



# The future of skills development and employer engagement: challenges and opportunities

**October 2012**

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## 1. Introduction

Employers in the UK face a wide range of challenges. A stuttering economy is restricting growth, and while unemployment remains relatively low, so does investment. The Government has offered significant support for job schemes, particularly apprenticeships, but evidence suggests that this too has stalled. Government statistics show that the number of 16 to 18 year olds starting apprenticeships in the final quarter of the last academic year dropped 5,200 from the previous year to just 22,000.

But what does this all mean for the development of employee qualifications and skills? Received wisdom suggests that during these straitened times, employers will look to cut costs, including their training budgets. But is this so, or are employers continuing to improve their employee's qualifications and skills?

To understand future issues and challenges, this report examines employer attitudes towards skills and qualifications. It looks at employers' thoughts on the value of qualifications to their organisation and their staff, and their favoured methods of measuring the benefits of improving staff skills and qualifications. The report also explores the resources employers commit to qualifications and future trends in demand for specific forms of training, such as online learning resources.

## 2. Methodology

AAT commissioned a report into employer attitudes on qualifications and skills. A cross-section of employers were approached, including local authorities, other public sector organisations, charities, SMEs, international corporations and accountancy firms from the micro level (1-9 employees) to the very largest (over 500 employees).

Telephone interviews were conducted with these employers to explore their thoughts on issues such as the cost of qualifications, their value and their effect on employee profitability and efficiency. Conversations typically lasted between 20-60 minutes. Sample quotes are provided in section 5 of this report.

To complement this work, AAT commissioned a survey to provide further quantitative analysis of employer opinions. Independent research company Censuswide surveyed 105 finance directors and finance managers in charge of hiring staff at public, private and charitable organisations across the UK.

The survey was conducted between 26 September and 1 October 2012.

Throughout this report, 'small employers' refers to organisations with 1-49 employees, 'medium employers' to those with 50-249 employees, and 'large employers' to those with 250+ employees.

A number of questions provide multiple choice answers. As a consequence, some results combine to provide a figure above 100% when all categories are added together. Questions that are not multiple choice in nature provide a figure of 100% when categories are combined.

### 3. Executive summary

Our research challenges a number of assumptions about employer attitudes towards skills and qualifications. Analysis by the Higher Education Careers Services Unit, for example, suggests a rising demand for graduates, even for low-skilled work. But our research shows that employers value qualities such as attitude and experience far more than a university education.

There is evidence that, despite a sluggish economy and growing cash reserves, employers are highly committed to improving staff qualifications and skills. More than nine in ten of organisations surveyed plan to invest the same or more in training over the next year compared to last. A small bit of encouraging news for those looking for signs of a strengthening economy.

Our research shows that, on the surface at least, employer motivations for improving skills and qualifications are more selfless than might be expected. Rather than regarding training as a means to charge more or cut costs, nearly a third (31%) of employers believe a key benefit of improving staff qualifications and skills is that it allows them to promote staff more effectively. Similarly, more than half (55%) believe it is an important means to increase staff employability.

Looking more closely, however, and we can see some tangible employer benefits. Half of employers (51%) identify increased staff commitment as a major benefit of improved qualifications and skills. Medium sized organisations are most concerned with the role qualifications development can play in increasing staff retention (55% compared to 47% in smaller organisations and 51% in large organisations).

In a similar trend, those running apprenticeships are far less interested in associated financial incentives than the Government might have us believe. Only 14% of employers see 'cheap labour' as a benefit of taking on an apprentice. This compares to just under half of employers (47%) who see helping someone onto the employment ladder as a main benefit.

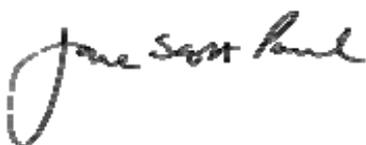
One consequence of employers focusing on non-financial benefits is a difficulty in measuring the real value and impact of skills and qualifications. Most employers still use six-monthly or annual appraisals. There is an argument that assessment needs to become more sophisticated to ensure training budgets aren't cut in future downturns.

More widely, the research points to emerging forms of training. Our research found that twice as many employers are focusing future investment on in-house rather than external training, (44% in favour of in-house training compared to 21% for external training). In addition, nearly half of employers (44%) would like to see more downloadable podcast/vodcast materials available for staff. While it's critical that we take advantage of the opportunities provided by new technology, our research also highlights the real benefits of face-to-face interaction for fostering competition and innovation.

Finally, there is a clear commitment from employers to participate in the development of qualifications, with almost nine in ten (89%) stating they believe employers should be moderately or heavily involved. Finding the right forum to enable employers, training providers and qualifications bodies to interact and develop appropriate courses will be critical to the future success of the economy.

We hope you find the report useful and look forward to receiving your feedback.

**Jane Scott Paul OBE**  
Chief Executive



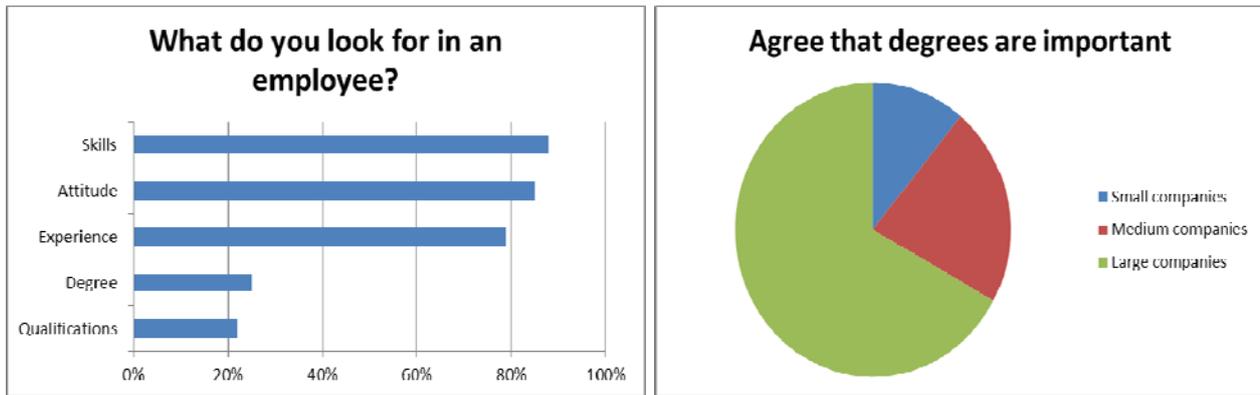
## 4. Headline findings

The main findings of the report are:

- **Employers place greater emphasis on skills and attitude than they do a degree when employing staff.** 88% of employers identify skills as a main factor they consider and 85% identify attitude; this compares to just 26% citing degrees as a main concern.
- **Employers are not only interested in their bottom line.** Improving job prospects for staff (55%) was given as a main reason for improving their qualifications and skills. 58% of employers highlight the greater commitment of an apprentice as a benefit of an apprenticeship. Only 14% identify cheaper labour as a primary benefit to their organisation.
- **Improving staff qualifications is seen as a vital way to increase staff professionalism and commitment to an organisation.** 71% of employers identify increased staff professionalism as a benefit of improving qualifications and skills; 51% identify increased staff commitment.
- **Employers are failing to measure the value of training.** A fifth of employers do nothing to measure the benefit of improving staff qualifications. Barely a fifth (21%) measure the financial benefit of qualifications.
- **Training budgets are set to remain stable despite a sluggish economy.** 92% of employers expect to invest the same, or more, time and money on qualifications than they did last year. Over a quarter (27%) of employers expect to increase investment next year.
- **There is a greater focus on in-house rather than external training in the future.** 44% of employers said they are looking to increase in-house training compared to just 21% for external training.
- **Employers want greater provision of online learning, particularly podcasts and vodcasts.** 44% of employers said they would like to see more downloadable podcasts/vodcasts. Over a third (38%) wanted to see more use of live e-learning (where the teacher and classmates interact in real time).
- **Despite this, small employers are still keen on face-to-face learning.** 38% of small employers prefer employers to be taught in this way, this compared to a quarter of medium sized employers and less than a tenth (9%) of large employers.
- **Employers want to be involved in the development of qualifications.** Very few employers believe employers should not be involved in the development of qualifications at all (2%). Nearly two fifths of employers (37%) believe employers should be heavily involved in the development of qualifications.
- **Employers see apprenticeships as an important way to introduce ‘fresh blood’ into an organisation.** This outlook is particularly prevalent among large organisations (57% compared to 50% of medium sized employers and 38% for small employers).

## 5. Results

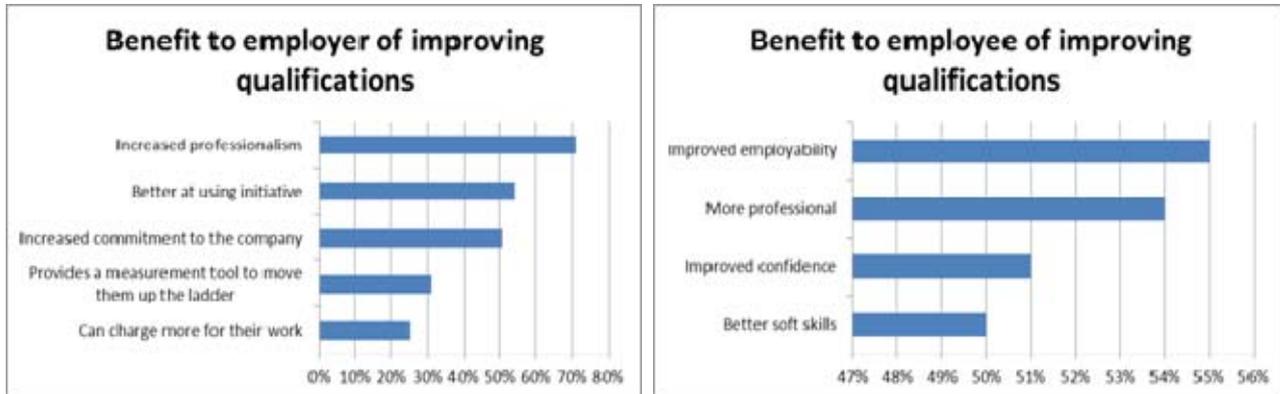
### 5.1. Factors employers look for in an employee



- Skills (88%), attitude (85%), and experience (79%) are more highly valued than qualifications (22%) and degrees (26%).
- Degrees are more important to the largest organisations. Of those who identified degrees as important, 67% were large employers, 22% medium sized and just 11% small employers.
- Female employers appear to place greater value on degrees than male employers. In fact, twice the proportion of female employers cited them as a main factor in employment (42% female to 19% male).
- During interviews, a number of firms expanded on the concept of 'attitude'. For accountancy firms, one attitudinal necessity was a healthy level of scepticism. Although interviewees believed this could be accentuated through the correct training, it was generally felt that this was not a skill that could be taught, but was instead a product of an employee's outlook and personality.

*“There’s a big focus on other skills, particularly a focus on scepticism. There’s a lot of pressure on accountancy firms and a perception that auditors are going through the motions rather than going below the figures. Accountancy isn’t a science and it’s about inquisitiveness. Graduates can fall foul of this as much as non-graduates. It doesn’t come simply from qualifications; a lot is from on the job training.”*

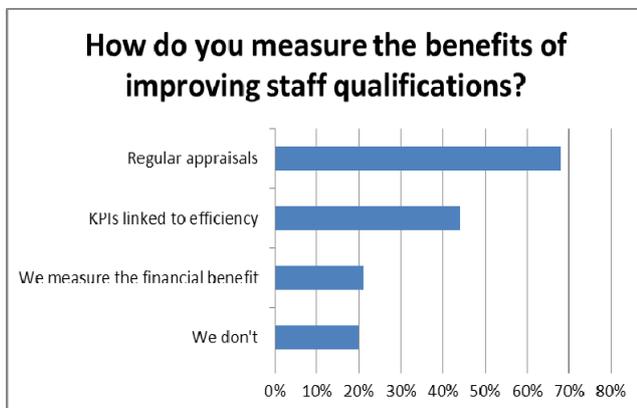
## 5.2. Benefits of improving staff qualifications



- Nearly three quarters (71%) of employers believe greater staff professionalism is a main benefit for employers.
- In comparison, only a quarter highlight charging more for staff's work as a main benefit.
- This was half the number of employers who believe greater staff commitment is a key benefit.
- In addition, over half (54%) of employers feel that improving staff qualifications enables staff to better use their initiative and require less direction.
- The greatest benefit of qualifications for employees is seen to be their impact on improving employability. 55% of employers identified this as a benefit while 54% identified greater professionalism and 51% improved confidence.
- Staff retention is a key issue for private sector employers. Smaller firms in particular are concerned that junior employees will use the company simply as a stepping stone.
- The lack of confidence shown by members of 'Generation Y' is also a concern for some employers, who feel that a younger generation of workers are wary of making difficult decisions. Many interviewees feel that employees are visibly more confident as a result of improving their qualifications and that this has a positive aspect on their work and attitude.

*"From the perspective of the employee, I think qualifications are particularly important to this generation. Not only in terms of the level of competition in the jobs market, but also in terms of the characteristics of Generation Y. A lot of young people in this group do not want to commit to delivering a conclusion. It may be a lack of confidence or a desire to absolve themselves of decisions, but it's something we've found."*

### 5.3. Measurement of the benefits of qualifications



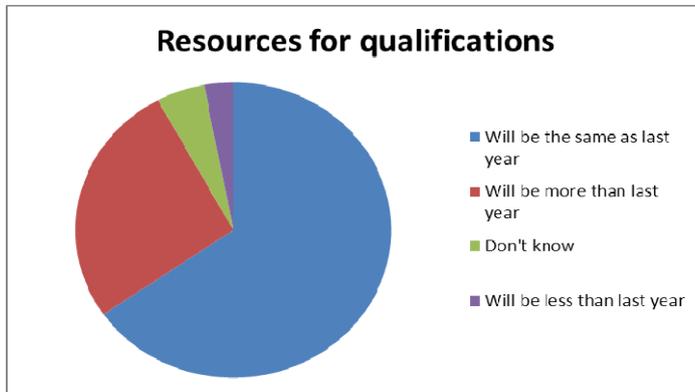
- A fifth of employers do nothing to measure the benefit of improving staff qualifications.
- Barely a fifth (21%) of employers measure the financial benefit of qualifications.
- Two thirds (68%) of employers said they measured the value of qualifications through appraisals.
- A number of interviewees suggested that, although target setting was common, these targets were not necessarily specifically linked to a qualification that the employee may have gained.

*“We don’t formally track an employee’s work against the qualification, but we’re pretty robust. We have six-month appraisals that include basic on-the-job observations with a look at the employee’s attitude and commitment.”*

*“Measurement is subjective; it’s done through talking to staff during their reviews.”*

*“We have monthly supervision and people will have targets they need to meet. But this isn’t specific to the qualifications they’ve done necessarily.”*

## 5.4. Resources



- 92% of employers expect to invest the same, or more, time and money on qualifications than they did last year.
- Over a quarter (27%) of employers expect to increase investment next year. This trend is higher among larger employers (31%) than smaller ones (18%).
- During interviews, public sector organisations showed most concern over their training budgets. There was also a general recognition that those providing qualifications will increasingly need to show good value for money, and that being a 'trusted' provider will not be enough.
- Most interviewees stated that they devote a substantial amount of time and money to improving staff qualifications. However, few knew the exact amount of time provided for qualifications on a weekly or monthly basis. Quantitative analysis showed that nearly half (48%) of employers devoted between 1-20 hours per month to improving staff qualifications.

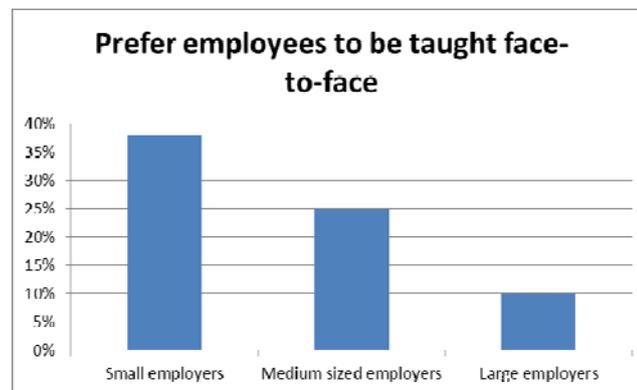
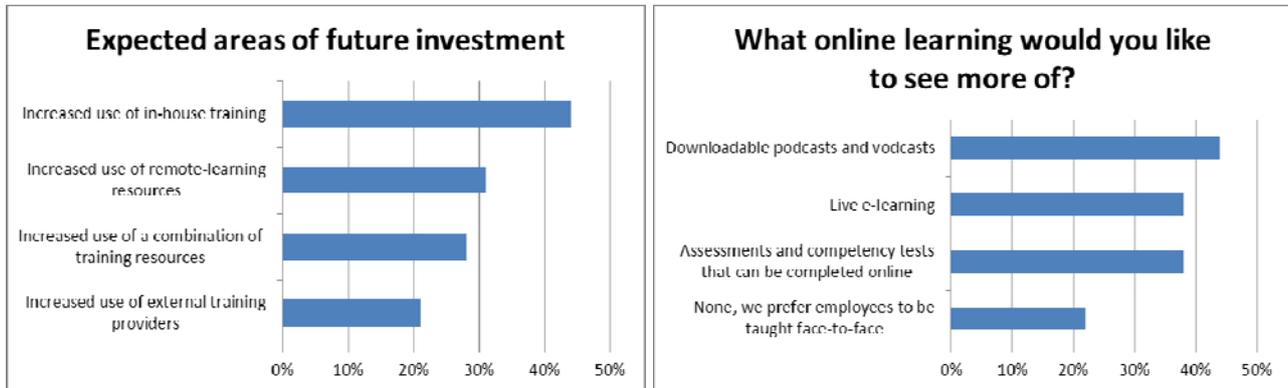
*"I couldn't say exactly how much time staff spend on improving qualifications. It obviously depends on the individual. It's probably a couple of hours a day altogether."*

*"Obviously there have been cutbacks in support costs, but the company has continued with development of staff through training."*

*"I'm not sure exactly on budgets but I don't expect them to change much over the next year or so."*

*"Our training side has grown very quickly, so in future the amount of time devoted to both internal and external qualifications and training will increase dramatically."*

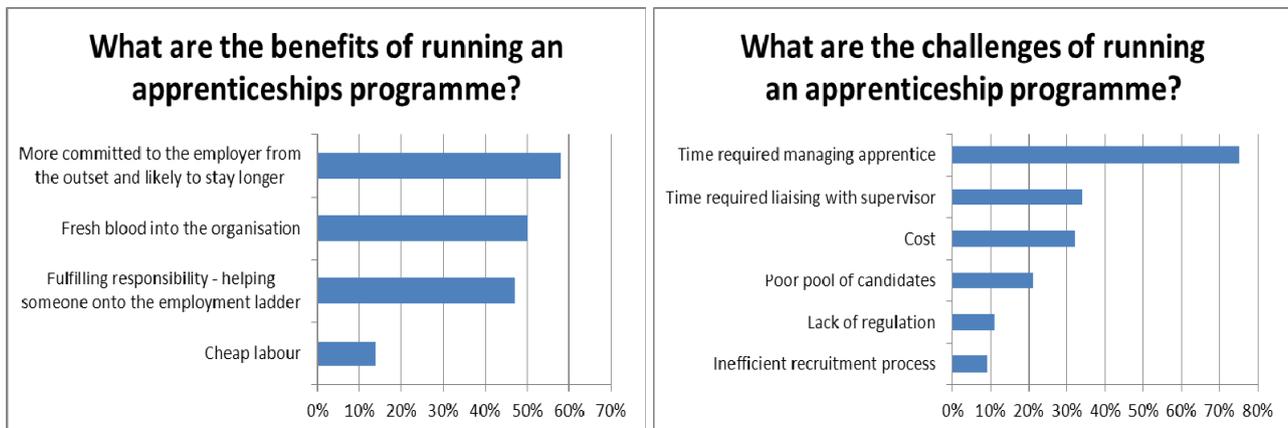
## 5.5. Emerging trends



- There is greater expectation for future investment in in-house training (44%) than external training (21%), and nearly a third of employers (31%) expect to use more remote learning resources.
- Podcasts and vodcasts are the most in-demand form of online learning (44%).
- However, there is still value seen in face-to-face learning, particularly with small employers (38%) who are far keener on this than larger employers (10%).
- Over a quarter (28%) expect to implement a blend of remote, in-house and external training resources.
- During interviews, a number of larger organisations suggested that remote learning is a distraction for employees, and that there is greater value in staff studying outside of the workplace. However, a number of smaller organisation interviewees noted that remote learning is an attractive method for improving staff qualifications, as it minimises the amount of time staff spend out of the office.

*“Remote learning is something we are interested in using more. Anything which allows staff to stay in the office is pretty vital for us as we don’t have enough people to cover everyone being out of the office regularly.”*

## 5.6. Apprenticeships

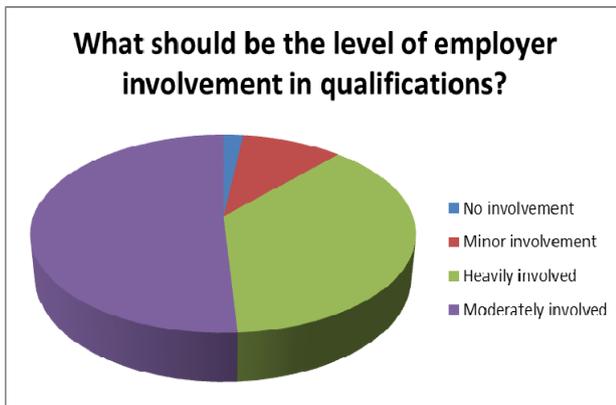


- Time spent managing an apprentice (75%) and time required liaising with supervisors (34%), closely followed by cost (32%), are the main challenges given by employers for the running of an apprenticeship.
- A fifth of employers are also critical of the standard of candidates for apprenticeships.
- Employers see apprentices as more committed to their organisation and value this above issues such as their low cost.
- 58% of employers mention greater commitment as a benefit of an apprenticeship. Only 14% of employers mention cheap labour as a main benefit.
- Despite survey results showing a lack of interest in the financial incentives attached to apprenticeships, some employers during interviews stated they have stopped looking at graduates altogether in order to focus on apprentices as a result of the financial support that comes with them.

*“We would have taken them on anyway, but NAS / Government funding did help make it easier and speed up the process. We’re actually now looking at school leavers more.”*

*“We’ve tried three times to take on apprentices, but each time the standard of those suggested by local colleges has been really poor. We ended up resorting to the local newspaper to advertise. Colleges need to have more effective vetting systems that identify people who really want to be here.”*

## 5.7. Employer involvement



- 89% of employers believe they should be moderately or heavily involved in the development of qualifications. Just 2% believe they should not be involved in the development of qualifications at all.
- However, during interviews a number of smaller employers showed concern that larger employers, with more time and resources, may dominate discussions with training providers and awarding bodies. It was felt that a result of this could be that qualifications would be geared towards larger organisations to the detriment of smaller ones.
- Nearly half (45%) of employers believe soft skills should be developed by the employee themselves. Only a third felt it was the responsibility of employers.

*“Employers should be involved but the danger is that this becomes dominated by the major organisations and companies that can devote time to it.”*

*“Yes, it would be useful for employers to be more involved. But personally I couldn’t spare the time and I imagine others may feel the same. Bigger firms could maybe do this but then it may become more weighted in their favour.”*

## 6. Conclusion

This report provides a timely indication of employers' approach to staff qualifications and skills. It throws additional light on employer motives, and in doing so, challenges received wisdom.

Given the erosion of public trust in institutions in recent years, it also provides an important reminder that businesses are committed to more than simply their bottom line. It may be too soon to call this a new form of 'business altruism', but employers and representative groups should look to make more of their obvious commitment to their staff.

AAT works with numerous employers who are dedicated to their employees' careers and who are constantly looking to improve the opportunities for qualifications and skills development available to them. However, we believe measures should be taken to further improve employers' engagement with qualifications and skills development.

Key recommendations:

- **Employers must highlight their commitment to staff.** By better advertising their focus on staff job prospects, there is an opportunity for employers to build a more positive public image.
- **Employers need greater support to analyse the cost/benefits of qualifications.** There is an opportunity for employers, Government and qualification providers to work together to build an effective measure of the value of improving staff qualifications and skills.
- **Training providers must seize the opportunities of remote and online learning.** There is a demand for online learning, particularly downloadable podcasts and vodcasts. Awarding bodies and training providers must continue to develop courses that reflect employer demands.
- **Apprenticeship policy must be revised.** An over emphasis on the financial support offered by Government fails to recognise the reasons employers take on an apprentice.

AAT (Association of Accounting Technicians) is the UK's leading qualification and membership body for accounting staff. AAT works across the globe with around 125,000 members in more than 90 countries. Our members are represented at every level of the finance and accounting world, including students, people already working in accountancy and self-employed business owners.

To discuss these research findings in more detail, please contact us on 0845 863 0795. For more information about AAT please visit [www.aat.org.uk](http://www.aat.org.uk).