The Open University Business Barometer.

October 2021

Contents.

Forewords.

01

UNTANGLING THE SKILLS CHALLENGE

"This time last year, most of us hoped that we'd be in a greater period of economic recovery by now. But the business world is still in flux, with post-Brexit changes, supply chain disruptions and continuing concerns about Covid-19 exacerbating issues.

Against this backdrop, the skills shortage, as ever, remains a challenge.

Since the disruption to the labour market caused by the pandemic, more candidates have been entering the job market. This should mean it's easy to recruit but the increase in available workers has not translated to an increased availability of in-demand skills. Just under a third of employers we surveyed have left a position vacant due to not being able to find an appropriate candidate and three in ten have had to train existing employees to fill gaps. More than half say they are overextending their workforce, and that needs addressing.

The skills shortages we see in the news daily isn't a new phenomenon. Our annual survey repeatedly reveals long term skills challenges. Recruitment has become such a struggle, that a quarter of employers surveyed say finding the right skills is the main challenge facing their organisation in the next five years.

The survey shows that for those who have struggled to recruit, lack of industry-specific skills (37%) is again the most common shortage, followed by technical/operations skills (33%), IT skills (32%) and managerial skills (28%). The IT skills gap continues to be of great concern. The pandemic has rendered digital skills essential as companies and organisations have, according to many reports, accelerated digital transformation by ten years. This has had real impact over the past 18 months on the way business is done, with the survey showing four in five employers transitioning all or some employees to remote working coming out of the pandemic. That flexibility may open up some opportunities to address skills shortages, but alone, it will not be enough.

The employers canvassed in our annual survey say they plan to increase hiring in the next 12 months, with 41% saying their organisation plans to increase recruitment levels in the next six months. Recruitment for specialist skills though, is expensive, and that is where harnessing potential becomes vital. The report findings reveal that almost all organisations currently employing apprentices plan to maintain or increase the number of apprentices in their organisation – an encouraging sign for the future of apprenticeships and the value of work-based learning.

The Business Barometer, now in its fifth year, has been observing the skills crisis and it shows no signs of abating with the landscape becoming more complex than ever. Sustainable, strategic and long-term solutions are needed to equip people from all backgrounds with the skills needed by employers, but it will require all stakeholders – employers, educators and policymakers – to work together to make this a reality. I hope this report helps inform some of that thinking.

Tim Blackman

Vice-Chancellor at The Open University

02

“

We are delighted to have collaborated with The Open University on this important and insightful report.

This year’s Business Barometer sheds a light on the current UK skills shortage and the impact on recruitment at all levels following the pandemic and Britain leaving the European Union. The labour and skills shortage continues to be an issue that our members are reporting across different sectors and across different regions. This is borne out by the report, which finds that 63% of businesses are finding recruiting more difficult and 57% are stating that it is significantly affecting their growth potential. Crucially for the economic recovery and for a thriving growth economy, almost 1 in 4 organisations polled say that recruiting the right talent will remain the single biggest challenge they face in the next five years.

On the plus side, the Business Barometer is showing optimism around the potential for remote working to fill skills gaps, helping access new groups of workers who were previously self-excluding themselves for reasons of geography or mobility, and an appreciation of the role of apprenticeships and work-based learning to train tomorrow’s workers. Again, this is something that very much is resonating with our members.

We are therefore calling on the governments across the UK to put lifelong learning, retraining and upskilling firmly at the heart of their policy agendas, so that firms and individuals alike can fully take advantage of the massive opportunities that are available as our economy recovers and restructures.

Supporting vocational and professional training to help people obtain high quality industry specific skills, as well as supporting apprenticeships to fill skills gaps at all levels of the labour market, must be at the centre of the strategy to deliver these aims.

Kitty Ussher

Chief Economist, Institute of Directors

Executive summary.

Both the pandemic and Brexit-related challenges have impacted and will continue to impact long-term growth plans and talent management strategies of employers around the UK. At the time of writing, unemployment levels were decreasing and employment rates increasing across England, Scotland and Northern Ireland.

However, organisations such as the Institute For Fiscal Studies, have suggested that this boom in vacancies has been driven by a lack of lower-paid workers in areas such as road transport and warehousing (where vacancies are 19% higher in those areas than before the pandemic) and the picture isn't as positive as it first might seem.

The combined forces of the pandemic, Brexit pressures and the end of the furlough period have impacted the business world dramatically. Uncertainty still prevails and this has affected planned spending on training, staffing and investment but the previous editions of the Business Barometer reports showed that skills shortages preceded both Brexit and Covid-19.

Nonetheless, the organisations we surveyed have found themselves having to spend on training regardless, whether that's for new hires or existing staff, to deal with the skills shortage. While recruitment might seem like a solution, thanks to high fees and temporary staffing, it's often more of a short-term answer.

Training and upskilling within an organisation is a more sustainable way to address the skills gap. It's heartening to see many employers seeing the value of apprenticeship programmes and the long-term value they bring.

Our annual Business Barometer report seeks to reflect the behaviours and struggles of the UK's organisations across different sectors, regions and nations. The below highlights of this year's research show some difficult decisions from leaders during a challenging time but also show a degree of positivity for the future.

A lack of required skills

63% of decision makers agree their organisation has found recruiting difficult as candidates didn't have the required skills for the role.

Recruitment spend is up

And yet, 30% have spent more on recruitment in the last 12 months than in the past (average spend per employer is around £23,400). For 42%, this was due to employers struggling to find the right skills.

Training new hires has been necessary

Some 28% have had to recruit at a lower level than expected in the last 12 months due to a lack of skills. 79% of these have spent money on training these new hires to get them up to speed – at an average of £16,800.

SMEs footing the bill

The total spend on temporary staff came in at £3.2bn, with SMEs picking up more than £3bn of this.

Recruitment is taking longer

Some 64% think a lack of candidate skills has lengthened recruitment and 63% agree that the coronavirus pandemic has made recruiting appropriately skilled candidates more difficult.

Recruitment will rise

However, 41% say their organisations are planning to increase recruitment levels in the next six months in comparison to the last half year. Just 21% say they will decrease.

Northern Ireland skills shortage highest

69% of Northern Ireland businesses believe there is a skills shortage in their organisation. This is the highest of any UK nation or region. There is a skills shortage in nearly two thirds (62%) of organisations in Scotland, 61% in Wales.

Remote working presents new opportunities to fill skills gaps

78% have transitioned at least some workers to remote working during the pandemic. Nearly a third (31%) have transitioned all employees. Some 86% of these say they will continue to work remotely and this provides opportunities to recruit people who don't live nearby to fill skills shortages and organisations from outside London and the South East to fill more gaps. In fact, the Welsh Government has stated its ambition for 30% of workers to be located at or near home.

Forward-thinking employers outline training strategies for future success

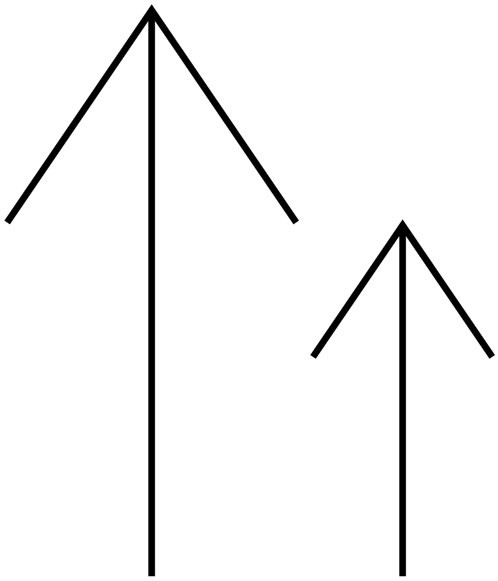
More than half (56%) say apprenticeships and work-based learning will be vital for the future of their organisation, an 8% increase from last year. From organisations that currently employ apprentices, 96% expect to maintain or increase apprenticeship numbers in the next 12 months .

Introduction.

This time last year we all hoped the 2021 Business Barometer would reflect a very different landscape to the one we're currently navigating.

However, a still-turbulent environment is continuing to cause skills shortages and pose challenges for those developing skills strategies. Despite the pandemic sending shockwaves through the labour market, the skills gap remains a huge issue and plugging it remains as essential now as ever.

This report looks at some of the areas and sectors in which investment in training is essential.



Background.

The Business Barometer is The Open University's annual report published this year in partnership with the Institute of Directors, an organisation which has a strong interest in the challenges facing UK businesses.

The Open University commissioned Opinium to survey 1,500 senior business leaders across the UK between 3 and 16 September 2021. These senior business leaders included chief executive officers, chief operating officers, managing directors, HR directors and HR managers with responsibility for recruitment. Opinium made extrapolations based on the survey data and business data from the Office for National Statistics 2020 Business Workbook, which shows there are 276,570 SMEs in the UK (excluding microbusinesses) and 10,720 large enterprises. Questions included those on difficulties around recruiting due to skills shortages (and other issues), recruitment spend, training intent and ability and future challenges. The data was also broken down nationally and regionally as well as by business size.

The pandemic aftermath and the future.

We had hoped to not focus on the pandemic too much in this report but its ongoing effects cannot be ignored. As a McKinsey report described it in 2020, Covid-19 is "an imminent restructuring of the global economic order" with five stages – resolve, resilience, return, reimagination and reform – necessary to navigate the "next normal".

RESTRICTIONS AND COVID-19 UNCERTAINTY CONTINUE TO HAVE AN IMPACT ON BUSINESSES ACROSS THE UK

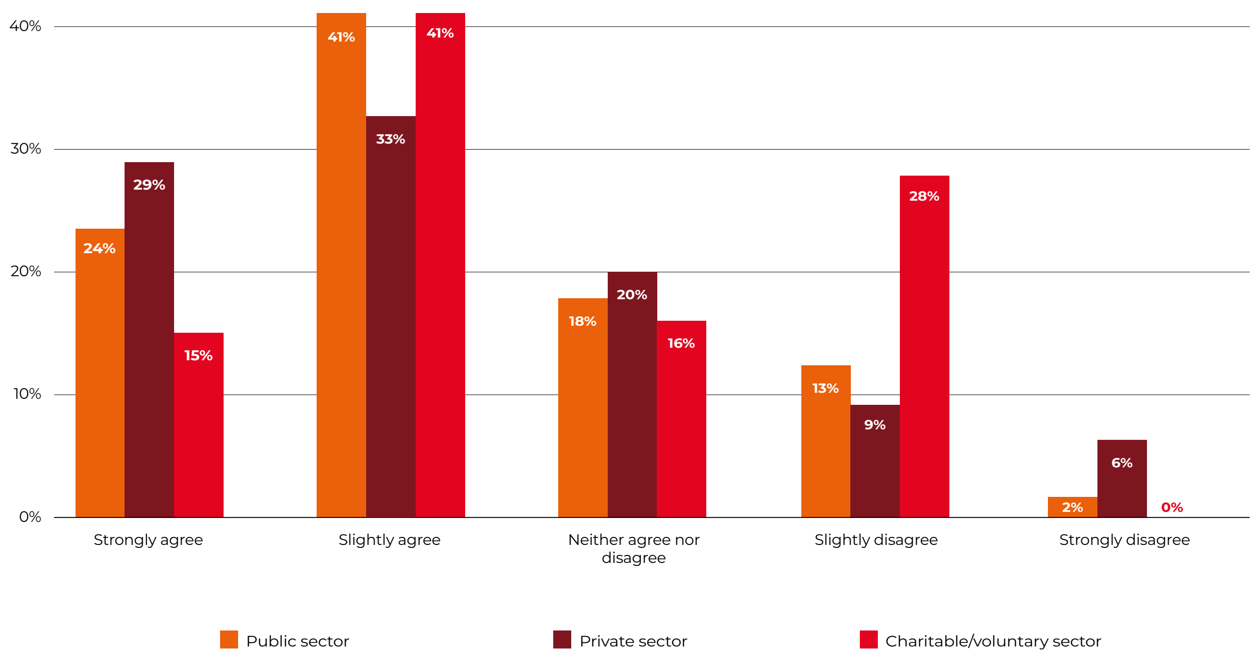
Some 63% of the decision makers we surveyed say that Covid-19 has made recruiting the right people harder. Among those who say recruitment has taken longer in the past 12 months, more than half (53%) say this has taken more than a month longer, compared with 47% for where the delay has been less than a month. These recruitment decision makers cite Covid-19 as the top issue likely to impact skills in the next 12 months.

Covid-19 has also affected training budgets, with 41% of those who have reduced training budgets citing a need to prepare for further disruption as a key reason. Our survey shows that 29% of recruitment decision-makers have had to cut back training due to Covid, while a quarter (24%) have had to make some redundancies. Some 51% said they hadn't hired for vacant roles due to coronavirus uncertainty.

This breaks down to 51% in England, 42% in Wales, 51% in Scotland and 38% in Northern Ireland. This was particularly high in public administration and defence (76%), real estate (61%) and information and communication (digital/ICT) (67%)

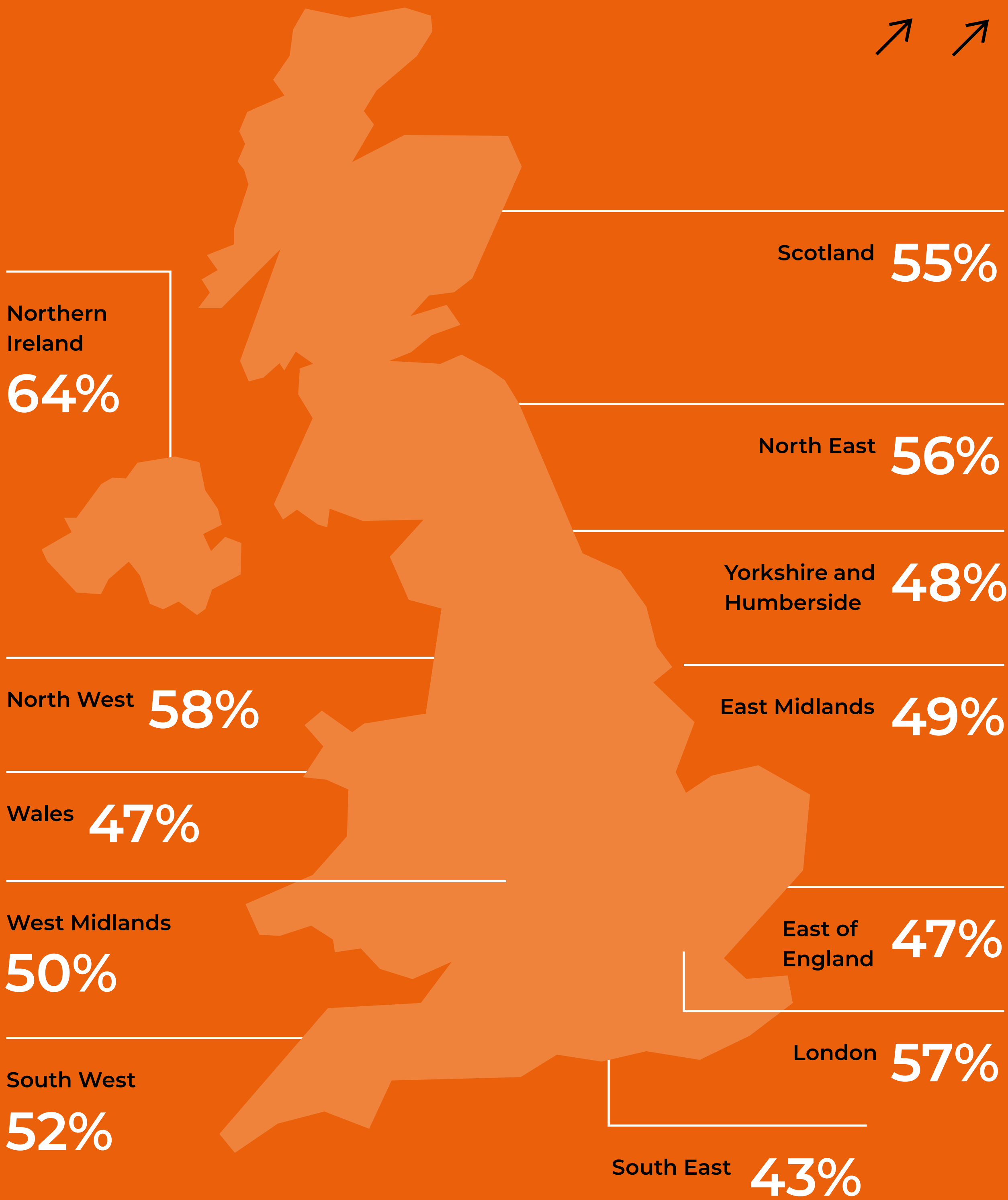
Covid-19 has had a huge impact on certain sectors, with some, such as hospitality, having to shut down entirely and others, such as the NHS, facing backlogs. According to ONS data, some services such as hospitality – including pubs, restaurants and hotels – recorded almost no output in April and May 2020, but industries such as information and communication, where staff could largely work from home, saw little change compared with February of the same year.

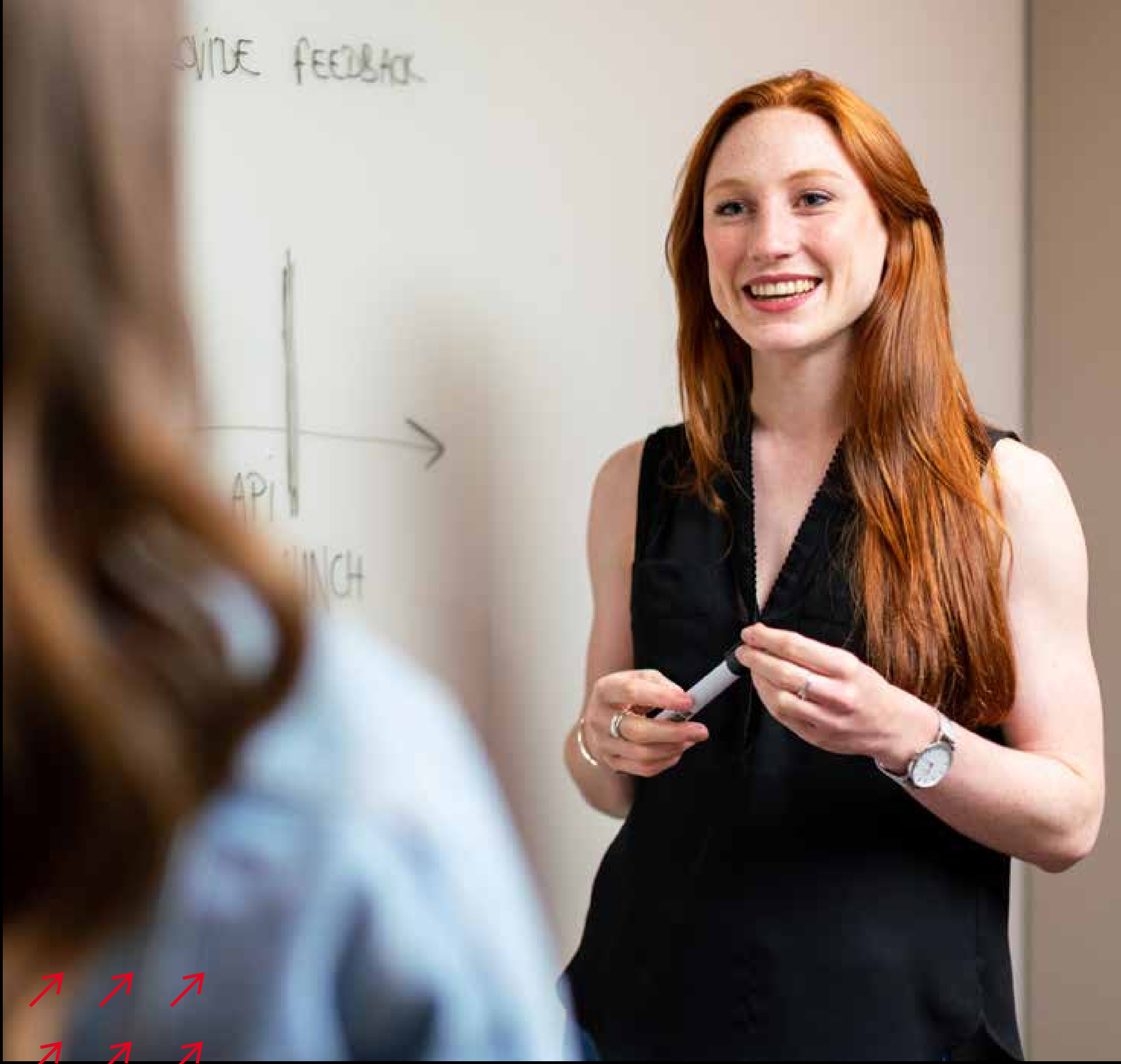
The coronavirus has made it harder to recruit candidates with the right skills



HAS YOUR ORGANISATION FOUND IT EASIER OR MORE DIFFICULT TO RECRUIT FOR NEW HIRES IN THE PAST SIX MONTHS THAN IN THE SAME PERIOD LAST YEAR?

The following statistics show the organisations that found it more difficult.





In the next 12 months, the threat of another lockdown (29%) and new Covid-19 regulations (also 29%), are big issues, although concern over these falls dramatically over a longer time span.

A report from the Institute of Fiscal Studies highlights real inequalities in education and skills. The report suggests that for those missing out on work experience and training during furlough and subsequent unemployment, a redoubling of investments in skills that can match the post-pandemic economy is necessary.

However, our survey showed that UK businesses are prepared to move on. Two thirds (68%) agree they are optimistic about their organisation's recovery over the next 12 months, with the same amount optimistic about the recovery of the UK economy as a whole.


SUPREME
SUPREME

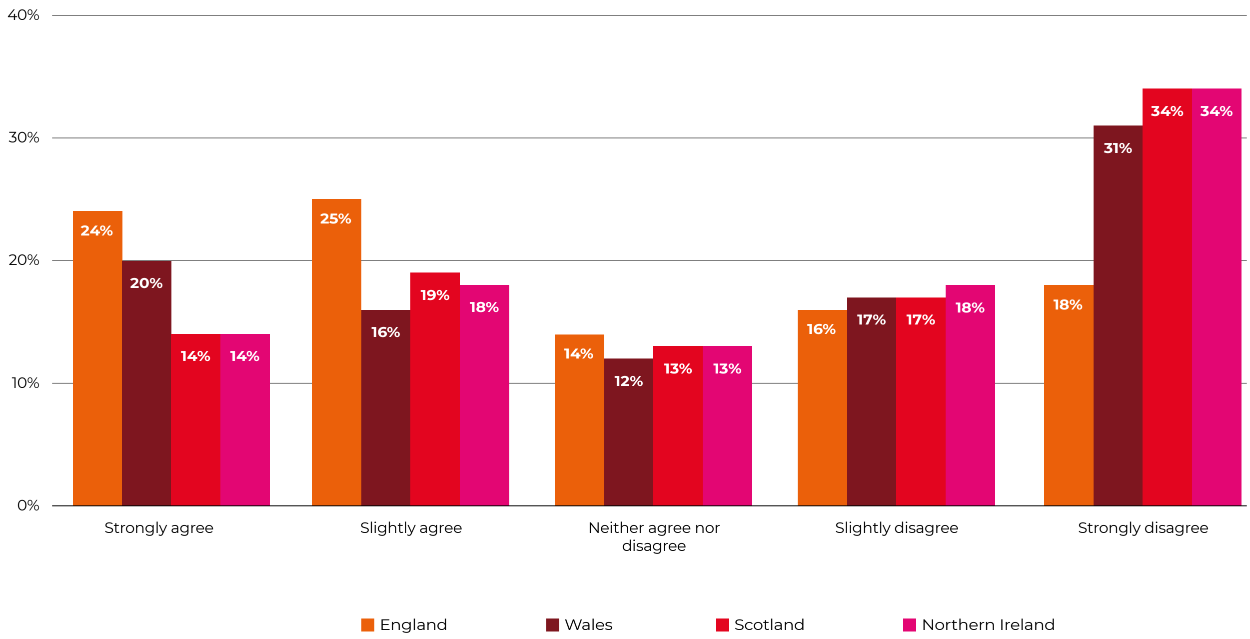
Brexit and beyond.

The United Kingdom left the European Union on 31 January 2020. Two years ago, the senior leaders we surveyed were very worried about Brexit, citing it the biggest issue they were facing.

Since then they've had other more pressing challenges. Last year 32% said it would impact skills. This time around, just 26% said Brexit would directly impact skills, below the issues of Covid-19 (50%) and increased competition (28%).

The EU-UK Trade and Cooperation Agreement, came into force on 1 May 2021. However, as the UK attempts to negotiate international trade deals, it's understandable that uncertainty abounds. Some 43% of our respondents said they had not hired for vacant roles due to Brexit and 20% cited new Brexit regulations as a key challenge over the next 12 months. This threat decreased to 15% over the next five years.

My organisation has not hired for vacant roles due to Brexit uncertainty



Mind the skill gap.

Despite job losses, the skills shortages continue to present some challenges for all industries across the nations and regions. Arts and pharmaceuticals are hit hard.

The number of business leaders reporting that their organisation is experiencing a skills shortage has increased since last year from 56% to 61% (this is compared with 62% in 2019 and 63% in 2018).

Within England, this shortage is most marked among businesses in the East of England (68%) and London (71%) followed by the East Midlands at 56%. The figure is highest in businesses with 51-100 staff and higher (72%) and particularly marked in the areas of pharmaceuticals (85%) and arts, entertainment and recreation (80%).

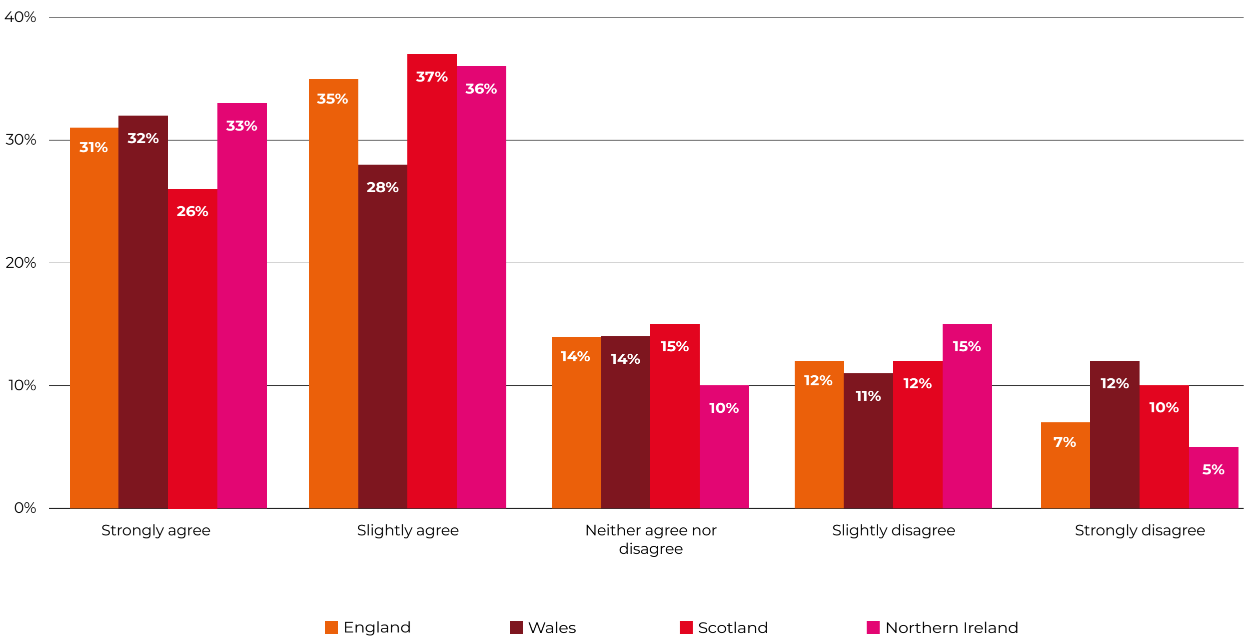
Comparing 2021 skills shortages to 2020, 2019, 2018

61%	56%	62%	63%
2021	2020	2019	2018

Northern Ireland reports the biggest shortage, with 69% of Northern Ireland businesses believing there is a skills shortage in their organisation. Some 62% of businesses in the Cardiff capital region say there is a skills shortage in their organisation and there is a skills shortage in nearly two thirds (63%) of businesses in Scotland. 59% of Scottish businesses say they have struggled due to the skills shortage.

Despite issues with skills shortages, over three in five (64%) of the leaders we surveyed say they and their organisation believe they are in tune with the skills deficits in their local area.

There is currently a skills shortage in my organisation



Overextended workforces.

Just over half (56%) of decision-makers agree that vacancies led to them overextending their workforce. This was particularly marked in smaller companies, with 63% of companies with 51-100 staff saying this was the case, and 52% of 101-250-strong companies saying the same.

Some 57% say the skills shortage significantly affects their growth potential, more so (63%) in the 51-100 bracket and marked in the agriculture sector (84%), public administration and defence (82%) and STEM (78%).

This extra pressure on staff, of course, can have a detrimental effect on workforce wellbeing which, in turn, could affect the bottom line. The links between overextending staff and wellbeing are well documented and the financial fallout can be significant.

Specific skills.

The pandemic has shone a light on digitisation. But the leaders we canvassed were more upbeat about their digital skills than last year, with 52% saying their organisation needed to improve its digital skills, compared with 56% last year.

However, “digital skills” is a broad area and the OU’s Skills For Success report found skills such as marketing automation (12%) and ERP (13%) are least recognisable to SME leaders.

For those who have struggled to recruit due to candidate skills, industry-specific skills (37%) is the most common area candidates were lacking, followed by technical/ operations skills (33%), IT skills (32%), and managerial skills (28%).

THINKING ABOUT THE LAST TIME YOU STRUGGLED TO RECRUIT BECAUSE CANDIDATES LACKED THE RIGHT SKILLS, WHAT SKILLS WERE APPLICANTS LACKING?

22%

Soft/human skills (e.g. team working)

28%

Managerial skills (e.g. decision making)

24%

Leadership skills (e.g dependability)

32%

IT skills (e.g. Zoom proficiency)

33%

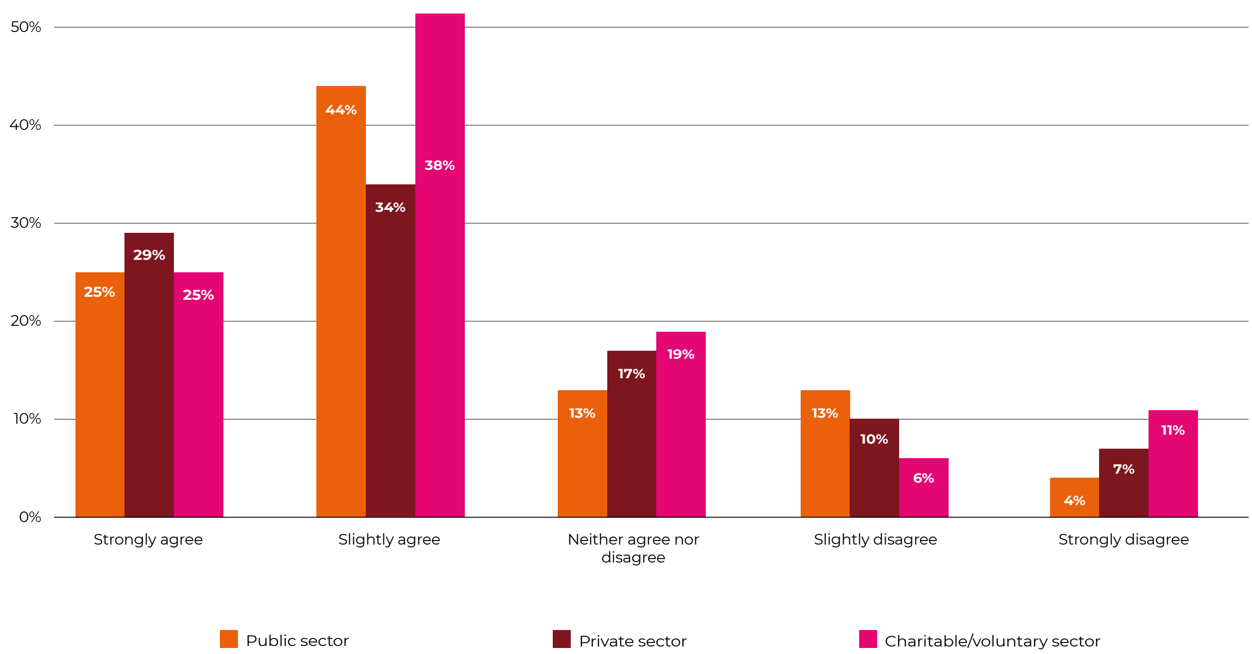
Technical/operational skills (e.g. data analysis)

37%

Industry-specific skills

Agriculture, forestry and fisheries saw a high number of shortages, with 97% saying they'd struggled to recruit based on lack of skills, followed by 86% in public administration and defence, 83% in human health and social work, 80% in information, communication and digital. Just 49% of respondents in education said they struggled.

Recruitment has taken longer because applicants are lacking the right skills



“

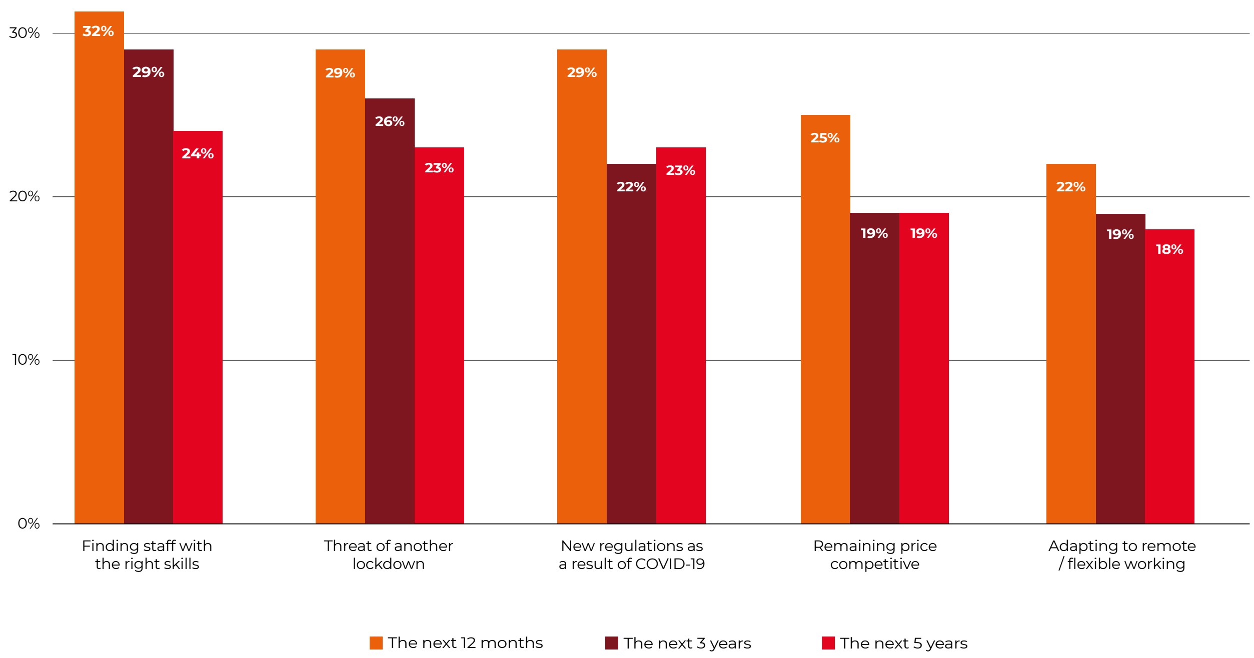
83% in human health and social work saw a high number of skill shortages.

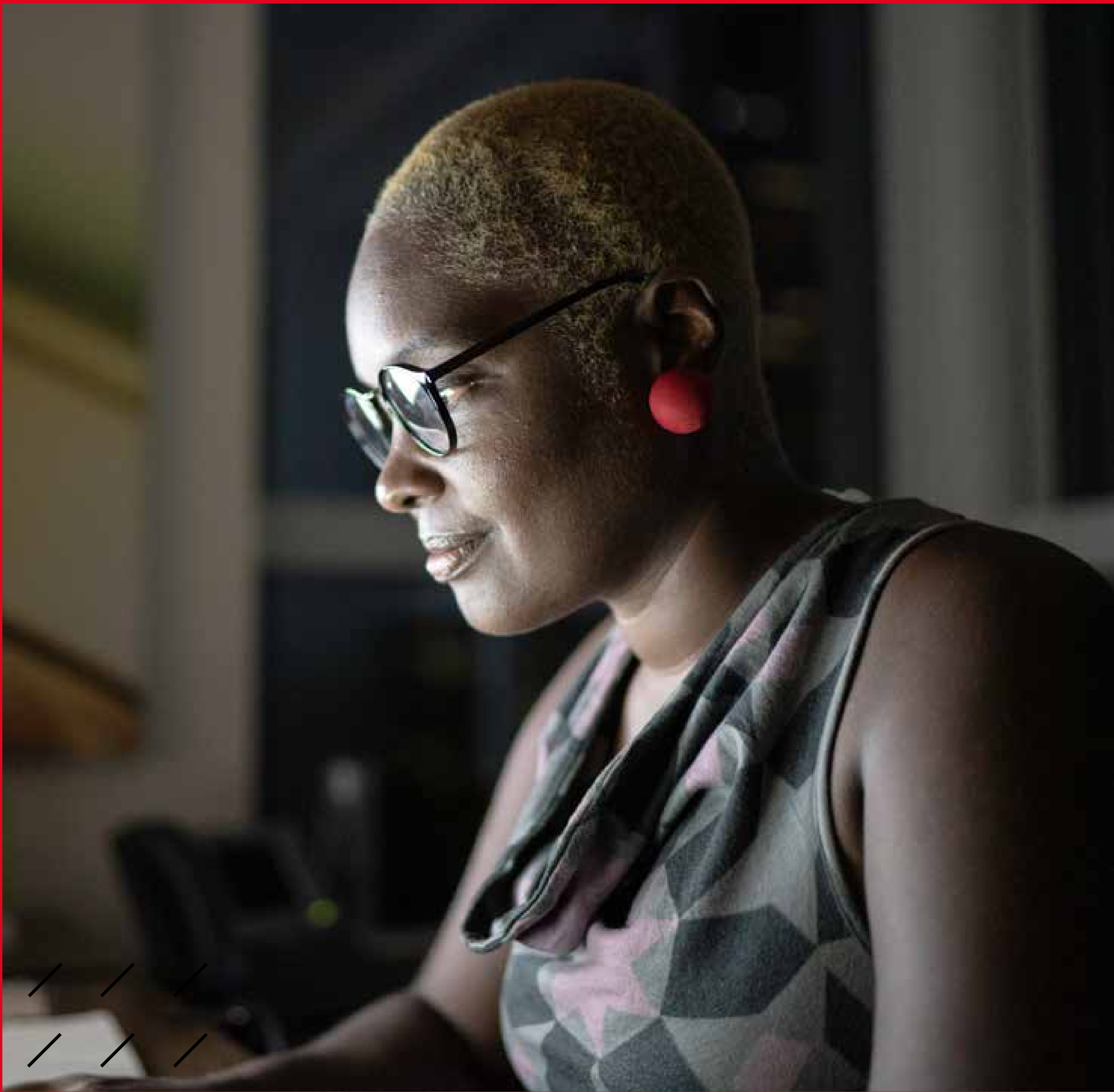
What skills are going to be important in the coming years?

Finding staff with the right skills is a concern in the short, medium and long term.

A third of the people we surveyed think this will be an issue over the next 12 months (32%), with 29% predicting this will continue to be a challenge over the next three years and 24% over the next five years.

What challenges does your business face in the future?





As they look ahead to the post-pandemic workplace, unsurprisingly our respondents valued IT skills above all else. Every business is now to some extent an IT business and the rapid acceleration of digital over the last two years means these skills are always going to be in demand. So when our decision-makers were asked which skills are likely to become more important over the next 12 months, IT skills (such as Zoom proficiency) came top at 37%, followed by technical/operational skills (34%), industry- specific skills (32%), and managerial skills, such as decision-making (33%).

Recruiting new skills. A costly exercise.

Research from the CBI before the pandemic found that 90% of the UK's workforce will need to gain new skills by 2030 at a cost of £13bn a year.

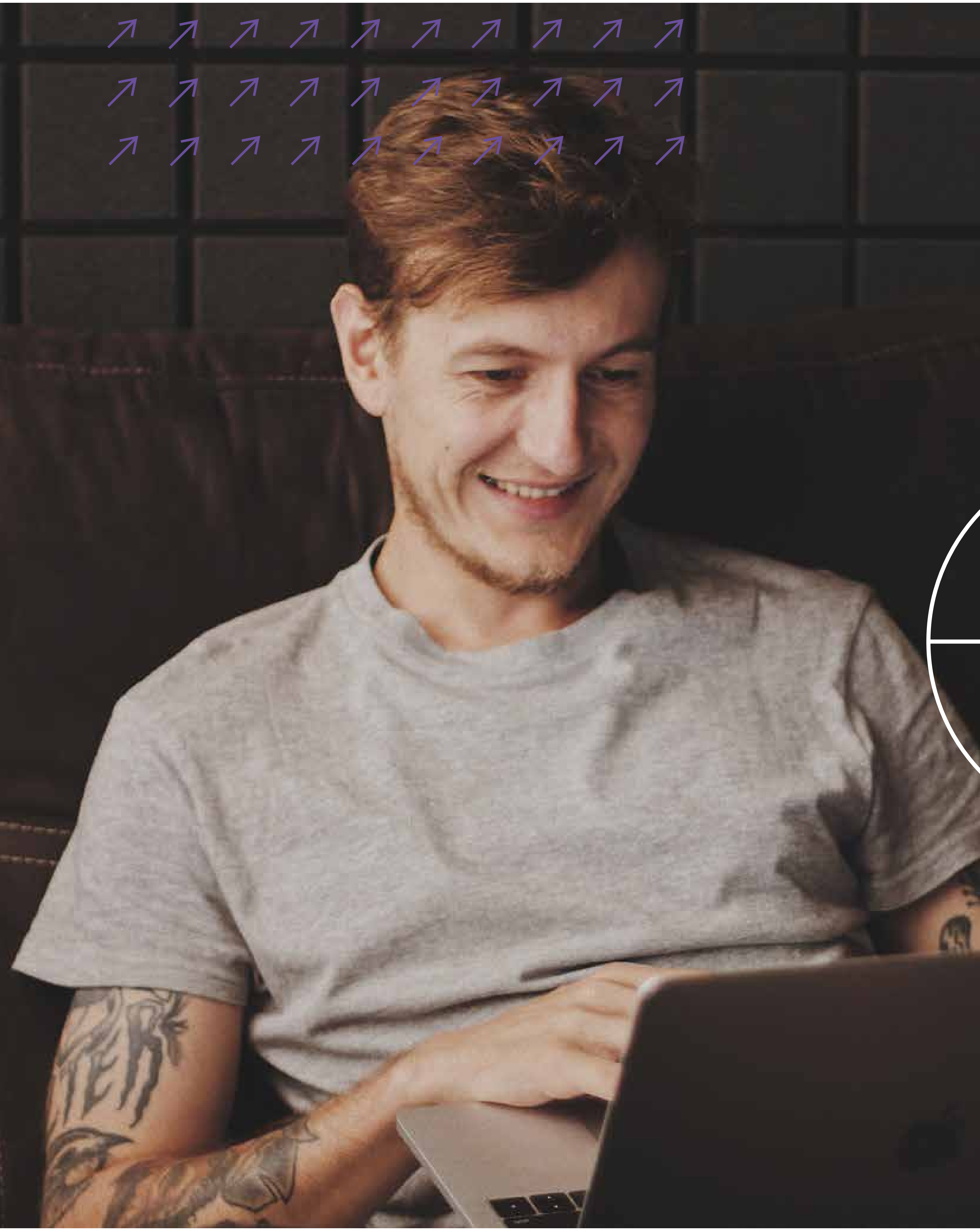
This remains important in light of the UK's changing relationship with the EU. The CBI has also warned that access to labour is a key factor threatening the UK's competitiveness.

Yet, almost three in ten (30%) of SMEs and 38% of large businesses say they have spent more on recruitment than in the past. The average spend of those who have done this is around £23,400, 42% of which was due to candidates struggling to find the right skills.

Skills influenced salary spend too, with 27% of our respondents saying they've had to increase a salary in order to hire someone with the required skills, with an average increase of £3,900.

The total spend on temporary staff came in at a staggering £3.2bn, with SMEs picking up more than £3bn of this.

Just over a quarter (28%), have had to recruit at a lower level than expected in the last 12 months. However, of those who have had to do this, almost four in five (79%), have spent money on training these new hires to get them up to speed. Those who have offered training spent an average of £16,800 on it. For those who have struggled to hire or have left a role vacant due to skills shortages, more than half (52%) hired temporary staff to fill in these gaps at an average spend of around £23,400 over the past year (within this small businesses spending on average £24,023).



Remote working **offers new opportunities.**

Two thirds of organisations think remote working presents new opportunities to fill skills gaps.

More than three quarters of recruitment decision-makers (78%) have transitioned workers to remote working during the Covid-19 pandemics. In the future, 86% of firms that transitioned will continue to work remotely in some capacity, including 25% who will give up on a fixed workplace entirely.

It's clear that setups like this represent huge opportunities to address recruitment issues.

UK workers will be able to request flexible hours from their first day in a job, instead of after six months, under new UK government proposals. This has huge implications for talent acquisition and retention.

Though there is noted trepidation among some employees about how remote working might impact stress levels and the long-term impacts of working from home on employee mental health and wellbeing have yet to be documented, almost two thirds (65%) of our respondents say remote working provides an opportunity to recruit people who don't live nearby to fill skills shortages.

Another 64% agree it represents an opportunity for organisations outside of London and the South East to fill these same gaps. It will be some time before we see the full effects of the work-from-home experiment on recruitment but the skills spread is likely to look very different in five years' time.

Government spending.

Investing in skills and training is necessary for UK businesses and organisations to begin to recover and grow.

An Organisation for Economic Co-operation and Development report last year said that, while participation in lifelong learning was higher than the European average in the UK, it has declined in recent years. The report suggests that ramping up investment in the digital economy, the service sector, green infrastructure and adult skills will strengthen the recovery and help to boost productivity and environmental sustainability for the long term.

Governments across the UK have made commitments to education and training spending and this will be essential to bridging the skills gap.

Northern Ireland.

Some 69% of Northern Ireland (NI) businesses believe there is a skills shortage in their organisation – the highest of any UK nation.

As much as 67% of NI businesses say they have struggled because of this skills shortage. In the past 12 months, nearly half (42%) of NI businesses have introduced training to boost the employees' skills to meet the organisation's needs and nearly half (44%) have left a position vacant because they could not find a suitable candidate. However, 71% of NI businesses are optimistic about their organisation's recovery in the next 12 months but finding staff with the right skills is the biggest challenge in the next five years for nearly half (46%) of the businesses.

The Skills Strategy for Northern Ireland – Skills for a 10x Economy sets out plans for "a decade of innovation" via investment in the skills that drive key strategic clusters, boost the research and innovation potential of the workforce and developing Northern Ireland as a global hub of knowledge through strong collaboration between government, business and research institutions. The main objectives of the strategy are addressing skills imbalances and driving economic growth, creating a culture of lifelong learning and enhancing digital skills and developing a "digital spine".

The strategy – which has addressing skills imbalances at its heart – also proposes increasing the proportion of individuals leaving Northern Ireland higher education institutions with degrees and postgraduate qualifications in 'in-demand' STEM subjects such as physical, environmental and computer sciences, engineering and maths. It also plans to "significantly increase" the proportion of individuals achieving level 3, 4 and 5 qualifications, in line with forecast demand, and increase the proportion of the working-age population with level 2 and above qualifications. The government has also launched a Lifelong Learning Action Plan co-designed with business, education institutions and trades unions and a planned new Northern Ireland Skills Council.

In 2020/21, the Minister for the Economy secured £50m of additional funding for skills initiatives as part of the country's initial COVID-19 response, supplemented by a further £50m to support economic recovery in 2021/22. This investment has been allocated to a range of initiatives, including the expansion of apprenticeship opportunities, additional student support and new upskilling measures.

"In the past 12 months, nearly half (46%) of NI businesses have introduced training to boost the employees' skills.

Scotland.

There is a skills shortage in nearly two thirds (62%) of businesses in Scotland and 59% of Scottish businesses say they have struggled due to the skills shortage. Jobs below senior manager level are hardest to recruit, according to 71% of businesses.

However, nearly half (47%) of Scottish organisations plan to increase training budget in the next 12 months. Almost three quarters (73%) of Scottish recruitment decision-makers say The Open University's skills-focussed short courses, modules and microcredentials offered with the support of Scottish Government funding would be useful. Nine in ten (90%) say they would consider taking these up.

Funded by the Scottish Government and administered by the Scottish Funding Council (SFC) and Skills Development Scotland (SDS), the Upskilling Fund and the National Transition Training Fund (NTTF) are just two possible routes for employers to access training via The Open University in Scotland.

The Open University in Scotland has utilised both Funds to support those seeking to upskill and reskill for new roles and careers. In many cases looking to develop their knowledge and skills required as new technology, a changing economy, post-covid workforce needs, and the impacts of Brexit affect their own jobs and future careers.

The National Transition Training Fund was put in place to help tackle the rise in unemployment caused by Covid-19 and offering short training opportunities for in-demand skills. The fund was created to help people take advantage of jobs available in growth areas such as digital, green technologies and health and social care workforce.

We have seen significant and sustained demand for our microcredentials and modules, via the Upskilling Fund, offered to those seeking to upskill and reskill, many of whom have been affected by the pandemic, facing redundancy or furloughed. Additionally, there have been calls for the introduction of a personal training allowance that could be used by individuals in Scotland to upskill and reskill throughout their career which 93% of Scottish organisation leaders would find helpful for retraining of their workforce.

Via the two funds we have supported people to study a microcredential in areas of skills demand in the Scottish economy, including courses in digital and IT, Leadership and Management and Environmental sustainability.

In September we launched our second phase of courses available to SMEs via the Flexible Workforce Development Fund (FWDF) thanks to £1m investment from the Scottish Government. The Open University in Scotland is the only university offering access to the Fund. SMEs with fewer than 250 employees can access fully funded training up to the value of £5,000 to support the development of their staff and volunteers. Thus, addressing key skills gaps, adapting to new ways of working and maximising the opportunities to restart, recover and renew.

The Scottish Government's Programme for Government 2021-22 A Fairer, Greener Scotland recognised the impact that the pandemic has had on the economy in Scotland and in particular upon young people and saw further commitments in relation to the Young Person's Guarantee.

The £70m Young Person's Guarantee offers every 16-24 year old in Scotland the opportunity of a job, apprenticeship, further or higher education, training programme or volunteering. The investment includes £45m for local partnerships to provide training, employer recruitment incentives, and mental health interventions for young people, £13.5m for colleges, universities and the Scottish Funding Council to provide industry-focused courses.

The Scottish Government is committed to supporting those most impacted by the pandemic into fair work. A key element of this is the Green Jobs Workforce Academy which aims to help people take a greener approach to their careers, from accessing training and learning new skills to finding a new job, in an attempt to ensure Scotland's workforce has the skills it needs to reach net zero carbon emissions by 2045. The Scottish Government is providing £100 million capital funding over the next five years with its Green jobs fund to help business create green employment through investment.

"Nearly half (47%) of Scottish organisations plan to increase training budget in the next 12 months.

Wales.

There is a clear skills shortage in Wales. Around 60% of Welsh businesses say there is a skills shortage in their organisation and 59% say that their business has suffered as a result.

One third (33%) of businesses have introduced training to boost employees' skills in the past 12 months but (37%) have left a position vacant because they could not find an appropriate candidate. More than three quarters (80%) of Welsh businesses believe providing staff with training is preferable to hiring externally and nearly half (44%) of Welsh businesses feel uncertain about the future – more than any other part of the UK.

In March 2021, the Welsh Government agreed that it needed a "relentless focus" on young people transitioning into further learning, employment or entrepreneurship. The Welsh Government has created a 'Covid Commitment' fund, aimed at supporting jobs and skills. So far, according to a ministerial statement, the commitment has supported 22,000 people with careers advice and guidance via Working Wales, with Community Employability

Programmes supporting the employability skills of 9,000 people. The government says that nearly 4,000 people entered employment during the pandemic, 6,000 people applied for a Personal Learning Account, 2,000 ReAct vocational training grants were awarded and 1,300 Apprentices recruited via employer incentives.

The Welsh Government's Programme for Government 2021-26 is clear about the challenges ahead and focused on engaging talent. It includes a number of commitments relevant to the skills agenda, including the Young Person's Guarantee, which pledges everyone under 25 the offer of work, education, training, or self-employment, creating 125,000 all-age apprenticeships and expanding the use of shared and degree apprenticeships. Regional Skills Partnerships are in place to analyse and influence workplace skills provision based on local need. There's also an intention to establish a Creative Skills Body, delivered internally through Creative Wales.

"More than three quarters (80%) of Welsh businesses believe providing staff with training is preferable to hiring externally.

England.

The UK Government, through its Plan for Growth published in March 2021, has identified investment in skills as one of the three pillars which will provide the foundations for the economic recovery and for levelling up the country, alongside investment in high-quality infrastructure, and innovation.

Encouraging flexible lifelong learning is a key element of the UK Government's plan to improve skills with the Prime Minister committing that the 'Lifetime Skills Guarantee will enable anyone to acquire the skills to do these jobs, wherever they live and whatever their stage in life".[1]

The Government's main measure on skills aimed at boosting flexible learning is the commitment to introduce a Lifelong Loan Entitlement (LLE) from 2025. At the time of publication detail is still to be clarified, but the premise is that the LLE would be equivalent to four years of post-18 education funding for the learner, usable for both shorter modules and full years of study at higher technical and degree levels (levels 4-6), regardless of whether they are provided in colleges or universities.

Business need and support for more flexible and lifelong skills training has long been voiced.

[1] HM Treasury, Build Back Better: Our Plan for Growth, March 2021

Our 2021 survey continues that trend with 80% of respondents across businesses of all sizes in England indicating that shorter and more flexible access to learning is important.

Added to that four in five (80%) of the people we surveyed based in England agreed that the UK Government's proposal to fund modular learning courses would be helpful, with 92% agreed that they would probably or definitely consider taking up such an offer if it were available.

Specifically on the LLE, more than four fifths (86%) of organisation leaders in England considered the UK government's proposal "helpful" for retraining their workforce. Encouragingly, more SMEs would find the LLE helpful– our survey revealed the positive sentiment at 84%.

More broadly other key measures for skills development include the Government's continued ambition for apprenticeship growth offering opportunity at all ages and for all stages, as well as the National Skills Fund with free access to Level 3 qualifications in specific areas, as well as more investment in Skills Bootcamps – free, flexible, short courses for adults aged 19 or over who are either in work, self-employed, recently unemployed or returning to work after a break. These again highlight the importance of delivering reskilling and upskilling approaches that have flexibility at their core.

Diversity matters.

Diversity and inclusion has been top of the agenda for many business meetings and roundtables in the last year, alongside the ongoing challenges of Brexit and Covid.

There's no doubt it matters. The moral case for diversity in the workplace is clear. We all deserve access to the best training to develop our skills and talents and fulfill our potential.

Research from McKinsey in 2019 demonstrates that companies in the top quartile for ethnic and cultural representation on executive teams outperform those in the fourth quartile by 36% in profitability.

In the next year, almost two thirds (63%) of our respondents agree their organisation is planning to make their workforce more diverse and their workplace more inclusive.

For those looking to do this, two in five (39%) say they will offer equal access to training and professional development, while 31% will offer a number of entry pathways for young workers. Other commonly mentioned measures include actively looking to hire local candidates (32%) and trying to recruit from black and minority ethnic backgrounds (28%).

Apprenticeships
on the rise.

One common strategy for increasing access to growth sectors is apprenticeships.

TO WHAT EXTENT DO YOU AGREE OR DISAGREE WITH EACH OF THE FOLLOWING STATEMENTS?

Apprenticeships and work-based learning will be vital to my organisation's future

76%	Agriculture, forestry and fishing
70%	Mining, energy and water supply
60%	Manufacturing and automotive
74%	Engineering and construction
62%	Wholesale retail and repair of motor vehicles
37%	Transport and logistics
48%	Accommodation and food services
67%	Information and communication (digital/ICT)
59%	Financial and insurance activities
81%	Real estate activities
38%	Professional services (excluding financial and insurance activities)
54%	Scientific and technical activities (STEM)
48%	Business administrative and support services
49%	Tourism (including travel agencies and tour operators)
46%	Public administration and defence (Including civil service/government roles/blue light)
49%	Education
37%	Human health and social work activities
43%	Pharmaceuticals
37%	Arts, entertainment and recreation
83%	Public sector
21%	Third sector/charity
65%	Other services

Other studies show that apprenticeships are working for employers. Research from The St Martin's Group, in partnership with City & Guilds and NCFE has found that many of the additional upfront costs associated with onboarding apprentices can be recovered much earlier than anticipated. It also suggests that apprentices, on average, generate an early net benefit to businesses of at least £2,496 and in some cases much more, even during the training period.

Businesses seem positive towards apprenticeships. More than half (55%) of our respondents told us their organisation currently employs apprentices. Of those who do employ apprentices, 53% say the number increased over the past 12 months.

Last year, 54% of small and 46% of large organisations said they could not commit to apprenticeships due to uncertainty about the future. This year, the number drops to 50%.

More than half (56%) of businesses believe that apprenticeships and work-based learning are critical to their long-term success which is an 8% increase from last year. Interestingly, this is true for both SMEs and larger businesses. From those that currently employ apprentices, 96% expect to maintain or increase hiring of apprentices again in the next 12 months signifying a confidence of UK organisations in apprenticeship schemes.

82% of employers in Yorkshire and Humberside expect to increase the number of apprentices in their organisation within the next 12 months –more than any other region in the UK – while only 20% of North East organisations planning to do the same. This could be down to increased tourism in the region, thanks to the foreign travel implications of the pandemic or a higher number of hospitality companies than other regions.

Two fifths (40%) of organisations in the digital and ICT industry plan to increase the number of apprentices a lot, similar to 42% of organisations within the charity sector – this shows a great commitment to employing apprentices and how they will be vital to organisational growth over the next 12 months.

Do you expect the total number of apprentices employed by your organisation to increase, stay the same or decrease over the next twelve months?

Increase or stay the same

92%	98%	100%
Public sector	Private sector	Charitable / Voluntary sector

Conclusion.

It is widely accepted that a healthy skills landscape will support a healthy UK economic recovery.

The talent pool is wider but the skills deficits we've been experiencing over the last few years are still very much in evidence.

Recruitment spend is up and skills are down. For us, this is the wrong way around. Developing the right skills in the right levels at the right time and allocating the right amount of budget is going to be crucial. The governments' collective strategies and funding commitments will go some way to ensuring that these needs are met but it's down to employers and training providers to work together to secure and protect training provision and talent.

Datactics
Case study.

Matt Flenley, Head of Marketing.

Datactics is a 60-person firm based in Belfast, Northern Ireland, developing business-user focused data quality and matching technology for international clients in sectors including banking, finance and government. The company is growing but finds recruiting software developers challenging. Software developers are high in demand and many developers based in Northern Ireland work remotely for US firms, making the market competitive. Brexit has also minimised Datactics ability to hire from Europe and Matt anticipates that in the coming years, Northern Ireland will get more expensive, meaning more companies will outsource work to Central and Eastern Europe where skills in English language proficiency and technology are constantly improving.

Staff training and retention is therefore an integral part of Datactics' operations. It's a model of hiring junior people with potential and then giving them the training that they need. Training is so vital to the company's operations, Datactics also provides full time employees the option to one day a month take a training day.

Matt explained: "Over the last year and a half, we identified the problem that recruits and graduates are available but are not the exact perfect fit, so we wanted to be better at training. This gives us faster access to a workforce that can deliver for our clients. Training people for the purpose of loyalty also means we have extremely low staff attrition."

Datactics also advertises to secure recruits at The Open University who are studying business or computer science degrees. "We have always been blown away by the fact people can balance study and work. Because we have a strong tie with The Open University locally in Belfast, we have been able to fill certain positions in Datactics with Open University students quickly, and then continue to train them up."

Datactics is currently in the process of creating a data academy in partnership with education providers including The Open University. This one-year programme will identify people who want to work in technology and offer them the programming skills to graduate into full time employment with Datactics as well as getting a certification. Matt believes such training will make graduates valuable for the wider technology economy in Northern Ireland. "Belfast has a proud engineering history, and computing engineering is now a part of that history. We see this training programme as being beneficial to us and our business community as a whole."

Visit Scotland
Case study.

Andrew Cunningham, Talent and Organisational Development Professional and Executive Member

VisitScotland is a non-departmental public body with around 600 employees with offices in Edinburgh, Glasgow, Aberdeen, Inverness, and other parts of Scotland. It is responsible for the marketing of Scotland to the world, both international and nationally as well as promotion and hosting of Events. Andrew says "VisitScotland doesn't do tourism, it promotes tourism. With around 26 information centres in Scotland and through hosting events, VisitScotland helps to maximise the economic benefits of tourism for Scotland."

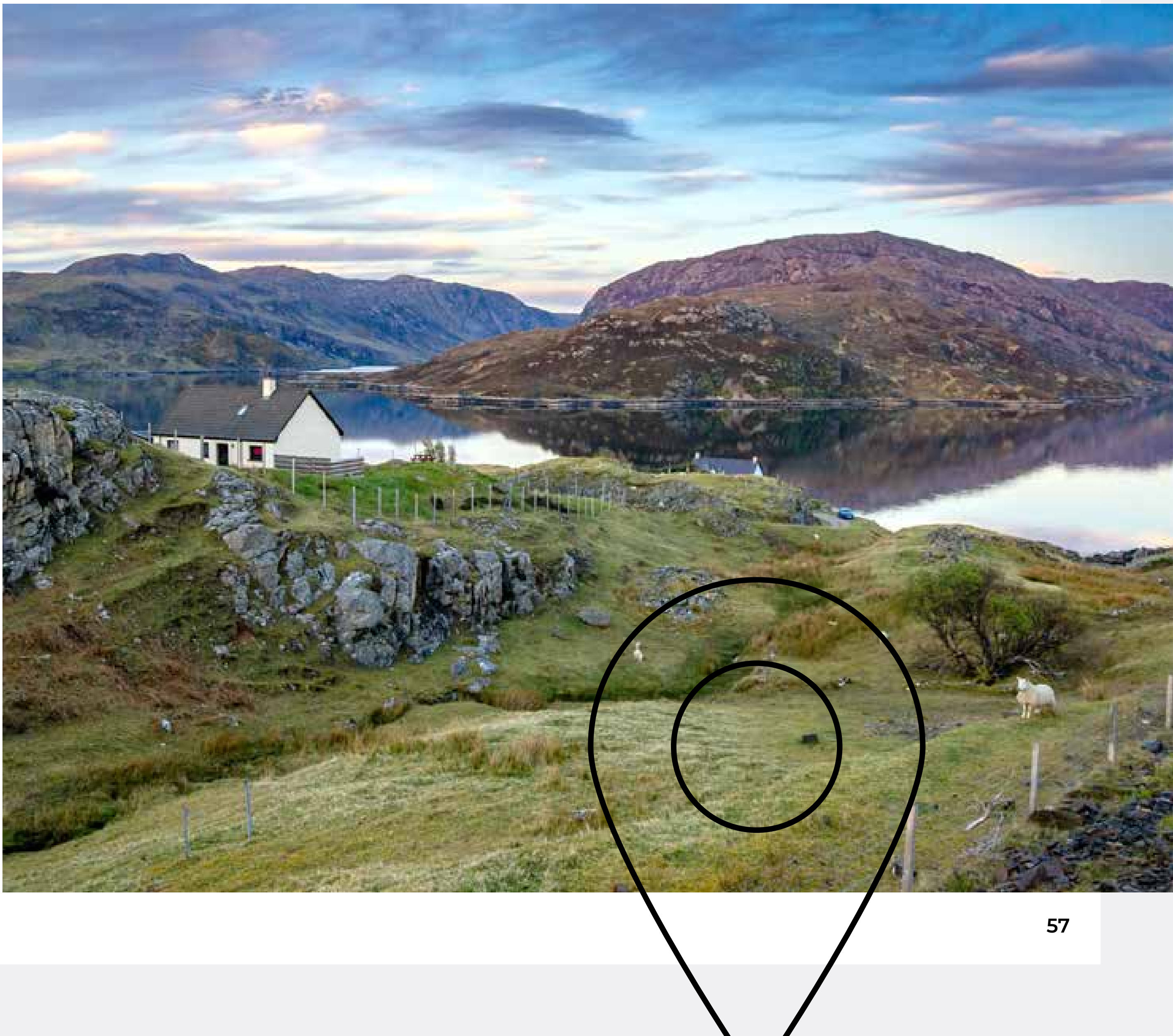
One of the biggest challenge VisitScotland faces is in developing leadership skills. Before the Covid-19 pandemic, VisitScotland was heavily led out of its Head Office and most leaders had visibility of their wider team. Now, the transition to working remotely has meant VisitScotland managers and leaders have had to adapt leadership and communication styles to remote working, almost overnight. Faced with new responsibilities including managing teams' mental health, ensuring staff are comfortable working remotely and getting work-life balance right, VisitScotland senior staff needed to quickly adopt different leadership skillsets.

To tackle this, VisitScotland built on a previous leadership framework it had developed. The pandemic allowed VisitScotland to add more depth to this framework by including additional training modules and creating more blended pathways for leaders. This included getting certifications for staff in people management skills using a mix of educational resources, including the Open Learn courses provided by The Open University. Andrew explained: "All staff at VisitScotland from the CEO to front facing staff were provided with recommendations on OpenLearn courses".

Another challenge VisitScotland faces is a digital skills gap, which has long been on the company's agenda and Andrew believes is only getting more challenging. Thanks to the enormous development in the evolution of digital tools in recent years there is a strong requirement for hiring staff with user interface (UI) and user experience (UX) skills. "VisitScotland, and the public sector as a whole, have long struggled to recruit staff who meet their digital skills requirements. Potential candidates with the right digital skills are often snapped up quickly by the private sector, there is a perception that they offer a more attractive salary than the public sector."

VisitScotland has developed an emerging talent strategy to help train staff from within the organisation in digital skills and to recruit digital graduates. As part of this strategy, it also invests in digital skills training for potential talent. This includes funding six two-year graduate placements and four Modern Apprenticeship two-year placements; programmes designed to focus primarily on developing candidates' digital skills in areas such social media, UI and UX.

The Open Learn courses have also been integrated into VisitScotland's own Learning Management system to help train staff in specific areas. Andrew said: "There is demand from hundreds of VisitScotland staff for the Open Learn courses and the constant praise we get for the educational materials is outstanding. Often our staff want to test the waters with the short Open Learn courses and discover whether they would like to do more formal training in a specific area. The course on Climate Change for example has been enormously popular with staff ahead of COP 26, which takes place in Glasgow this year."



About The Open University.

For over 50 years, The Open University has led the way in innovative distance-learning.

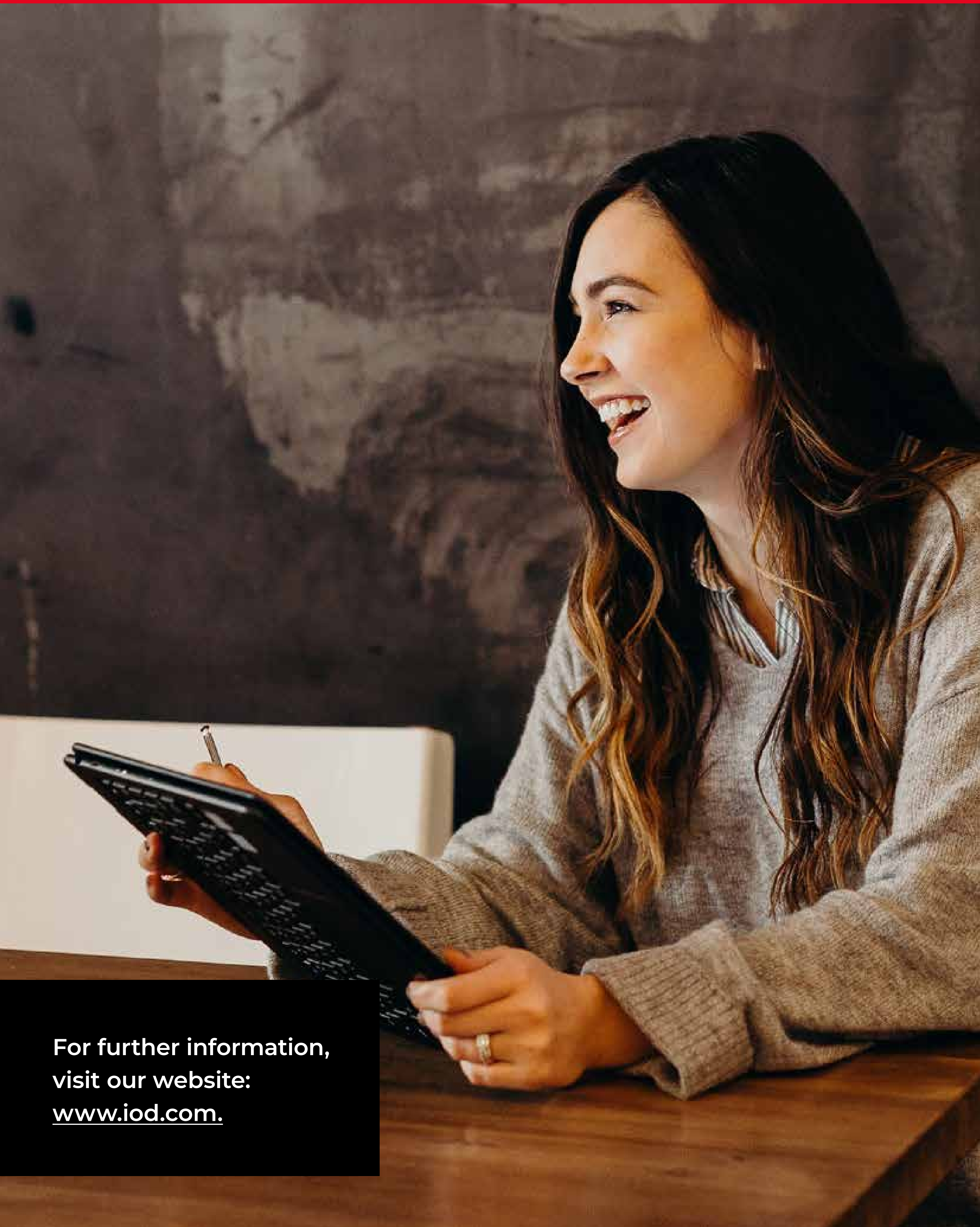
The University has a proven track record and rich heritage of providing workplace education solutions for employers across a range of sectors, which help employees fulfil their potential.

Specialising in developing high-quality learning materials, based on rigorous research and industry insight, The Open University combines academic excellence with technological expertise to deliver flexible work-based learning. We have a range of options to suit individual requirements including apprenticeships, microcredentials, short courses and undergraduate and postgraduate degree programmes.

The Open University's flexible and adaptable approach enables consistent educational programmes to be delivered at scale, across geographically dispersed workforces. Through minimising the time needed in the classroom, The Open University's blended delivery model is shaped around the needs of the employer and the role and responsibilities of the learner. This gives employees new skills and knowledge they can apply immediately to the workplace – increasing engagement and maximising return on investment.

This is why more than 2,400 employers, including IBM, Travis Perkins and the NHS, regularly choose The Open University's learning solutions to develop their workforces. An impressive 75% of FTSE 100 companies have sponsored their staff on The Open University courses and over 160 local councils and more than 430 healthcare providers choose The Open University to deliver learning to employees. Since 2016, The Open University has offered higher and degree apprenticeships to help organisations grow their own talent. In England, The Open University offers programmes in healthcare, policing, social work, digital, management and leadership.

In Wales, The Open University offers degree apprenticeships and in Scotland, graduate apprenticeships. Whether you're looking to develop new or current employees, contact The Open University today to find out how flexible learning can work for your organisation.



For further information,
visit our website:
www.iod.com.

About Institute of Directors.

The Institute of Directors is a non-party political organisation, founded in 1903, with approximately 20,000 members.

Membership includes directors from right across the business spectrum – from media to manufacturing, professional services to the public and voluntary sectors. Members include CEOs of large corporations as well as entrepreneurial directors of start-up companies.

The IoD was granted a Royal Charter in 1906, instructing it to “represent the interests of members and of the business community to government and in the public arena, and to encourage and foster a climate favourable to entrepreneurial activity and wealth creation.”

The Charter also tasks the Institute with promoting “for the public benefit high levels of skill, knowledge, professional competence and integrity on the part of directors”, which the IoD seeks to achieve through its training courses and publications on corporate governance.

The Open University
Walton Hall
Milton Keynes
MK7 6AA
United Kingdom

Email business@open.ac.uk
Call 0300 303 0122, or +44 (0) 1908 655767 if calling from outside the UK.

open.ac.uk/business

twitter.com/OUforBusiness

linkedin.com/company/open-to-business