

## HOW DO WE BUILD GENERATIONS OF GAME CHANGERS?

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Michael Mercieca, Chief Executive of Young Enterprise, discusses how skills and financial education can help young people prepare for the challenges of work and life

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### INTRODUCTION

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“Building Generations of Game Changers” focuses on the future facing the UK’s young people. As the UK climbs out of the recession and into recovery, the challenge for young people leaving education is getting that first crucial step on the career ladder.

The “Game” is the difficult situation young people face, and those “Game Changers” we need to create are the next and future generations that will be creative, resilient, and able to apply their academic and employment skills to starting a business or to their chosen profession. In a recent landmark report, fund managers Octopus Investments found that high-growth small businesses (HGSBs) account for just 1% of businesses but generated 68% of new jobs in the UK between 2012 and 2013. These 30,000 HGSBs are highly profitable and grow fast, generating significant economic growth. These are the Game Changers that we need more of.

The problem to be tackled, which will be explored in depth here, is four-pronged: the gap between the skills young people finish education with and the skills required by employers, high youth unemployment, a rapidly changing global economy and a need for financial capability.

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Thankfully, youth unemployment is falling slowly, but it is still nearly triple the headline rate for 16-64 year olds. With increases in the retirement age, it may take years for the rates to equalise, if they ever do. All the more reason for changing the way we educate young people.

As the UK's leading enterprise and financial education charity, Young Enterprise calls for a joined up, long-term skills strategy that works for young people, teachers, tutors and employers.

Young Enterprise has extensive experience in delivering 'skills education' that works. Following the merger of pfeg, (Personal Financial Education Group) into Young Enterprise in September 2014, we are a one-stop-shop of teaching and resources for students and teachers. We know that what we do, and what we're calling for, works.

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### THE CHALLENGES FACED BY YOUNG PEOPLE

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Youth unemployment is at 16.6% for the period of August to October 2014. This continues the recent downward trend, but the rate remains higher than the pre-downturn rate of 13.8% for December 2007 to February 2008, and higher than the 6.5% headline rate for 16-64 year olds.

This continued fall is encouraging, and may reflect a slow return to pre-economic crash levels. However, the fall cannot merely be attributed to a rise in the number of jobs. Other factors play a part and must be taken into account; a rise in part time work and a rise in zero-contract hours are two such factors.

Everyone who has finished education and gone into work knows the feeling of entering the great unknown of employment. Self-employment, whilst just as unknown, is more flexible as the rules are not fixed. The skills required however, are broadly the same.

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The world is rapidly changing, and what may have worked ten or twenty years ago is growing consistently less relevant to the global employment market. Competition is heating up as markets open up; young people are no longer competing with their peers from their degree class or college tutorials. Entry-level roles are more demanding as employers need to see more from their newest recruits. These new challenges must be taken into consideration when writing education policy that works for everyone.

Research carried out by Opinium with Young Enterprise found that 70% of employers in the UK say it is difficult to find entry level recruits with the right skills for the role. These skills aren't specific to particular roles; communication, people skills, self-management, teamwork and a positive attitude – skills we expect to develop during school, college and university.<sup>5</sup>

Moreover, 43% of UK employers say the education system is not equipping young people with the right skills for them to enter the workforce.<sup>6</sup>

This is the 'skills crisis' that is gaining more attention in education discussions, in Parliament and in the media.

The former Education Secretary, Michael Gove, believed a more rigorous academic approach was the answer to improving schools' examination results. Sound academic results are core to young people's success and provide a level against which to measure. However, measuring against one value or set of values is too narrow for today's

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<sup>5</sup> Young Enterprise and Citi Foundation Opinium research of 418 senior managers in the UK, Spain, France and Germany 2014

<sup>6</sup> Ibid

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young people. Academic results are of course important, but shouldn't be taken as the be all and end all for future success.

Ofsted's latest annual report for 2013/14 found that secondary schools are struggling to sustain the progress of recent years. The report also noted that "too many institutions are still not equipping learners with the knowledge and skills that employers seek."<sup>7</sup>

The gap between the knowledge and skills with which young people leave the education system and those required by employers should be a Key Performance Indicator (KPI) of the education system.

This skills gap affects everyone finishing education, whether that is after A Levels or after a degree. Moreover, 88% of British businesses recognise that a workforce with the right skills is critical to the growth of their organisation, with another 73% believing a skills crisis will hit the UK within the next three years.<sup>8</sup>

There is also a fundamental need for financial capability, as young people grow up in an increasingly complex world that requires them to make difficult financial decisions. They need to make informed choices about money at an early age, and they bear more financial risk in adulthood due to increased life expectancy, a decrease in welfare benefits and uncertain economic and job prospects.

Lastly, the changing economy means that young people are more likely to have multiple careers with various employers, ranging from global multinationals to small and micro-employers.<sup>9</sup>

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<sup>7</sup> The Annual Report of Her Majesty's Chief Inspector of Education, Children's Services and Skills 2013/14

<sup>8</sup> The Prince's Trust, The Skills Crunch – Upskilling the Workforce of the Future, 2014

<sup>9</sup> Enterprise for All, Lord Young, June 2014

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A complex problem requires a multi-faceted solution that works for everyone.

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### MULTI-FACETED SOLUTIONS

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This solution lies in a joined up education policy that directly addresses the skills gap, giving teachers and students the support they need to tackle it.

The Education Secretary Nicky Morgan unveiled in December 2014 ambitious plans that will see £5m of funding allocated to support new, innovative projects that build character, resilience and grit.

In her announcement, Morgan noted that: “It is clear that many schools and colleges need additional support if we are to ensure every young person – regardless of background or location – receives the life-changing advice and inspiration that they need to fulfil their potential and succeed in life.”<sup>10</sup>

Morgan’s main proposal of a government-funded company, run by Capgemini UK Chairman Christine Hodgson, that will support much greater engagement between employers, schools and colleges, should ensure young people have better access to the guidance they need to finish education ready for work, and is a positive step towards ensuring young people have access to the skills education they need.

We are looking forward to working with this new company as it will expand on the work Young Enterprise already does. We work with 6,000 business volunteers from 3,500 companies, putting them in the

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<sup>10</sup> Statement by the Right Honourable Nicky Morgan in the House of Commons on preparing young people for the world of work, Dec 2014

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classroom so that students can learn first-hand from their future colleagues about the world of work.

Morgan's announcement also included the development of an Enterprise Passport, proposed originally in Lord Young's Enterprise for All report, after it was proposed by Young Enterprise as part of our input to the report.

This Passport would measure students' skills development and encourage young people to participate in extra-curricular activities which will boost their chances when applying for jobs.

Employers currently aren't able to measure key skills development when interviewing for entry-level roles, and instead must go on a candidate's performance during interview and their CV.

The Passport would provide students with a physical record of their development, to sit alongside their academic achievements.

The timing of the announcement was key as it came on the same day as Ofsted's report, in which Sir Michael Wilshaw noted his concerns at the lack of skills education, with too many young people leaving schools and colleges without the skills and attitudes employers are looking for.

Sir Michael noted that: "Despite there being around one million young people aged 16-24 not in work, education or training<sup>11</sup>, employers report that almost three in every 10 vacancies are hard to fill."<sup>12</sup>

It is imperative to work with education providers to make good quality skills education available to young people, supporting teachers and

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<sup>11</sup> Going in the right direction? Careers guidance in schools from September 2012 (10114), Ofsted, Sep 2013

<sup>12</sup> The Annual Report of Her Majesty's Chief Inspector of Education, Children's Services and Skills 2013/14

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tutors with the resources and training needed. It requires a joined-up approach between those who measure education standards and those who deliver education.

Young Enterprise is already one of the UK's leading providers of skills education, and following the merger of pfg into Young Enterprise (YE), is the leading enterprise and financial education charity. We are well-placed to work closely with more schools, colleges, universities and businesses to ensure young people are prepared for work and for life.

In 2014/2015 we planned to work with over 290,000 young people in 818 primary schools, 168 FE colleges, 2410 secondary schools and 36 HE institutions.

It is through enterprise and financial education that we believe young people develop the key skills that employers are calling for. Enterprise education is the application of creative ideas to practical solutions, aiming to raise awareness of the mind-set and skills required to respond to opportunities, needs and challenges.

Financial education is a planned programme of study that equips young people with the knowledge, skills and confidence to manage their money well. Financial education improves understanding of attitudes to risk and the behaviours and emotions involved in financial decisions.

Pre-merger, Young Enterprise had been running since 1963, having been founded by investment banker Sir Walter Salomon in Chatham, Kent. Based on the USA's Junior Achievement programme, Salomon's vision was to foster work readiness, entrepreneurship and financial literacy skills through 'learning by doing'. Access for all is key to Young Enterprise's vision, and remains so today.

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Young Enterprise has worked with over four million young people across the UK. We work with over 250,000 young people delivering more than 2.3million enterprise teaching hours every year.

We know from our research that enterprise education works. 92% of Young Enterprise students increase at least one employability competency, with the biggest development being problem-solving.<sup>13</sup> Moreover, the Education and Employers Taskforce has found that young people who undertook four or more activities “involving employers or local business people providing things like mentoring, enterprise competitions, careers advice and CV or interview practice” were five times less likely to be not in employment, education or training (NEET) than those who had no such engagement while at school.”<sup>14</sup> We know that enterprise education works.

pfeg has been a trusted provider of free advice, support and resources for anyone teaching children and young people how to manage money well since 2000. It has trained more than 20,000 teachers and provided over 280,000 resources to help teach financial education.

It offers a variety of programmes and services, and in 2011 was instrumental in establishing and providing the secretariat for the All Party Parliamentary Group (APPG) on Financial Education for Young People. The APPG’s eight-month enquiry concluded that financial education should be taught as a compulsory part of the Secondary National Curriculum for England, which came into force in September 2014.

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<sup>13</sup> Young Enterprise and Citi Foundation Opinium Research of 418 senior managers in the UK, Spain, France and Germany, 2014

<sup>14</sup> Young Enterprise Company Programme 2013-2014 Impact Report.



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pfeg also partners with a range of businesses including Santander and Experian to transform schools into pfeg Centres of Excellence, which develops them into beacons of good practice for financial education.

Post-merger, pfeg's work remains focused on supporting education providers and others involved in teaching children and young people about money. Operating under the umbrella of Young Enterprise, its expertise in financial education coupled with YE's in enterprise education creates a strong force for skills education in the UK. We are a one stop shop of programmes, training and resources for young people and for teachers and tutors.

Our expertise in the education arena is strong, as evidenced by our 2015 Manifesto: Building Generations of Game Changers, where we look at the problem of the skills gap and crisis and set out our solution.

Fundamentally, our solution is a long term, sustainable skills strategy founded on enterprise and financial education. This must work for teachers, college tutors, youth workers, employers and young people.

A joined-up strategy is key to our approach, as we seek cross-party support to ensure it is long-term, sustainable and relevant.

As part of our 'Access for All' vision, this strategy must be embedded in all schools, colleges and universities across the UK and be owned by key government departments with equal accountability.

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### OUR STRATEGY

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Our strategy includes seven clear points that we believe must be taken on board by all political parties if we are to address this crisis:

- 1) Tackle the skills gap identified by employers

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- 2) Agree a long-term, sustainable skills strategy
- 3) Launch an Enterprise Skills Passport
- 4) Make financial education statutory in primary schools
- 5) Make Personal Social Health Economic education statutory
- 6) Ensure that Teacher Training programmes and Initial Teacher Training incorporate the five skills listed below
- 7) Work with Ofsted to build in reporting on enterprise education and financial education to their inspections.

The five key skills we are calling for are problem-solving, resilience, creativity, communication and teamwork. These take from the top five skills British employers believe young people should have when entering the workforce, and those they believe young people lack the most when applying for jobs.

We know that our programmes enable young people to develop these skills. Evaluation of our flagship Company Programme found that 90% of teachers agreed the Programme raised awareness of capabilities in their students, and 92% of the young people surveyed found they had improved in at least one employability competency, with communication, problem-solving and resilience seeing the greatest average point increase.<sup>15</sup>

pfeg's annual 'My Money Week' has since 2009 helped 4.3m young people understand money. Its Centres of Excellence programme currently has 76 registered Centres and has awarded Excellence status to 24 of those schools since 2013.

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<sup>15</sup> Young Enterprise Company Programme 2013-2014 Impact Report.

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Of our seven asks above, it is calling for financial education in primary schools that may seem controversial. After all, why do eight-year-olds need to understand money?

Young people today face more financial decisions than their parents ever did, and at an earlier age. Research carried out by pfeg found that 64% of children get their bank or building society account before they start secondary school, and nearly three-quarters of 15-year-olds with a bank account have a debit card.

pfeg's research also found that 94% of teachers<sup>16</sup> and 96% of young people<sup>17</sup> agree that financial education should be taught in schools. However fewer than a third of primary schools currently offer it.

Young Enterprise's newest programme for primary schools; the Fiver Challenge, launched with the support of Lord Young and BIS, and supported by Virgin Money, introduces children to business in a fun and creative environment. Pledged £5 and given a month to set up mini-businesses to make a profit, the Challenge saw 31,525 pupils from 447 schools register to take part in June 2014. Post-Challenge evaluation reported that 76% of supervisors found their pupils developed at least one employability skill during the month.

Our vision of 'Access for All' extends to our programmes offer. Together with pfeg we work with young people aged between four and 25, and provide training and resources to teachers and education providers to enable them to prepare young people for a successful future.

Our enterprise education programmes are underpinned by a guiding principle of 'Learning by Doing'; learning to be enterprising, learning

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<sup>16</sup> pfeg and EdComs survey, 2011

<sup>17</sup> pfeg and NCB/Panelbase, January 2012

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to manage money well, and our flagship Company Programme is mapped by a number of exam boards to their qualifications.

As we lead calls for changes in education policy and welcome announcements such as the Education Secretary's in December 2014, we will continue to deliver high-quality, relevant programmes across the UK, supporting our teachers and encouraging young people to embrace new ways of learning and thinking about their futures.

Tackling the skills gap now and committing to a long-term skills strategy that incorporates the five key skills will ensure young people are ready for the challenge of work when they finish education.