



# Providing the skilled workforce for post-Brexit Britain



# About The 5% Club

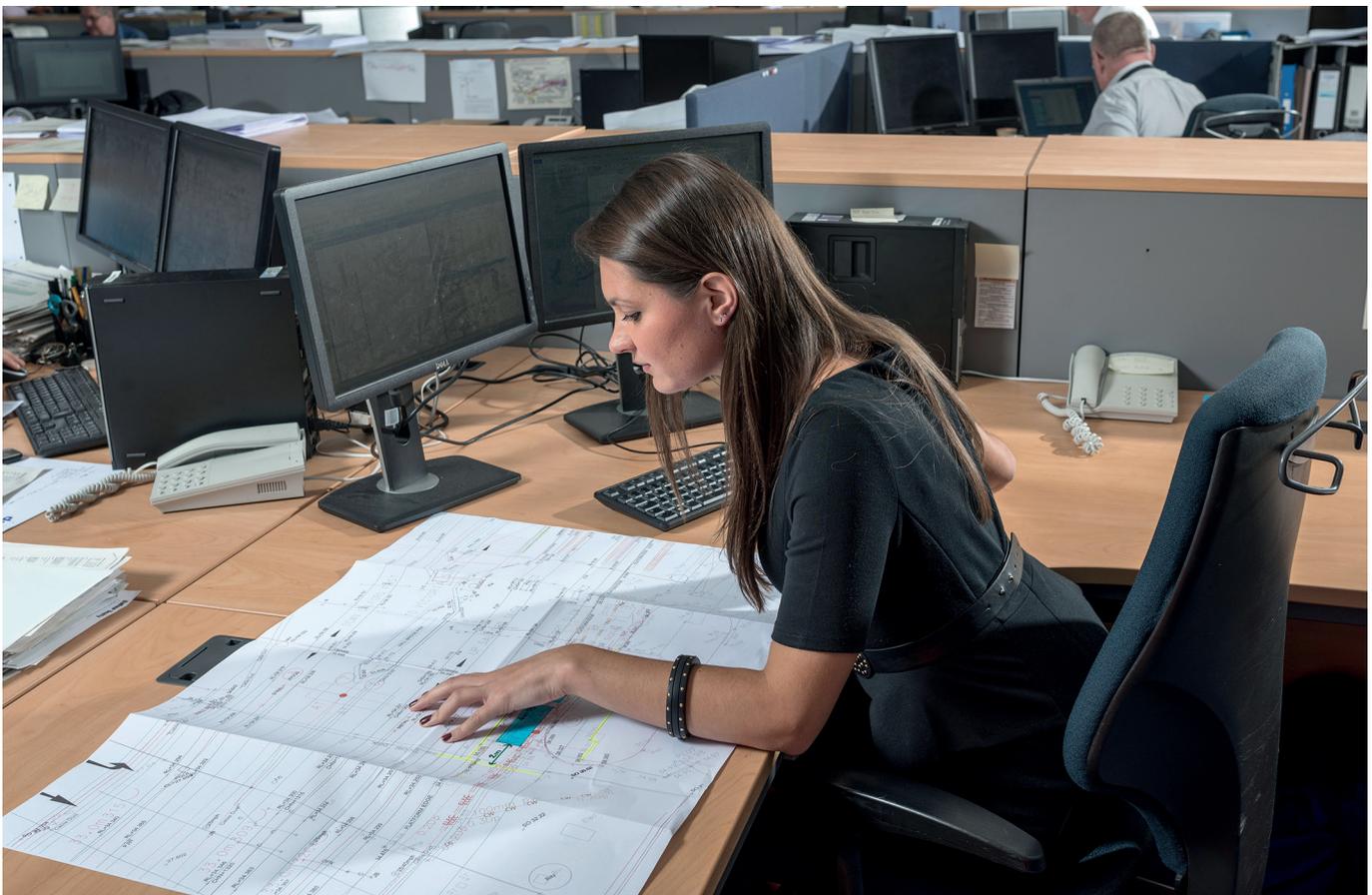
The 5% Club is uniquely an employer-led not-for-profit organisation founded in 2013. It works with UK employers and key influencers to inspire, educate and retain a growing body of people into “earn and learn” placements in order to increase the number of apprentices, sponsored students and graduate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



# Executive summary

With Brexit negotiations now underway, a new chapter is beginning for the UK. We have a real opportunity to properly debate what we want the future UK economy to look like and what steps we need to take to get there.

The biggest challenge facing many businesses and the UK economy post-Brexit is possible skills shortages or worsening of existing shortages. A strong economy, strong private sector and strong public services all rely on a skilled, talented workforce. And a strong society depends on providing great career opportunities for the next generation. It is therefore essential to get the foundation right, by putting the creation of a skilled workforce at the top of the agenda.

Now, more than ever, as we begin to define the UK's new identity as an independent trading nation, it is vital that we address the longstanding skills shortages which are key to UK growth and productivity. Critical to this is a technical and vocational education system which delivers both for employers and the economy, as well as creating a country that provides social mobility for all.

Recent measures to give technical and vocational education parity of esteem with academic routes are most welcome. There has never been a more important time for employers and Government to work together to deliver the skilled economy we need for the future. Already, 20% of all vacancies arise when employers cannot find people with the skills and qualifications they need<sup>1</sup>. Skills needs are moving rapidly and shortages in some of the most acute areas, for example Cyber, have been exacerbated by the fact that the pipeline of young people learning the necessary skills was not ready when it was needed. These shortages, which are a feature of many of the UK's most important industries, may get worse as we leave the EU and possibly have reduced, or no, access to skilled workers through Free Movement to plug the shortfall.

This agenda has recently had some notable success, with the Government prioritising apprenticeships by setting a target of 3 million apprenticeships by 2020 and bringing forward an Apprenticeship Levy. Reforming technical and vocational education has become a key objective for the

Government, with plans to streamline the routes into technical education from 20,000 to 15, and invest £170 million to expand new 'Institutes of Technology'.

It is crucial that we maintain this momentum since - ambitious as the plans to increase the numbers of apprentices are - they are unlikely to be enough. Beyond the element of "catch-up", the demand for higher-level skills in British industry is set to increase in the years ahead: the UK Commission for Education and Skills (UKCES) predicts that by 2022, there will be two million vacancies requiring higher level skills<sup>2</sup>. It is important to note, that for some specialist roles, it can take a decade for workers to become truly skilled, from the point when they begin their apprenticeship or degree.

We want to work with Government to deliver a strong economy and the skills the country needs for tomorrow. We believe that for this to happen, we must have a system that better connects business and education. Barriers that currently exist to the most talented young people from all backgrounds finding out about and taking up opportunities such as apprenticeships or studies at university technical colleges, should be emphatically and urgently removed: we must do all we can to put vocational routes genuinely on an equal footing with academic routes.

Given access to the skilled workforce we need, employers will be able to play our part in helping to future-proof the economy against the turbulence of Brexit and a rapidly-changing international trading environment. We urge politicians to consider the handful of tangible measures in this paper, which would make a real difference to ensuring that the plans already in place are genuinely able to deliver the skilled workforce the country needs to thrive post-Brexit.

<sup>1</sup> The Employer Skills Survey, UKCES, 2014

<sup>2</sup> Working Futures 2012-2022, UKCES, 2014

# Recommendations

1. Young people must be made aware of the positive impact undertaking an apprenticeship or similar “earn and learn” role, could have on their future career and earnings potential.
2. The range of transferable skills gained through an apprenticeship, such as leadership and project management, and the demand from employers for these skills, must be better communicated to young people and to those advising them, including parents and teachers.
3. A number of common misconceptions about apprenticeships need to be addressed, including that they are only relevant for those looking for careers in vocational or manual industries.
4. More needs to be done, both by Government and by employers, to tackle long-standing perceptions that apprenticeships are for students who did not get the grades to go to university. Apprenticeships must not be seen as a second-rate option.
5. Schools should be required by law to collaborate with colleges, university technical colleges (UTCs) and other training providers to ensure apprenticeships receive “equal airtime” with academic routes in schools career advice. We encourage the Government to bring legislation forward as soon as possible.
6. There must be a public awareness campaign to break down misunderstandings surrounding apprenticeships, and to champion technical, practical and vocational learning.
7. A UCAS-style system should be brought in for vocational routes, to put them on a par with academic routes.
8. The Government should make better use of the data it collects to communicate the value of apprenticeships to potential apprentices, schools and careers services.
9. The Government should recommit to delivering a Careers Strategy as soon as possible.
10. The Careers Strategy should make careers a measure that Ofsted assesses school performance against; appoint a ‘careers lead’ to schools’ boards of governors; and develop pupil destination data to track learning outcomes over time.
11. We encourage schools to engage with their local providers of apprenticeships and independent training providers.
12. Child Benefit and other financial support available to higher education students should also be accessible to apprentices.
13. The fact that schools benefit financially from having pupils in sixth form and are therefore incentivized not to advise young people about apprenticeships and other vocational routes, must be addressed.
14. The Institute for Apprenticeships should be required to report annually on a number of apprenticeship outcomes.
15. The measure of success for the apprenticeships programme should be shifted onto completions rather than starts.
16. The law should be changed to require all local authorities to write to parents of 13-year-old children about UTCs.
17. A strategy should be brought forward to make UTCs more attractive to high-achieving students of both genders: they must not be treated only as an option for lower achievers.



# Advice in schools

High-quality careers advice is of critical importance, both to young people's life choices and the economic future of the country. Schools and further education colleges have a huge part to play here, as they are required to provide impartial careers guidance to their students. However, some schools are failing to effectively advise pupils about apprenticeships and there is evidence that careers advice on apprenticeships or other vocational options is patchy

and that students do not always know where to look for more information. Indeed, UK-wide 2016 research<sup>3</sup> which surveyed 10,000 students about their options following A-levels found that 40% of those asked had received "very little" or "no information" about taking on an apprenticeship. In many cases, this is a matter of teachers themselves not having the information and support they need to provide this advice<sup>4</sup>.



<sup>3</sup> The Student Room, July 2016

<sup>4</sup> Ofsted, Going in the right direction? Careers guidance in schools from September 2012, September 2013

The 5% Club has heard about this issue at first-hand from our members, 76% of whom told us that the greatest barrier to young people taking up apprenticeships is a lack of information about opportunities<sup>5</sup>. In particular, we believe that the following points need to be addressed:

- There is a lack of knowledge about the contribution young people could make to their future career and earnings potential by undertaking an apprenticeship. Indeed, the amount apprentices earn over the course of their lives is exceeding what graduates are likely to earn by up to 270%<sup>6</sup>. Meanwhile, university students in England are graduating with higher levels of debt than those in any other English-speaking country<sup>7</sup>, owing an average of £44,500 upon graduation - higher than their American counterparts, and more than those in Canada, Australia, and New Zealand.
- The range of transferable skills gained through an apprenticeship, such as leadership, innovation and project management, and the demand from employers for these skills, must be better communicated to young people, but also to those advising them, including parents and teachers.
- A number of common misconceptions about apprenticeships need to be addressed, including that they are only relevant for those looking for careers in vocational or manual industries. Apprenticeships are available in a large variety of sectors, from fashion, software development, business, administration, and law, to health and public services.
- Similarly, more needs to be done, both by Government and by employers, to tackle long-standing perceptions that apprenticeships are for students who did not get the grades to go to university. Apprenticeships must not be seen as a second-rate option. Many companies are looking to recruit exceptional school leavers to highly-skilled roles. Indeed, there is significant competition for many apprenticeships at top companies, including at pharmaceutical, accounting and retail firms. They can demand top grades at GCSE and A-level and have stringent recruitment processes. Likewise, there is a lack of awareness about higher level apprenticeships, which offer a genuine alternative to a degree; and degree apprenticeships, introduced in 2015, which allow young people to achieve the equivalent of a degree while working.

We need to address the various factors contributing to ignorance surrounding technical and professional education (TPE). This includes tackling the lack of knowledge and in some cases, outdated attitudes and perceptions, amongst parents and teachers. We welcome the steps the 2015-2017 Government has taken already in this area: in January 2016, the then Education Secretary Nicky Morgan announced that the Government would legislate “at the earliest opportunity”<sup>8</sup> to require schools to ensure non-academic routes received “equal airtime” with academic routes in schools career advice. Schools would be required by law to collaborate with colleges, UTCs and other training providers to ensure this was done. We look forward to seeing this legislation and encourage the Government to bring it forward as soon as possible.

However, alongside these measures, we need a broader public awareness campaign to break down some of these misunderstandings and to champion technical, practical and vocational learning. Many of The 5% Club’s members have mature outreach programmes where their employees of all ages engage with schools. Indeed, there are some excellent organisations involved in this – and two are our members – STEM Learning and World Skills. However, more can and should be done.

We would also welcome action on the idea which has received support in various quarters, to implement a UCAS-style system for vocational routes, to put them on a par with academic routes. Simplifying the application process would help expose young people to as broad a range of options as possible.

The Government should also make better use of the data it collects to communicate the value of apprenticeships to potential apprentices, schools and careers services.

Finally, we encourage schools to engage with their local providers of apprenticeships: and independent training providers, who offer more than three quarters of all apprenticeship opportunities and colleges.

In our view, efforts to address these misconceptions and ensure that both young people and those advising them have a genuine understanding of all the options available, must be stepped up.

<sup>5</sup> The 5% Club member survey, 2016

<sup>6</sup> Barclays and the Centre for Economics and Business Research, August 2016

<sup>7</sup> The Sutton Trust, April 2016

<sup>8</sup> Department for Education, New law will end ‘outdated snobbery’ towards apprenticeships, 25 January 2016

# Lifting the barriers

Alongside the issue of a lack of information and awareness, there are also a number of barriers to taking apprenticeships up, which we believe must be lifted as soon as possible.

Firstly, there is a significant financial disincentive to a young person taking up an apprenticeship if their family is on a low income, due to the fact that Child Benefit and Child Tax Credits stop being paid to parents if their dependent leaves approved education or approved training. With many apprenticeships falling outside the definition of 'approved training', this can be a significant barrier for entry, in some cases forcing individuals to choose a college-based programme over an apprenticeship. Since they are considered to be employed, apprentices in many cases also fail to qualify for travel discounts and council tax exemptions. Although many will receive more, the national minimum wage for apprentices between 16-18 is currently £3.50 per hour. This amount, in most cases, will not compensate families for the amount they are losing in benefits and tax credits.

We believe that this is a key reason why young people from low-income backgrounds are less likely than their wealthier peers to undertake an apprenticeship in every region of England<sup>9</sup>.

We support the Government's desire to make the apprenticeship programme as inclusive as possible. To ensure that young people from all backgrounds are able to access apprenticeships without losing out financially, and to ensure genuine parity of esteem between apprenticeships and higher education, it is our view that the Child Benefit and other financial support available to higher education students should also be accessible to apprentices. Furthermore, we back calls for research into the extent to which this issue may be deterring disadvantaged young people from applying for apprenticeships, as a first step to addressing the issue.

We cannot afford, as an economy, to have a system which disincentivises poorer people from taking up positions where they can earn while learning on the job.

However, this is not the only area where there is a barrier to young people finding out about and taking up apprenticeships. Indeed, schools actually have an incentive to retain pupils, rather than advising them towards apprenticeships: financially, schools benefit from having

pupils in sixth form, due to the way Government funding works. There is no parallel incentive to encourage bright students to go into vocational routes. Indeed, the most recent Ofsted report into the subject concluded that:

*“Vocational training and apprenticeships were rarely promoted effectively, especially in schools with sixth forms.”<sup>10</sup>*

Reputationally, schools are also considered to look more impressive based on the number of pupils they send on to University.

In our view, this must be addressed with urgency in order to ensure that schools have an equal incentive to advise pupils to consider apprenticeships and degrees.

While it is welcome that schools will be measured on apprenticeships as a destination from the next academic year, more needs to be done to address the fact that technical and vocational streams are not giving parity of esteem in careers advice; and that there is little consistency between schools in how material from relevant bodies<sup>11</sup> is used in explaining the options to pupils.

We do not believe that technical and vocational routes are better than academic routes. Indeed, an apprenticeship does not automatically preclude the option to complete a degree at a later date: many apprentices either take up a degree apprenticeship, or continue onto university and with the help and support of their employer.

What we do believe however, is that all of the options should be clearly communicated, so young people are able to choose the right career path for them. Those considering vocational routes should receive the same guidance and support as those going to university.

The Department for Education has stated that it will publish a Careers Strategy<sup>12</sup>, which will develop the Government's aims for careers guidance to 2020. The Industrial Strategy Green Paper published in January 2017 stated that the Careers Strategy, initially planned to be published in 2016, will be published in 2017. We urge the Government to consider these issues within that Strategy. It should make careers a measure that Ofsted assesses school performance against; appoint a 'careers lead' to schools' boards of governors; and develop pupil destination data to track learning outcomes over time.

<sup>9</sup> Progression Report, TeachFirst, September 2016

<sup>10</sup> Ofsted, Going in the right direction? Careers guidance in schools from September 2012, September 2013

<sup>11</sup> Including the Careers and Enterprise Company, the National Careers Service, and the National Apprenticeship Service, all of which play a role in raising awareness of apprenticeships as a potential career route.

<sup>12</sup> Confirmed in January 2016 by the then Education Minister Sam Gyimah

# Changing the measurement of apprenticeships to completion

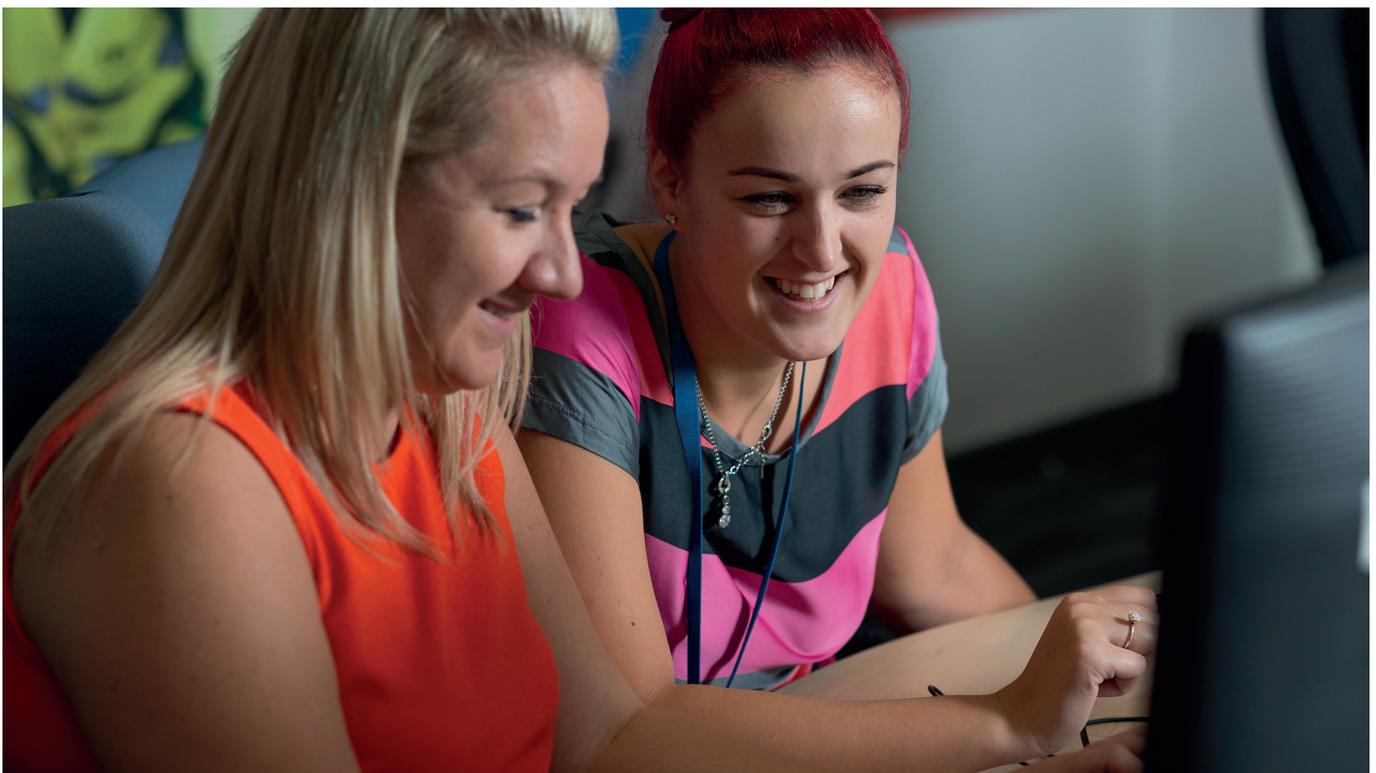
The 5% Club welcomes the renewed focus there has been in recent years on apprenticeships and upskilling the UK, especially in the light of Brexit and uncertainty around the country's ability to access to top-level international talent in the future. However, the 3 million apprenticeships target refers to the number of people who start apprenticeships, rather than the number who successfully complete them. In fact, around 30% of those starting an apprenticeship, fail to complete it<sup>13</sup>. If the success rate stays as it is over this parliament, the 3 million starts target will produce only around 2.1 million successfully trained apprentices.

While the increase in apprenticeship starts may indicate a general positive trend, the benefit to the economy in terms of addressing skills gaps lies in the increasing the number of people successfully completing their apprenticeship.

Completion rates are also important because they demonstrate whether the careers and recruitment advice is working, whether the training meets the requirements in terms of supporting the student and whether apprentices find their apprenticeships a valuable step to a rewarding career.

We believe that ensuring the new Institute for Apprenticeships focuses on increasing the numbers of completions of high quality schemes will be key. It is our view, that the Institute for Apprenticeships should be required, in the long-term, to report annually on a number of apprenticeship outcomes: how many apprentices go on to full-time employment; earnings growth and progression of those who have undertaken apprenticeships; the proportion of former apprentices that go on to further learning, and so on.

It is our view that eventually shifting the measure of success onto completions rather than starts should be the aim, to improve the status and quality of apprenticeships and ensure that the focus is on getting the qualified, skilled workers the economy needs and for which the Levy is intended.

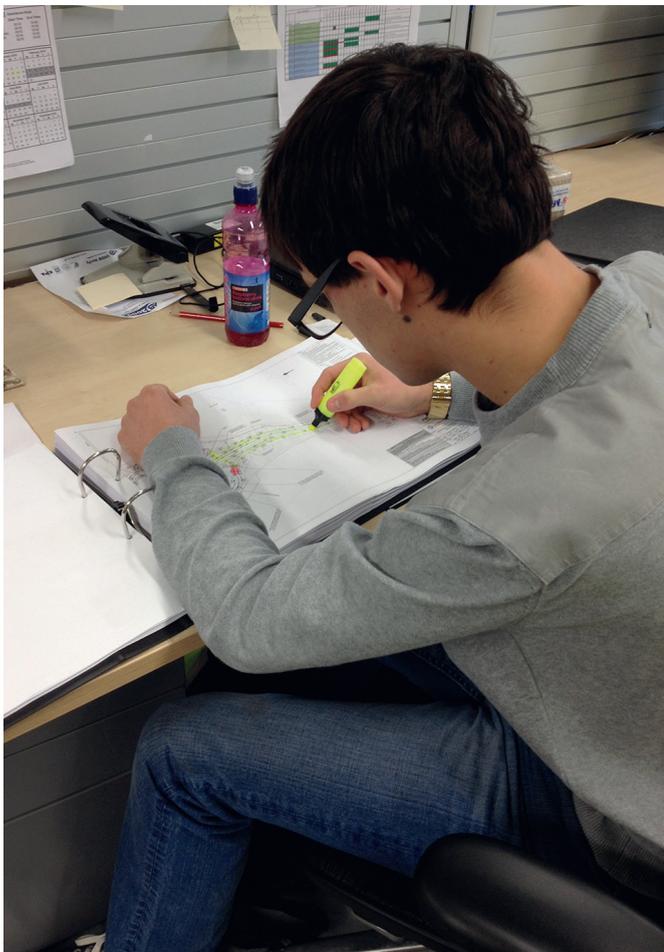


<sup>13</sup> Apprenticeship Statistics England, House of Commons Library, November 2016

# Supporting university technical colleges (UTCs)

There are over 11,000 students in 48 UTCs which offer a range of vocational alternatives such as engineering, healthcare, construction and business management often leading to apprenticeships. Several of them have been found by Ofsted<sup>14</sup> to be performing well in the areas employers need, for example, in work related learning and innovative enterprise opportunities directly linking students with industry. A number of The 5% Club's members are actively engaged with UTCs – the involvement of employers lends weight that there are good career options. Indeed, while the unemployment rate for 18-year-olds is 11.5%, for graduates of UTCs it is 0.5%.

However, 40% of UTCs opened between 2010 and 2013 experienced a drop in student numbers in the last academic year and are operating at just over 50% of their combined capacity<sup>15</sup>. Only the JCB Academy in Staffordshire was at capacity. Several, for example, Hackney and The Black Country UTCs, have already closed.



It is The 5% Club's view that one of the key reasons for this is the difficulty of recruiting young people at the age of 14. Because they recruit at 14, UTCs need to have access to state secondary schools to inform teenagers of their existence and the value of a technical education. However, headmasters of UTCs have, in some cases, been prevented from entering hundreds of secondary schools to tell pupils about the kind of education they can offer them<sup>16</sup>.

We welcome steps that are already being mooted in this area: Justine Greening, in her role as Secretary of State for Education, has spoken about helping UTCs recruit at age 14 by changing the law to require all local authorities to write to parents of 13-year-old children about UTCs. She has also suggested changing the law to allow principals of UTCs to visit local schools and tell students about some of the opportunities available at their colleges. This would be a big step forward in raising awareness amongst high-performing young people that UTCs are an option to consider, and in addressing allegations that schools are blocking UTCs from advertising to pupils.

This course of action has already had proven success: in areas, for example, Bristol, Birmingham and Leeds, which have sent out letters telling parents about local UTCs, recruitment increased to such an extent that more UTCs are opening in those areas.

We urge the Government to put these ideas in motion as early as possible. UTCs must not be allowed to fail purely out of a lack of access to the pupils who would benefit from being educated in them. They have a key role to play in providing the country with the skilled, innovative workforce it needs for the future and should therefore also be supported in building effective long-term relationships with schools, employers and local communities.

Finally in this area, we would like to see an holistic strategy to make UTCs more attractive to high-achieving students of both genders: they must not be treated only as an option for lower achievers.

<sup>14</sup> Getting Ready for Work, Ofsted, December 2016

<sup>15</sup> <http://feweek.co.uk/2016/02/08/numbers-falling-closing-down-university-technology-college-revolution-fails-to-deliver/>

<sup>16</sup> <http://www.independent.co.uk/news/education/education-news/heads-of-new-university-technical-colleges-barred-from-hundreds-of-secondary-schools-a6843791.html>

# Conclusion

Closely linked to the economy's success post-Brexit is ensuring a successful transition to a more home grown workforce. The 5% Club aims to work beyond influencing a single political party on this agenda – key to delivering the skilled economy we need is broad cross-party support. This must be about Government and industry working together to develop a clear plan. We must all be walking in step to meet the needs both of business and of future generations looking for rewarding, sustainable careers.

This paper is not about vocational and technical education replacing - or being better than - academic routes: it is about fulfilling the economy's need for both and ensuring that young people have access to all the information they need to make the best decisions about their personal goals and futures.

We believe that the tangible measures we suggest would make a real difference to ensuring that talented young people from all backgrounds are able to access rewarding careers and have an easier transition from education to employment. We also believe that, if implemented, these recommendations would help employers from all sectors to access people with the skills they need to continue to generate economic growth and provide employment, ensuring the country is in the best possible shape to take advantage of opportunities as they arise, post-Brexit.





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