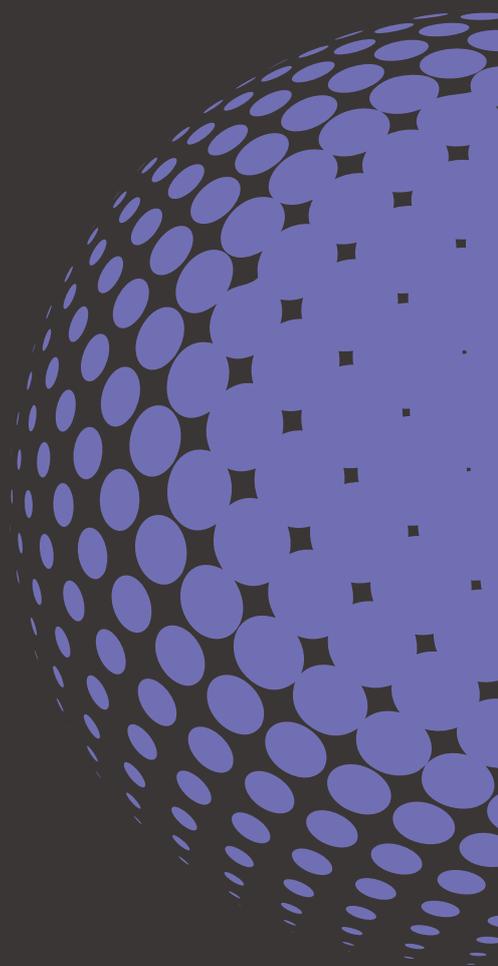


# The Open University Business Barometer

July 2019



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# Introduction

**Many organisations in the UK are currently feeling very uncertain about the future. With the outcome of Brexit still unfolding and the accelerating pace of digital disruption, most employers are lacking the skills they need in order to overcome the challenges and seize the opportunities that arise.**

Now in its third year, The Open University Business Barometer investigates the skills landscape of the UK, highlighting the skills gaps faced by organisations and the steps being taken to address them.

This year's report shows that employers are spending £4.4 billion a year to recruit workers with the skills they need - down from £6.3 billion in 2018 - despite skills shortages remaining the same. This reflects a shift in gear by many employers, with more than half looking to adopt a 'grow-your-own' approach and increase the amount they invest in education and training instead.

# Foreword



**The UK is in the midst of a skills crisis, leaving many organisations uncompetitive with diminishing productivity, and ultimately unable to seize opportunities that could drive growth and profit.**

The business landscape in the UK is challenging; the outcome of Brexit remains uncertain and the pace of digital development is relentless. It is crucial that organisations have the skills they need in order to overcome these challenges, and where possible turn would-be threats into opportunities, but they can only achieve this with resilient, adaptable and flexible workforces: highly-skilled workforces.

Senior business leaders are desperate to address their skills shortages, and it is costing them dearly. In the past year, organisations have spent more than £4.4 billion on recruitment fees, increased salaries, temporary staff and training to bring the skills of those hired at a lower level up to scratch. This is not sustainable.

The UK Government put skills at the heart of its Industrial Strategy to encourage employers to focus on a more sustainable approach to the skills shortage, with a long-term goal of boosting the UK's lagging productivity. At the centre of its strategy has been a commitment to apprenticeships, with discussions around how to promote work-based training and ultimately catalyse a culture of lifelong learning, where employees develop their skills and retrain throughout their careers, with similar initiatives in place in Scotland, Wales and Northern Ireland.

Employers have started to change their approach to solving skills shortages, on average spending 30 per cent less on short-term fixes such as increased salaries over the past year. At the same time, more than half have increased their training and development budgets and more than a third are now employing apprentices, which shows a fresh commitment to increasing skills within the existing workforce.

In order for this positive change to continue, the training and education in which employers invest must deliver results. It is not enough to provide the skills required; employees must be able to apply their knowledge to solve problems, at all levels of their organisation. This is why higher and degree level skills should be an essential part of any employer's skills strategy.

At the same time, with productivity already affected, training must not be too disruptive to organisations' day-to-day operations. With new technology-enabled learning, like that provided by The Open University, employees can learn how, when and where they like, which means that education can flex around existing work and personal commitments.

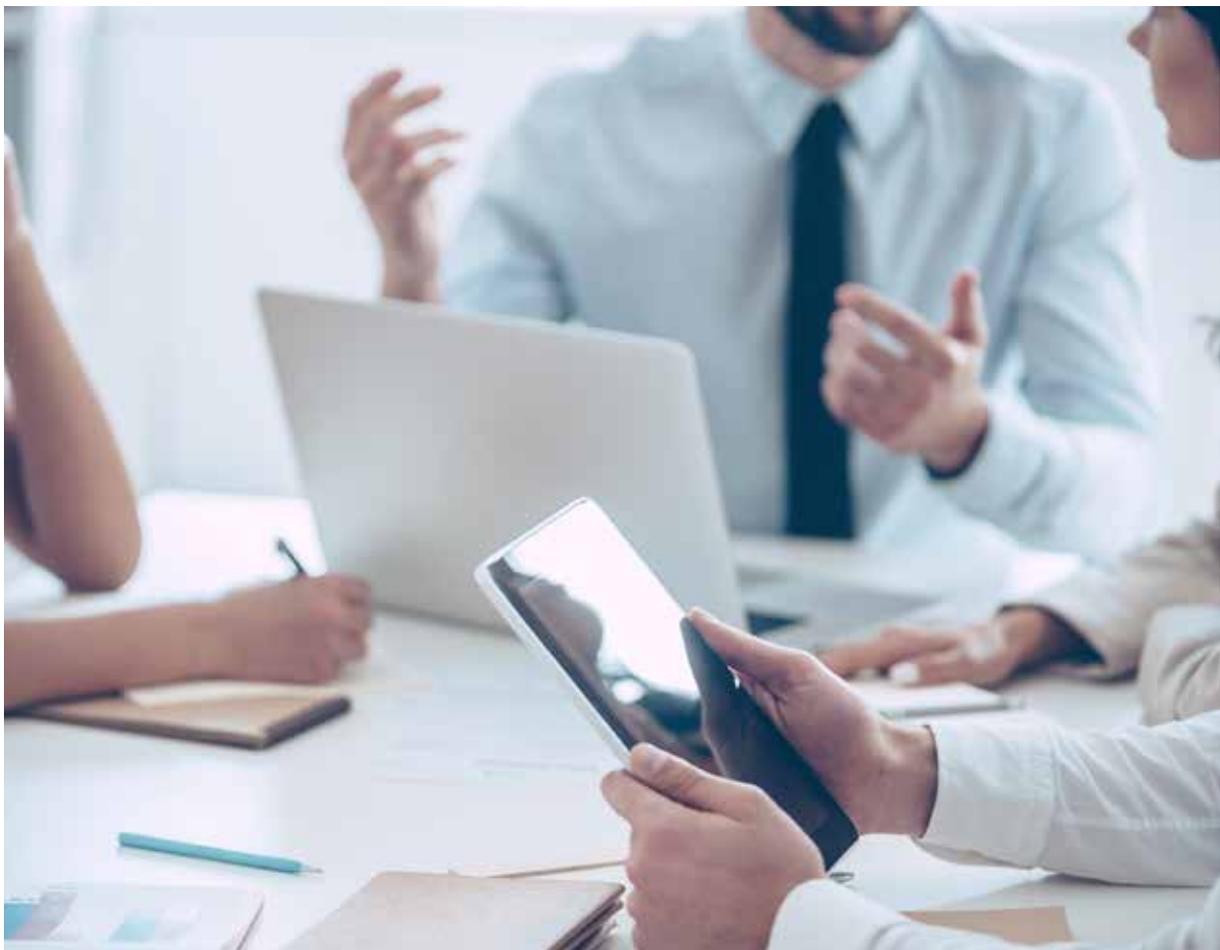
Now in its 50th year, The Open University has a wealth of experience when it comes to delivering flexible, high-quality education - and we've applied this to our new higher and degree apprenticeships and Graduate Apprenticeships in Scotland. Not only can employers gain the higher-level skills they require to become more agile and adaptable, the work-based element also means that employees can apply their knowledge to their organisation and deliver real benefits right from the start.

So, in order to confidently and effectively navigate upcoming change, organisations must focus their investment on a long-term training strategy

that delivers quality and flexibility. Skills do not have to be bought, they can be built, and by up-skilling and retraining the current workforce, organisations will have all the skills they require along with the knowledge and experience to drive them forward.

**David Willett**

Corporate Director at The Open University





# Executive summary

## 63 per cent of UK organisations are currently experiencing a skills shortage, up slightly from 62 per cent in 2018

- 55 per cent agree that their organisation has struggled in the past 12 months as a result
- Three in five (62%) senior business leaders report that their organisation is not as agile as it needs to be due to a lack of skills
- Organisations operating in the mining and agriculture sectors are most likely to be experiencing a skills shortage

## Many (68%) employers found that they were unable to find candidates who were suitable for vacant roles

- Nearly half (47%) say the last role they struggled to hire for was a management position
- One in five (20%) struggled to hire for leadership positions
- Managerial skills were the most lacking in job applicants, followed by IT and leadership skills

## Over the past 12 months, it has taken employers nearly two months longer to find workers with the right skills

- A quarter (25%) left a role open due to a lack of suitable candidates
- Nearly half (48%) were forced to hire temporary staff while roles were left open
- 44 per cent spent more on recruitment than they intended
- Nearly two in five (38%) increased the salary on offer for a role

## Organisations spent 30 per cent less on bringing in the talent and skills required

- Total cost down from £6.3 billion in 2018 to £4.4 billion in 2019
- Employers spent £325 million more on recruitment fees
- Organisations spent 44 per cent less on temporary staff
- More than £1.1 billion was spent on training up staff hired at a lower level than intended

## Employers expect no improvement within the next 12 months

- More than three in five (62%) expect to struggle to find employees with the right skills
- Nearly half (47%) of organisations will start to struggle financially as a result of the skills shortage
- 62 per cent believe that their organisation is not as agile as it needs to be to handle future challenges

## More than half (53%) of organisations spent more on training and development

- Seven in 10 (71%) believe that training is a more sustainable approach to addressing skills shortages
- Three quarters (73%) think that training leads to higher loyalty and job satisfaction amongst workers
- One in 10 (11%) employers are planning to reduce their training spend
- Two-thirds (65%) say that work-based training delivers better results than other types of training
- 36 per cent employ apprentices, with many citing significant benefits like improved productivity and engagement

# Skills shortages become more prevalent

**UK organisations are currently facing a number of challenges and uncertainties, from Brexit and the Fourth Industrial Revolution through to the ageing population. It is therefore crucial that employers are able to access the skills they require in order to remain productive and competitive, and achieve their business targets.**

Skills shortages do not only impact organisations' efficiency, however. Without higher-level skills, employers may find it difficult to recognise and seize new opportunities and face down threats effectively, which is essential if they want to become, or remain, a leader in their field.

As part of its analysis, The Open University commissioned market research amongst 950 senior business leaders at SMEs and large enterprises across the UK. The researchers asked employers about their existing skills shortages, the skills they were struggling to find when hiring new employees and their prognosis for the future.

The number of senior business leaders reporting that their organisation is currently experiencing a skills shortage has increased slightly in the past year, from 62 per cent to 63 per cent.

The data reveals a regional divide, with fewer employers in the Midlands and North of England (excluding Yorkshire & Humberside) reporting skills shortages, but more employers in the South finding that skills are in short supply. Those in the South West are the most likely to be experiencing a shortage of skills, with two thirds (66%) reporting that recruitment is taking longer, while those in the West Midlands are the least likely to report a shortage.

Despite skills shortages becoming more prevalent, employers seem to be growing accustomed to operating without a full complement of skills, as fewer (55%, down from 61%) agree that their organisation has struggled in the past 12 months.

As a result, more than three in five (62%) senior business leaders reported that their organisation is not as agile as it needs to be due to a lack of skills, which could impact on their ability to adapt as external factors change.

## How have skills shortages changed across the UK?



# Struggling sectors

**Sector by sector, employers operating in traditionally blue collar industries such as mining, energy and water supply or agriculture, forestry and fishing are most likely to be experiencing a skills shortage. Within the energy sector, it is likely that cuts to graduate recruitment and apprenticeships made during the oil downturn are to blame<sup>1</sup>, while it is well publicised that seasonal areas of the farming industry in particular have been struggling to recruit as many workers from the EU since the Brexit referendum<sup>2</sup>.**

In contrast, those operating in the property sector are the least likely to be experiencing skills shortages, followed by those in wholesale and retail, which may reflect either sector attractiveness or a reliance on low-skilled workers and automated machinery.

Since last year, the skills shortage seems to have worsened most in the agriculture, forestry and fishing sector, where the number of organisations experiencing issues has nearly tripled in the past 12 months.

The financial services sector also appears to have suffered, with nearly double the number of organisations reporting skills shortages, possibly as younger workers are more interested in working with newer, more disruptive organisations. The health sector continues to face staffing concerns, with the majority of organisations currently reporting a skills shortage.



<sup>1</sup>Energy Jobline and Airswift (2019) 2019 Global Energy Talent Index

<sup>2</sup>Reuters (2019) Brexit crisis tipped for British asparagus as EU seasonal workers stay away

# Hard-to-fill roles

**While most employers are experiencing a skills shortage within their organisation, many are also finding that it is difficult to source workers in the labour market to fill the gaps. Overall, 68 per cent of organisations found that they were unable to easily find candidates who were suitable for the role(s) on offer, with many resorting to spending more than they intended as a result (see page 12).**

Some roles can be harder to fill than others – but management-level positions continue to be the hardest, and therefore the most expensive. Across the UK nearly half (47%) of employers report that the last position they struggled to hire for was a senior, intermediate or junior manager, while one in five (20%) had difficulty in filling a leadership role. This suggests that many organisations are lacking the skills they need in order to successfully seize opportunities and face down challenges.

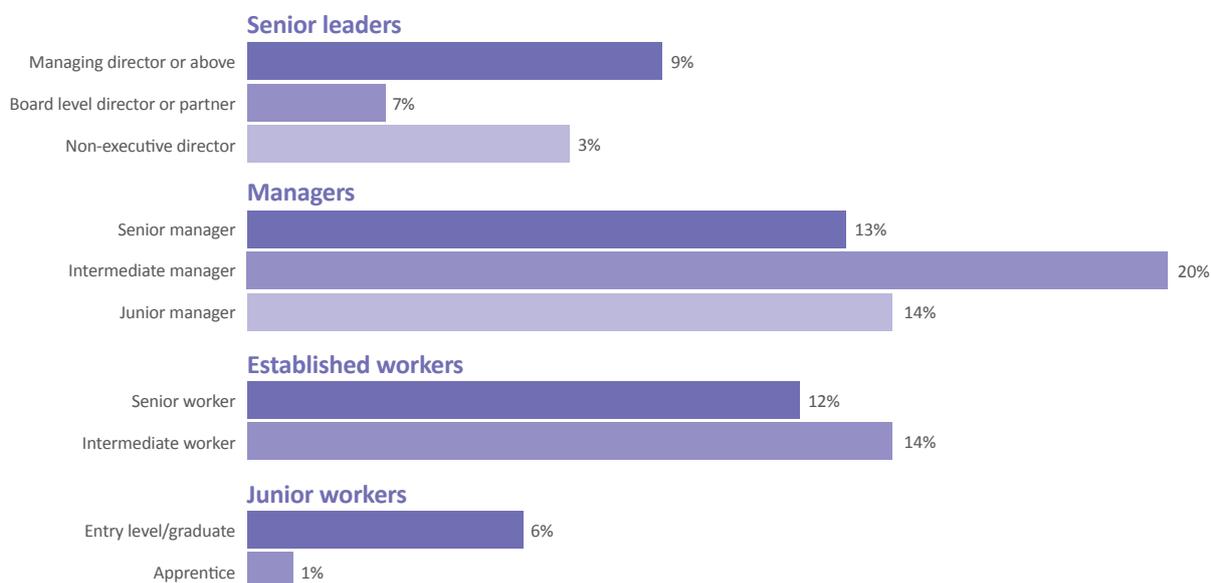
While any organisation requires a mix of skills, good managers and management skills are essential for ensuring that time and resources are used effectively and that new policies and technologies are implemented smoothly.

And at a time when many organisations are facing significant changes both internally and within the wider business environment, strong managers will be at the heart of driving growth and ensuring that their employer remains productive and competitive.

When it comes to management roles, those in the West Midlands are struggling to hire more than any other area of the UK (74%), while those in London have found it most difficult to find suitable candidates for leadership roles (38%), perhaps due to the prevalence of younger talent. In terms of industries, financial services are feeling the management deficit sharply, with 54 per cent struggling to find suitable candidates at manager level over the last 12 months.

At the other end of the scale, those in Northern Ireland, the South East of England and Scotland, are the most likely to have struggled when recruiting for graduate roles (46%, 42% and 41% respectively), which may reflect a disproportionate number of young workers moving away to work in other major cities, like London or Birmingham.

## What was the last role your organisation struggled to hire for?



# Which skills are the most lacking?

**It is not only industry specific skills that enable an organisation to run smoothly. In order to remain productive and competitive an organisation needs decisive leadership and strong managers, who are able to identify and act upon opportunities and threats that become apparent. And with the unrelenting pace of digital disruption, there is also more demand for digital skillsets, which enable employers to implement new technologies and systems that can drive growth and make operations more efficient. So with this in mind, which of these skills are currently least present in the UK labour market?**

Employers report that, amongst applicants they interviewed in the past year, managerial skills were still the most lacking, closely followed by IT skills and leadership skills - the skills that will be the most effective to manage change or challenges, and to adapt to a new digital-first workplace.

However, fewer organisations report that management and leadership skills are lacking in job candidates than in 2018, down by 5 percentage points and 3 percentage points respectively. By comparison, IT skills are either becoming harder to find or more of a priority, as the proportion of employers who felt them lacking in job applicants increased by 6 percentage points.

While technical and operational skills were some of the hardest to find in 2018, only a quarter (27%) have experienced the same issue in the past 12 months, suggesting better availability of these skills. However, the number of employers who felt industry-specific skills were lacking in those they interviewed has increased by 3 percentage points with organisations in STEM, health and public sectors experiencing the most difficulty.



# How are organisations addressing the gap?

**Every organisation is different, and so every organisation will take a different approach to addressing skills shortages and appointing for hard-to-fill roles.**

Most opt to speculate in order to accumulate, with a significant number spending on salaries, temporary staff and recruitment fees, as well as hiring at a lower level than intended before topping up their skills with training. The data suggests that fewer than one in four (23%) employers offered training to existing employees in order to add to the skills available within their organisation.

Over the past 12 months, it has taken UK employers an average of one month and 27 days longer to hire workers with the right skills than it did in the year before, while a quarter (25%) found it so difficult to source suitable candidates that they left a position vacant. The dearth of available skills meant that nearly half (48%) of all organisations were forced to spend on temporary workers.

While many organisations left difficult-to-fill positions vacant, others sought outside help, with 44 per cent of employers spending more

on recruitment fees than they had intended. However, others (38%) tried to make roles more attractive to skilled workers by increasing the salary on offer, which they did an average of three times each. This approach in particular is less popular than last year, with fewer employers increasing salaries less regularly.

In Scotland, employers were much more likely than others in the UK to hire workers at a lower level than they had intended (44% v 31%) or to leave a position vacant (30% v 25%). However, they were less likely to spend out on recruitment (38% v 44%), which suggests that Scottish organisations are perhaps more mindful of how much they are willing to spend in order to secure talented workers.

Elsewhere in the UK, organisations in the North East of England were the most likely to have spent more on recruitment than they intended (61%), closely followed by those in the North West (55%). Interestingly, those in the South East were most likely to have increased the salary on offer for a role, possibly in order to compete with the salaries offered in London.





# The cost of the skills shortage

**As organisations look to ensure that they have access to the skills they require in order to become more productive, competitive and efficient, many are spending big to bring in new talent. However, across the board, employers have reigned in their budgets from the previous year.**

In the past 12 months, organisations spent significantly less to recruit talented workers than the 12 months prior, with the total cost decreasing by 30 per cent, from £6.3 billion to £4.4 billion.

While many organisations have spent money in order to secure the skills they need, The Open University Business Barometer highlights an increase in the number of employers investing in training to boost the skills of their existing workforce instead. More than half (53%) of organisations have increased their training budget in the past 12 months - by an average of 10 per cent.

## How much have organisations spent as a result of the skills shortage in the labour market?

**Total cost of the UK skills shortage: £4.4 billion**

Employers spent much less on increasing salaries - with fewer organisations doing this less often - but £325 million more on recruitment fees, which suggests that they may be experiencing issues with sourcing appropriate talent rather than securing it. In addition, organisations spent £662 million less on temporary staff while roles remained vacant, which may mean that employers are opting to stretch their workforce further instead.

But encouragingly, of those who hired at a lower level than they intended, the majority (88%) have paid to boost the skills of their new recruits. This seems to mirror a wider trend for investing in training to cultivate the talent needed to fulfil business needs internally, as organisations spent £1.1 billion to bring workers up to the required level.





# The picture across the UK

**Spending on the skills shortage varies dramatically across different areas of the UK, with each area facing its own challenges. In some regions organisations might need help to find suitable talent, while in others employers may need to make roles more attractive in the face of stiff competition. Elsewhere employers would prefer to keep looking or hire at a lower level than pay above the odds for the talent they need.**

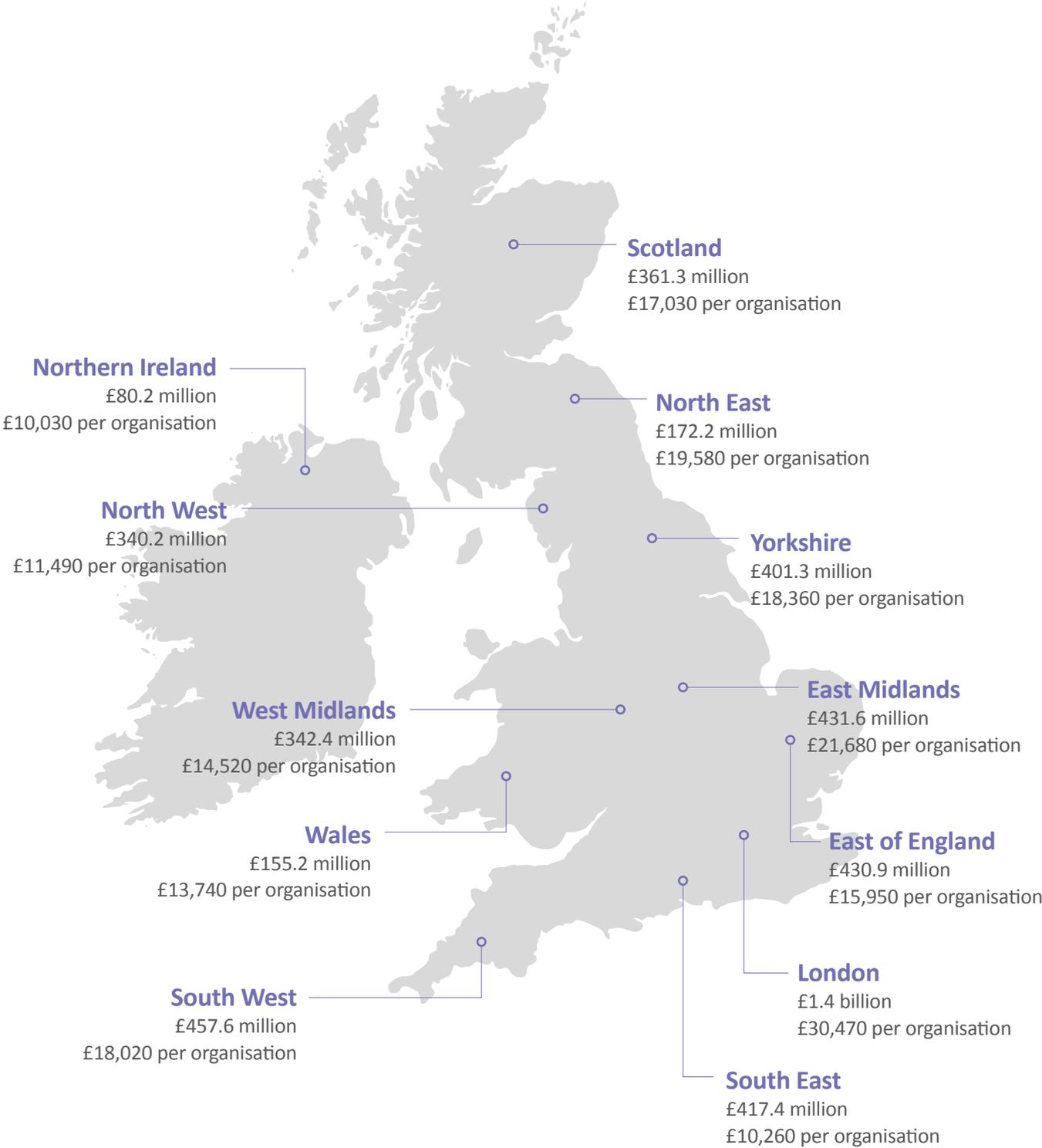
Within England, employers in London are spending the most at a total of £1.4 billion – the equivalent of £30,470 per organisation. While those in the North East spend the least in total (£172.2 million), those in the South East spend the least per organisation (£10,260).

In Scotland, increasing salaries is the least common strategy for addressing recruitment issues, where in England and Wales organisations are least likely to pay for temporary staff. Around £129 million of Scotland's spend was on recruitment fees, while £119 million was spent in order to bring skills up to scratch.

Looking at Wales, spending on recruitment remains organisations' preferred method for attracting the requisite talent. Despite overall spending on temporary staffing, increased salaries, recruitment and training to address the skills shortage falling by 56 per cent over the last 12 months, organisations still reported spending £58.9 million on recruitment fees.

While employers in Northern Ireland spend the least per organisation, a third (32%) of their spend is going towards boosting the skills of workers they hired at a lower level, which is a much higher proportion than elsewhere in the UK (26%). Employers there also spend much less on recruitment fees than those elsewhere in the UK (18% v 35%), where it is the most popular approach to resolving recruitment difficulties.





# Sector by sector

**The manufacturing industry has become the biggest spender in terms of increasing salaries, paying temporary staff and recruiters, and training those hired at a lower level than intended, up from the second spot in 2018. However, this could reflect the size of the manufacturing sector, which is one of the UK's biggest industries – as organisations spend just over £18,000 each.**

In terms of spend per organisation, the public sector is spending the most at nearly £35,000, with more than half (52%) of its spend going towards recruitment fees. The financial services sector spends the second highest amount per organisation at £29,420 each, with recruitment fees and increasing salaries representing the majority of spending.

Organisations in the retail sector spend the least to acquire staff at £7,680 each, which is possibly because a large amount of jobs in the sector are

relatively low skilled – and therefore recruitment issues tend to occur at a more senior level. Three in five (62%) reported that the last position they had struggled to fill was a management position, with half of those specifically finding it hard to hire junior managers.

With well-publicised budget cuts and staff shortages, it comes as no surprise that health sector employers spend the second least, at an average of £8,500 per organisation, with the highest proportion of spending going towards temporary staff.

More than three-quarters (78%) of expenditure in agriculture, forestry and farming is spent on recruitment fees, which is by far the highest across all sectors. It is likely that seasonal labour is the main reason for this, as many farmers rely on recruiters to find suitable overseas talent for tasks like fruit picking.

Sector	Total	Average per organisation
Manufacturing	£570.1 million	£18,060
Professional services	£436.6 million	£22,530
Administrative and support services	£371.6 million	£17,660
Construction	£354.7 million	£18,580
Hospitality	£328.7 million	£8,770
Health and social care	£280.8 million	£8,500
Information and communication	£218.7 million	£18,370
Wholesale, retail and repair of motor vehicles	£194.7 million	£7,680
Transport and storage	£187.1 million	£19,250
Science, technology, engineering and mathematics (STEM)	£161.6 million	£20,180
Education	£161.1 million	£13,050
Financial and insurance activities	£138.3 million	£29,420
Agriculture, forestry and fishing	£87.8 million	£19,510
Arts and recreation	£73.5 million	£9,410
Real estate activities	£55.6 million	£8,740
Public administration and defence	£30.7 million	£34,940
Tourism	£18.8 million	£10,650
Mining and quarrying	£7.0 million	£23,220

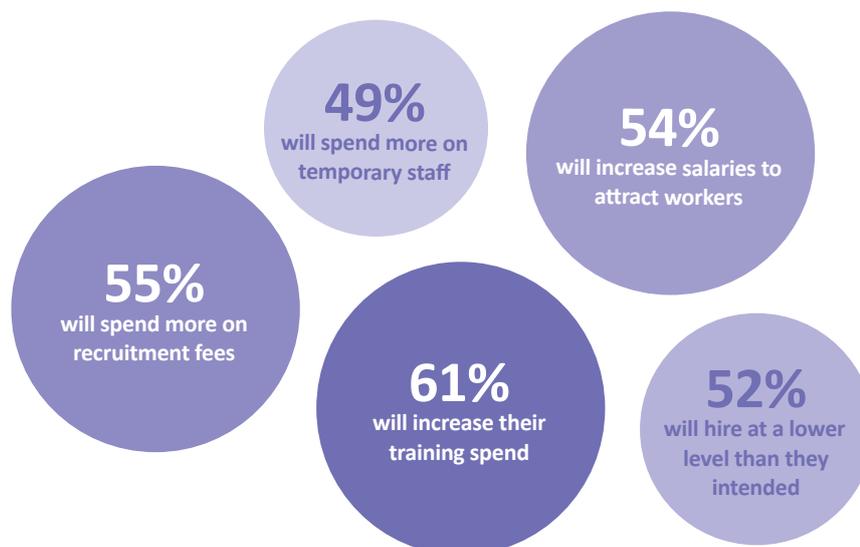
# Great expectations

**Worryingly, employers do not expect much respite in the year ahead when it comes to the skills shortage, despite their best efforts to find workers with the skills their organisations are lacking. Three in five (62%) expect that they will struggle to find employees with the right skills in the next 12 months - the same number that have had difficulties with this in the past year.**

In fact, more employers expect to spend more on recruitment, with more than half expecting to pay recruiters to source workers with the right skills (55%) or increase the salaries on offer for available roles (54%). And close to half (49%) expect to

spend more on temporary staff than they have in the past year, which raises concerns over the sustainability of their current approach.

While many employers will still have to rely upon recruitment spending in order to source the skills their organisation needs, the majority are looking to build the skills they need from within. More than three in five (61%) are looking to increase their training spend within the next 12 months, which suggests that more employers are thinking about how they can redirect spending to developing the workforce.



## What impact will the skills shortage have?

With the skills shortage expected to remain the same over the next 12 months, close to half (47%) believe that their organisation will start to struggle financially. Employers in Northern Ireland are most concerned about their finances, with 57 per cent expecting that the skills shortage will have a significant impact on their finances. However, these concerns are less pronounced in Scotland, where only a third (35%) expect the skills shortage to have a knock-on effect on revenues.

Ultimately, the skills shortage is expected to have a significant impact on organisations' ability to seize opportunities and overcome challenges that emerge. More than three in five (62%) senior business leaders report that their organisation is not as agile as it needs to be, which is cause for concern at a time when the social, technological, political and economic environments are changing rapidly.



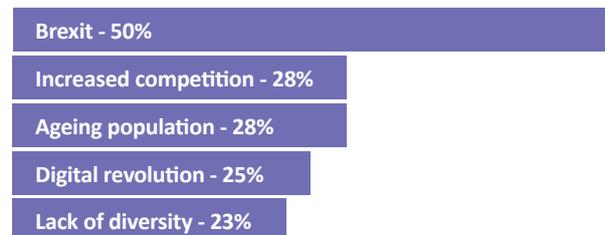
# Which factors are impacting the skills shortage?

**There are a number of factors impacting the skills shortage, and while some are easy to forecast and prepare for, others are more difficult to predict. Organisations can take steps to address the known issues, such as the ageing population and a lack of diversity at senior levels, but others such as Brexit and the Fourth Industrial Revolution require a more agile and flexible approach.**

With much about Brexit still unknown, half (50%) of employers say that leaving the European Union is having or will have an impact on the skills shortage. Nearly three in 10 (28%) employers are concerned about how to overcome the challenge of the ageing population, where older workers can be less familiar with emerging technologies and workplace trends - potentially threatening an organisation's efficiency and agility.

At the same time, the rapid pace of digital development is leaving one in four (25%) employers concerned about having the skills to embrace technologies that could make their organisation more efficient.

Other senior business leaders are worried about the impact of issues that are specific to their organisation, such as increased competition (28%) or a lack of diversity (23%), which can impact their ability to find new, innovative ways of working.



## Focus on: Brexit

The outcome of Brexit may still be uncertain, but this makes it difficult for organisations to plan, both in terms of skills and their wider strategies. Currently, three in five (59%) senior business leaders think that the skills shortage will worsen after the UK officially leaves the EU, with employers in both Scotland and Wales expecting the impact to be much worse (67% and 64% respectively). However, not all employers are as concerned, with only a third (34%) of those in the North West of England expecting Brexit to have an impact on skills.

Across the UK, nearly two in five (37%) employers think that it will become harder to find workers with the right skills after Brexit,

and many say that their organisation will have to take a different approach to closing skills gaps, with one in five (22%) expecting that they will have to focus more on developing talent from within. But not all organisations are willing to make the investment, with 16 per cent reporting that their organisation is currently holding off on training workers because of Brexit.

Some employers also report opportunities: one in five (21%) employers think that Brexit will open up new growth opportunities for their organisation and one in 10 (11%) think that their organisation will benefit as a result of the UK leaving the European Union. However, this drops to less than 1 per cent of employers in Scotland, who are generally more concerned about the effect that Brexit could have on their organisation.

## Focus on: The ageing population

The UK's ageing population has been well documented; people are working later into their lives than they have done in the past. This is having a significant impact on employers, who have to ensure that those later in their careers still have the skills required in today's demanding business environment, and that they remain engaged - so that they can continue to be just as productive and valuable.

Currently, nearly two in five (38%) senior business leaders say that the older workers in the organisation do not have the skills required - but many are looking to address this issue by investing in training. Across the UK, 37 per cent of organisations are looking to retrain older workers so that their skills are up to date.

While these efforts are admirable, the changing dynamic of the UK workforce highlights how organisations must look to move to a new model for training and education in the workplace. The traditional model, where the education received both at school and university is expected to suffice throughout a worker's career, is no longer enough - particularly with the rapid pace of technological change.

Instead, employers must embrace the idea of lifelong learning, where employees receive continuous opportunities for training and development, ensuring that they are more easily able to adapt to changes within the business environment.

## Focus on: Automation and the digital revolution

The level of digital disruption the UK has experienced within the past decade has been both unprecedented and unexpected. Organisations have had to adapt rapidly in order to remain competitive, with many racing to apply new technologies in a way that can help them to become more productive and profitable. But as the digital revolution continues, employers must ensure that they have the skills required to be resilient, flexible and adaptable - so that they can seize new opportunities as they arise.

One in three (32%) senior business leaders report that their organisation does not have the skills required to adapt to new technologies, which many believe is already having an impact on productivity<sup>3</sup>. In the South West of England, this issue is even more prevalent, with 56 per cent of employers reporting that their organisation lacks the skills required.

While many organisations are looking to become 'digital first', 16 per cent of employers think that their organisation is falling behind when it comes to technology and automation, increasing to 25 per cent amongst those in Scotland. But instead of buying in the skills they require, organisations can benefit more from retraining existing staff, who can apply their new skills to their existing knowledge and experience, which will be needed to drive the organisation forward.

<sup>3</sup>The Open University (2019) Bridging the Digital Divide

# A sustainable solution

**While many employers are still planning to buy in the skills they require, many are planning to invest more in training for existing workers, which seven in 10 (71%) believe is a more sustainable approach to addressing skills shortages.**

**53%**  
have increased their training budget in the past 12 months

More than half (53%) of organisations have increased their training budget in the past 12 months - by an average of 10 per cent. Employers in areas where the average recruitment and salary spend on new hires has decreased, such as Wales and Scotland, are more likely to have increased their training and development budgets, suggesting a change of approach.

Nearly three quarters (72%) of employers believe that all organisations should offer workers continuous development opportunities, with many citing clear benefits of doing so.

**73%**  
believe that training leads to higher loyalty and job satisfaction

Three quarters (75%) of senior business leaders observe that training makes workers feel valued, with a similar proportion (73%) believing that training leads to higher loyalty and job satisfaction amongst employees. So, not only does education and training help to provide the skills required, it also helps to engage and motivate existing employees with the workplace.

However, despite these benefits, one in 10 (11%) employers are actually looking to reduce their training and development budgets in the

next year. While some may be facing turbulent times financially, others are concerned about investing in skills long-term as a result of current uncertainty.

Overall, one in five (19%) employers say that the changing nature of work makes it impossible to plan long-term, with one in 10 (11%) reporting that it is impossible to know which skills their organisation will need in future. However, this need not result in less investment in training and education.

Employers could instead focus on building up transferable skills, such as the management and leadership skills that are most lacking in job applicants. By investing in these skills, organisations can ensure that their workforces have the mindset, agility and adaptability needed to drive new initiatives and take advantage of new opportunities as they arise.

**2 in 3**  
employers want more flexible training solutions

However, it is crucial that any education offered helps rather than hinders employers, with two-thirds (67%) saying that it is important that education providers offer flexible solutions that can fit around employees' work and personal commitments.

At The Open University our flexible learning offer, which blends tutor support with online learning, means that workers are able to learn how, where and when they prefer - and the majority (58%) of employers believe that this approach is less disruptive than other types of training, which take employees away from the workplace.

# Work-based training and apprenticeships

**While many organisations send workers to lecture or seminar-based training, there is evidence that a work-based approach is more effective. Nearly two-thirds (65%) of employers say that work-based training delivers better results, and many of the employers we work with say that employees are more able to apply what they learn to the workplace.**

The UK Government has put the development of skills front and centre in its industrial strategy, making a commitment to deliver apprenticeships that can help employers to secure the skills they are lacking. In 2017, the UK Government introduced the apprenticeship levy, which sees employers with a wage bill of more than £3 million a year pay 0.5 per cent of this to HMRC, in order to encourage organisations to invest more in training and education.

In England, the funding paid to the apprenticeship levy can be recouped (with a 10 per cent government top-up) if employers invest in apprenticeships. Currently, more than a third (36%) of organisations in England employ apprentices, but only 45 per cent are funding them with money from their apprenticeship service accounts.

However, close to half (47%) are planning to take on more apprentices in order to make better use of the apprenticeship levy funding available to them - and they expect results. More than three in five (61%) employers believe that the apprenticeship levy will help to improve the skills shortage in the next 12 months, as the skills learned are applied to the workplace.

Seven in 10 (69%) senior business leaders report that higher, degree level and graduate apprenticeships are important for helping their organisation to gain the skills it needs. This may be because this type of training equips workers with the ability to apply their knowledge and understanding to the workplace more effectively, which therefore results in more benefits for employers.

Three in five (62%) employers highlight that offering apprenticeships presents an opportunity to attract new staff, which could help to reduce the amount spent on recruitment costs and increased salaries, whilst alleviating skills shortages.

The apprenticeship levy is a devolved policy, which means that while employers in Wales, Scotland and Northern Ireland must still pay, their governments have opted to use the funds in different ways. In Wales, the Government offers a funded apprenticeship programme via the Welsh apprenticeship provider network, while the Scottish Government offers access to funded foundation, modern and graduate apprenticeships, and work-based learning from school level to postgraduate level.

However, a quarter (26%) of organisations in Wales, Scotland and Northern Ireland say they do not know how their government is spending the apprenticeship levy funds, while one in five (21%) claim to have seen no benefits from it.

Although public funding is available, two in five (40%) employers who operate in Wales, Scotland and Northern Ireland say they would like more financial support for apprenticeships, while 16 per cent say they do not know how to access the help that is available.

# Building an apprenticeship strategy

**While apprenticeships can bring significant benefits, developing and implementing an apprenticeship programme effectively can be difficult and time-consuming. This is why The Open University has developed a simple step-by-step guide to getting started with apprenticeships:**

## **Five-step guide to apprenticeships**

### **Step 1 – Align apprenticeships with business strategy**

Take a strategic view of your organisation's future needs so that you can identify the skills you will require. What will your organisation look like? What will your employees be doing in four or five years' time?

If you can pinpoint the skills your organisation will need to adapt and grow in the future, you'll be in a stronger position, with a clearer picture of the types of apprenticeships standards and levels you'll need to reach goals and objectives.

### **Step 2 – Conduct a skills audit**

By reviewing the skills of existing staff and comparing those to the skills your organisation will need in the future you will have a clear view of the training that is required to plug the gaps. Not only will this allow you to create apprenticeship opportunities in your organisation, but you will also be in a good position to plan ahead and align skills with your three, five and even 10-year business objectives.

### **Step 3 – Take an integrated approach**

Take a look at your existing training programmes and map them to apprenticeship standards. Some can be replaced directly by apprenticeships, while others can be supplemented with additional learning. Depending on your provider, you may find they are able to conduct this for you and make recommendations, saving valuable HR and management resource.

### **Step 4 – Be diligent when choosing a training provider**

When you're looking for an apprenticeships provider make sure you ask a broad range of questions so that you can accurately assess whether they'll be able to meet your needs – it's a big commitment so it's important to get it right.

Do they have a proven track record and experience of quality delivery? Can they help with attraction, selection and recruitment? Can they offer flexible learning delivery to make the 20 per cent off-the-job requirement in England more manageable? The best providers will come with added value, so pinning down what that value might be is essential – they should be able to support you through the process, making it quick and simple. Providers should also offer support not just to their business customers, but to apprentices themselves.

### **Step 5 – Support and engage employees**

Consider how the introduction of new apprenticeship programmes will impact on your staff. For many the move to a continuous learning environment will present a massive cultural shift so it's crucial to think about your internal communications strategy. You'll need to get employees on board, promote opportunities and make sure there's plenty of information available in order to keep teams engaged and motivated.



# Case studies and testimonials

**IBM wanted to make the most out of the apprenticeship levy and is working with The Open University to deliver three of its degree apprenticeship programmes to upskill employees.**

Thomas Robinson-Williams, IT Architect, came into IBM as a level three apprentice, and saw the opportunity to further his skills and career prospects when he was offered a Digital and Technology Solutions Professional Degree Apprenticeship.

***“I joined IBM straight from school at 18 and have worked for the company for eight years. The apprenticeship will give me crucial industry skills and knowledge to help me develop my career. My graduation will be a special moment and gaining a degree will give me a real sense of achievement.”***

Working with The Open University’s flexible offering, Thomas is able to easily navigate work and study. In such a demanding role, The Open University’s delivery model is fundamental to the success of the programme, allowing apprentices to balance work and skills development.

Paul Milner, Senior Early Professionals Manager at IBM, discusses IBM’s relationship with The Open University, and the impact this has on the organisation.

***“We found some universities were quite rigid in how they deliver their business. That becomes problematic in the long run. We find The Open University incredibly easy to work with. One of its real strengths is flexibility.”***

***“The Open University has got a proven track record in delivering skills and knowledge to a business environment. We see a kindred spirit in how it uses technology.”***

IBM was drawn to the Digital and Technology Solutions degree apprenticeship as it provides the mix of degree apprenticeship learning and the ability to upskill the existing workforce.

The DTS apprentices are already bringing benefits to the business: their skills are improving and apprentices are able to apply these new tangible skills to the job. The apprenticeship enables employees to take another step upwards in the business and to grow their careers.

***“The most heartening thing about this programme is to see the benefit it has on people – particularly those who didn’t think they’d go to university and get a degree. That’s life-changing.”***



# About The Open University

For over 50 years, The Open University (OU) has led the way in innovative, part-time distance-learning, developing workplace education solutions for employers (across the private, public and voluntary sectors), as well as training individuals.

Specialising in developing high quality learning materials, based on rigorous research and industry insight, the OU combines academic excellence with technological expertise to deliver flexible, results-driven and truly engaging workplace learning solutions.

The OU's flexible and adaptable approach enables consistent learning to be delivered at scale, across geographically dispersed workforces, through having a blended delivery model that uses advanced learning analytics to enhance the performance of business professionals.

Our well-developed blended learning approach enables us to deliver learning that is responsive to both organisational and staff needs, therefore maximising their return on investment.

This is why more than 2,500 employers, including IBM, BT and the NHS, regularly choose the OU's learning solutions to develop their workforces and 78 per cent of FTSE 100 companies sponsor their staff on OU courses.

Whether you're looking to develop new or current employees, The Open University offers a range of Degree and Higher Apprenticeships in England and Graduate Apprenticeships in Scotland.

## Our current apprenticeships include:

### England

- Chartered Manager Degree Apprenticeship
- Senior Leader Master's Degree Apprenticeship
- Digital and Technology Solutions Professional Degree Apprenticeship
- Healthcare Assistant Practitioner Higher Apprenticeship
- Registered Nurse Degree Apprenticeship
- Nursing Associate Higher Apprenticeship

### Scotland

- BSc (Honours) Cyber Security (Graduate Apprenticeship)
- BSc (Honours) IT: Management for Business (Graduate Apprenticeship)
- BSc (Honours) IT: Software Development (Graduate Apprenticeship)
- MSc in Cyber Security (Graduate Apprenticeship)

### Wales

- Applied Software Engineering Degree Apprenticeship

## For more information, please visit

[www.open.ac.uk/business/apprenticeships](http://www.open.ac.uk/business/apprenticeships)

### Email us at

[business@open.ac.uk](mailto:business@open.ac.uk)

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# Methodology

**The Open University Business Barometer was developed using the expertise and experience of The Open University in conjunction with quantitative market research amongst a range of businesses across the UK. A full methodology, detailing all extrapolations and calculations, can be found on The Open University's business website.**

## **Market research**

The Open University commissioned PCP Research Limited to undertake a survey of 950 senior business leaders across the UK between 9 and 21 May 2019. The data was weighted by UK nation, region, business size and sector. Data for financial calculations was analysed and extrapolated by Third City.

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