully aware of apprenticeships or higher apprenticeship programmes¹³. We believe all students would benefit from much more systematic exposure to the range of possible careers at this age: those who are certain that they will go to university as well as those who do not know which route to pursue.

⁶ Institute for Fiscal Studies, The distribution of household wealth in the UK, April 2016

⁷ The Intergenerational Commission, Resolution Foundation, July 2016

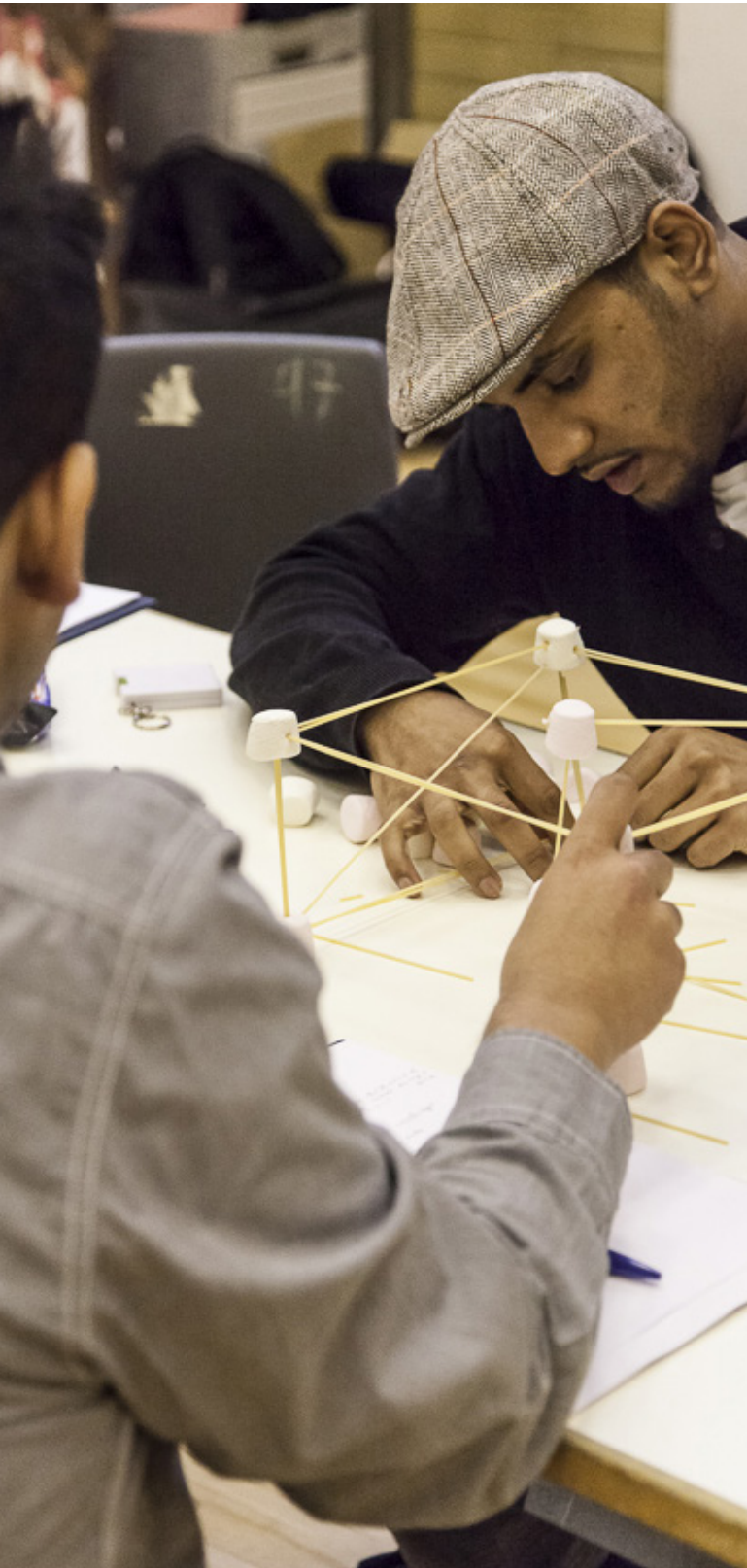
⁸ The Intergenerational Commission, Resolution Foundation, As time goes by: shifting incomes and inequality between and within generations, February 2017

⁹ Intern Aware

¹⁰ Office for National Statistics, 2017

¹¹ Chartered Institute of Personnel and Development, August 2015

¹² E&Y, An Age of Uncertainty. Young people’s views on the challenges of getting into work in 21st century Britain. September 2016



However, employers must also take some responsibility here. The increase in the number of people pursuing university studies has led to employers requesting degrees for traditionally non-graduate roles despite their being no change to the skills required for the role. In some cases, these artificial barriers are limiting social mobility and excluding those who may have taken a vocational qualification. Non-academic routes to the job market must be made easier to understand and must be supported by employers. more Employers should consider carrying out ‘blind interviews’ where the route to qualification taken by the candidate is only revealed to the recruiter once they have been offered the job. This approach would both remove a barrier to entry that dictates the choices of school leavers and make access fairer.

Improving social mobility is not just about increasing employability in the short-term. The focus must also be on continuing the development of skills throughout life via education or training, enabling people of all ages and backgrounds to improve their prospects by moving into a new profession and by developing an early mindset towards lifelong learning.

One barrier to achieving this is the imbalance in funding between higher education and vocational education and a remaining stigma that is associated with Further Education (FE). For example, in England, students aged 16-19 on technical courses attract less than half the funding of their peers in higher education, while those aged 19 and over receive even less. Further Education is much better than Higher Education (HE) at encouraging participation among disadvantaged students¹³. However, the sector is facing an already constrained financial environment and further funding cuts. If vocational and technical education and training are to achieve genuine parity of esteem, it is vital that the Further Education sector is well supported.

Digital Skills

When the Internet became a reality in the 1990s, few predicted that global trade and entire industries would be transformed by the technology. In the last decade, cloud, social and mobile technologies, along with greater wireless broadband access, have pushed digital technology into the mainstream, while within a single generation, companies such as Google, Facebook, Amazon, Netflix, AirBnB and so on have become part of our everyday lives, upending traditional ways of working. Meanwhile, continuing progress in robotics, artificial intelligence, nanotechnologies and the Internet of Things has paved the way for a new approach that will challenge our current economic and business systems and affect every sector, company, and employee.

There are many ways in which the increasing prevalence of digital technology should be a leveler, creating opportunities for people no matter what their background and ensuring that growth, in future, is inclusive. Online learning, the ability to work remotely rather than having to pay to live in expensive areas or spend money commuting, and the increasing focus on creativity, agility and innovation as key skills have huge potential to accelerate social mobility. However, taking advantage of this will rely on equipping those from disadvantaged backgrounds with the digital skills which enable them to participate. For example, at the most basic level, children from disadvantaged backgrounds may not have a computer at home and access to the internet. ONS figures¹⁵ show that 10% of adults in the UK have never used the internet. Many more are unable to take advantage of the opportunities digital offers due to a lack of connectivity or digital skills, leading to an increasing digital divide.

The Digital Exclusion Heatmap published by digital charity Go ON UK, highlights the close link between social and digital exclusion, leading the charity to conclude that the lack of basic digital skills and access in already disadvantaged areas will actually increase inequality of opportunity around the UK.

The ‘digital revolution’ is skill biased. Many jobs already have a digital element, and predictions are that within 20 years, 90% of all jobs will require digital skills¹⁶. It therefore has significant potential to increase inequality between those who are skilled and those who are unskilled.

Failure to ensure access to people from all backgrounds to digital skills will have serious consequences. The UK Commission on Employment and Skills shows that many roles have begun to die out over the last 20 years, especially in areas of the economy which are in decline, such as mining, steel or textiles, or lower-skilled jobs which have been overtaken by automation, for example the manufacturing industry and other areas which are heavily reliant on factories.

Those who might pursue lower-skilled routes due to a lack of awareness of vocational and technical training, are among those who have benefitted least from the digital revolution so far and are, at the same time, no longer able to count on secure employment or career progression. These changes are only likely to accelerate as the digital revolution takes hold in sectors which have so far only been slightly impacted.

Skanska was recently ranked number three of the top 50 employers in the first-ever Social Mobility Employer Index. The index is a joint initiative between the Social Mobility Foundation and the Social Mobility Commission, in partnership with the City of London Corporation. Much of this success was due to the Experience Skanska programme, created to tackle social mobility and to bring much needed skills to the construction industry.

Experience Skanska enables those that may be disadvantaged or from different socio-economic backgrounds to join Skanska through a tailored work placement. This includes those not in education, employment or training, offenders, ex-military, those with a disability, apprentices and people returning from a career break of two years or more, which can be for a number of reasons such as to have a family or after recovering from long-term illness.

¹³ E&Y, Parents fill in ‘guidance gap’ over career advice for school-leavers, 12 August 2015

¹⁴ Education Datalab, Post-16 Provision, November 2015

¹⁵ Internet users in the UK: ONS statistical bulletin, 2016

¹⁶ Skills Funding Agency, Review of publicly funded digital skills qualifications

Technological change will of course also create new jobs: for example, roles such as ‘drone pilot’, ‘software engineer’ and ‘social media manager’ did not exist a decade ago. In many industries, this is already leading to a shortage of workers with the right level of digital skills: an estimated 1.2 million new technical and digitally skilled people are needed by 2022 to satisfy future skills needs¹⁷. A failure to meet this skills need risks stifling the country’s future economic growth. However, in spite of this need, computer science graduates have the highest unemployment rate of any degree course at 10% after 6 months graduating¹⁸, which is in part due to some graduates not leaving with the technical or professional skills needed by employers. We therefore welcome the announced reform of the technical education system which will see the creation of a specialist digital route, and the introduction of digital degree apprenticeships.

The need to invest in education and training which is accessible to people from all backgrounds and provides the skills required for the modern workplace is more important than ever. This can take the form of simple, practical steps, such as providing computers to disadvantaged pupils at an early age to extend home learning, something which already happens in some places but tends to be more common in schools with higher numbers of pupils entitled to Free School Meals.

What is clear is that every part of the system will need to step up to ensure that employers have the skills needed to help the UK economy grow. For example:

- The education system must adapt to the new reality of increased digitisation more quickly. We welcome measures such as the introduction of computing in the national curriculum, but the education system must become more focused more quickly on teaching transferable digital, creative and analytical skills.
- Good teaching is key to raising achievement levels, particularly among pupils from disadvantaged backgrounds. However, there is currently a shortage of teachers, especially in deprived areas where teachers are also more likely to be inexperienced and therefore less effective at their jobs¹⁹. Measures should be considered to attract good, experienced teachers to the most disadvantaged areas, and to underperforming schools and to encourage them to stay.

- Businesses must be more vocal in communicating to the education sector and to policymakers the skills they need, developing relationships with schools and academies and inputting into curricula where possible.
- Companies must also play a bigger role in preparing the future workforce, training new recruits and re-skilling older workers and ensuring that training programmes are aligned with their overall digital strategy.
- Employers should, of course, where possible, be undertaking in-house training programmes such as apprenticeships, where young people acquire relevant skills on-the-job. But if they do not already they should also consider initiatives which aim to widen participation, including structured work experience, scholarships, sponsorship, placements, and targeted recruitment activities.
- The Government should continue its investment in programmes such as Future Digital Inclusion and Widening Digital Participation, as well as measures such as free Wi-Fi in all libraries, to enable those from all backgrounds to develop digital skills.
- The Government has a key role in ensuring that companies are incentivised to invest in workplace training. In terms of the new funds available for apprenticeships, more needs to be done to ensure that businesses are aware of the system and ensure the maintenance of quality in the provision of apprenticeships.
- Government and industry must work together to ensure that technical education is training young people for the roles of the future, rather than those which are likely to become obsolete.

Conclusion

As the UK prepares to leave the European Union, it is more important than ever to ensure that it continues to develop its home-grown talent, up-skill its workforce and develop the digital skills needed to grow the economy. Social mobility is about ensuring that everyone can make the best of themselves at all points in their career. But while the goal of social mobility is a good thing in itself, it is also important for the economy and for business that we are able to access all the talent possible. This means that we need to fundamentally rethink how young people fulfill their potential and meet the needs of the 21st-century economy.

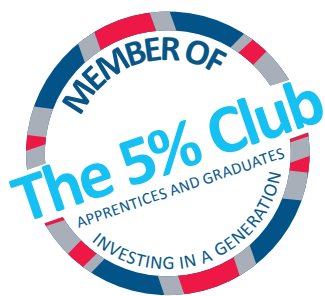
As these demographic and technological shifts continue to shape the new economy, it will be incumbent upon business to be at the forefront of the changes. While there is no one simple answer, we believe that initiatives such as The 5% Club, where business and Government work together and in partnership, can provide a major contribution to the social mobility agenda.



¹⁷ UK Commission for Employment and Skills, Sector insights: skills and performance challenges in the digital and creative sector, June 2015

¹⁸ Higher Education Statistics Agency data, 2014/15 Academic year

¹⁹ University of Cambridge, March 2016



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