All-Party Parliamentary Group on Modernising Employment

MINUTES OF THE MEETING 28TH OCTOBER 2024 – THE SKILLS REVOLUTION IN EMPLOYMENT

1. Chair's welcome – Lee Barron MP introduced the meeting and himself. Spent time working with employers to work out what good employment is. The APPG shapes policy moving forward and is highly active and pleased to be chairing the meeting.
2. Present: Lee Barron MP (Chair), Lord Lucas, Earl Attlee.
3. Presentations:
    a. Keith Rosser – (see slides 1 - 7) introduced the work of the APPG. The plan is to engage with employers etc to ensure the relevant skills. The BHI is ideally placed to work with Government and advance the skills agenda.

KR also thanked those who have responded to the employers skills survey.

Today we are going to look at what are the skills needed and how we hire for those skills? How do we make UK hiring the world's fairest if we do not understand them.

    b. Victoria Bombas, PWC (slides 8 – 13)

Will look at how organisations are proceeding on the journey to a skilled workforce as well as measures that we are seeing. Personally seen much change in the workforce. At PWC helps clients solve workforce problems. Equity and access to jobs is very important to her personally.

Slide 10 – a number of market forces driving the adoption of skills. In the last 12 mths the introduction of Gen AI has accelerated transition. 50% of jobs will be changed over the next 5 years by Gen AI. It varies by sector though. A combination of technological change and the demographic shift is limiting growth in the UK. PWC surveys CEO annually and in 2023 over half of CEOs identified skills and labour shortages as critical top three factors influencing their viability. Historically this topic was an HR one but now being looked at by the CEO.

80% of the 2030 workforce is already in the workplace, so they will be there when all the jobs have changed. Is the issue with employers to tackle upskilling as much as with education to produce new workers with the correct skills.

Slide 11 – what approach can an organisation take. Turn traditional thinking on its head! You need to focus on skills as a currency not jobs. Unlocks access to the workforce and also future jobs. Employers need to close the gap, employees need to have an appetite for skills.

Skills first approach benefits are finding nontraditional talent, allows access to untapped potential labour markets. Not everyone has a traditional, linear path to employment. Helping build the sentiment of employees is important, engendering loyalty. This means non-linear career paths. The WEF says that a skills first approach can unlock up to 100M people globally.

Slide 12 - Organisations are a different points on this path. At a foundation level, organisations need endorsement or buy-in to start. You have to break jobs down into tasks and work out which skills are needed. This leads to a skills taxonomy and a skills-led organisation. As organisations become more advanced, skills are built into the employee's career journey. It is a journey and relatively few are at the end!

Barriers identified – funding, technology , lack of buy-in.

Three steps for success:

   I.   Be inclusive with all your employees. Organisations tend to focus on niche roles whilst omitting larger parts of their workforce such as front line staff.
   II. Consider hiring for skills not qualifications. There are practical tools to do this. Creates inclusivity .
   III. Create new paths for on the job learning.

In sum, our view is that the data shows us that employees are hungry to use new skills.

   c.   Joseph Williams, Co-Founder and CEO, Clu

SLIDE 1 – Hi & thanks for having me back BHI for a talk I'm calling skills or bills: avoiding new hiring pitfalls. I'm only going to be speaking for about 5 mins, so please do stay with me. If you promise to put away those phones, I promise I'll be interesting.

SLIDE 2 – I guess some of you are wondering who is this guy? So I'll start there.

I'm Joseph Williams, Founding CEO & Mad Scientist in Chief of AI4Good social enterprise, Clu.

We are working with industry, education and governments to create a universal language of skills and improve the economic mobility of 100M people.

My journey began in a call center, where I was known for asking too many questions which got me in a lot of trouble and eventually sent to the COO, we can only assume to be fired.

However, instead of firing me, she saw my potential and set me on a new path – as an analyst.

And after 15 years in corporate, with others commercially exploiting my differently wired brain, I packed up and have spent the last 5 years as an entrepreneur, commercially exploiting my differently wired brain for myself.

SLIDE 3 - Let's dig in.

SLIDE 4 – Mind the Gap — between you and compliance!

New UK and EU regulations, including the EU AI Act and UK Employment Rights Bill, are radically reshaping compliance requirements in recruitment.

With day-one employment rights, tighter regulations, and greater reporting and pay transparency mandates all on the horizon, companies now face stricter requirements around fairness, transparency, and worker protections.

So, there's never been a greater need for standardisation, auditability, inclusiveness and accuracy in our hiring processes

Which are all fortunately outcomes of skills-based hiring!

SLIDE 5 - AI — Friend or Foe?

We all know that hiring processes, whilst well intentioned, are often a bit of a wild west when it comes to compliance – so about 18 months ago we started some quant analysis of the biggest risks under pending new legislation and their intersection with hiring.

In line with the zeitgeist, we found that while 65% of companies use AI for screening.

Only 25% conduct formal bias audits of outcomes.

Without regular audits and proactive bias mitigation, public AI models, like ChatGPT, can further embed inequities, leading to potential discrimination claims – and these risks are exacerbated in traditional "probability-anchored" hiring processes.

Why do I mention this first? As a point of reference, breaches of new EU AI Act are cited to be double of GDPR – and hiring, as with GDPR, is front and centre of the high-risk categorisation.

SLIDE 6: A Skill in Time Saves Dimes

Sad truth is that only 30% of the workforce has the skills needed for their roles (thanks Gartner) – this breeds poor psychological safety in roles, intensifies fight or flight responses, as well as jeopardises potential for innovation, collaboration, creativity and of course retention.

But the costs aren't just surrounding engagement – University of Oxford predicted poor skills-alignment and associated productivity, and churn, costs the average FTSE100 £23M a month

SLIDE 7: Skills: Because probability is so last quarter. Wouldn't it be great to imagine a working world where we focus on what people can do vs what they've done to determine their value? Tough – because even if that world existed, of the 800 hiring managers we spoke to only 4% could articulate the things that would make people good at the tasks they needed completing in role. THAT BEING SAID.... What does happen when we focus on the ingredients of the cake, and not just the frosting?

Well, you significantly improve:

- Accuracy

- Inclusiveness

- And ROI

And who doesn't want more accurate, inclusive and more efficient processes against a backdrop of heighted regulatory and legal pressure?

SLIDE 8 – The Devil's in the Details

I often get asked, in light of all the changes coming, what is the most important to focus on is – and my answer is resolute. Standardisation.

Nearly 55% of the companies we audited lacked proper documentation for recruitment decisions, which can lead to the most serious legal issues, and almost 85% that there was no accountability for when processes weren't adhered to.

We know that finance cases are not always the forte of our friends in HR, so have modelled out a few budget scenarios across different sized organisations.

Across the board, the costs of non-compliance, including legal fees, potential fines, settlement costs, lost productivity, and employee replacement, can result in up to a 50% annual budget increase for HR teams.

Transitioning to skills-based hiring and standardised processes is not something to panic about though. It just means it's time to stop ignoring the risk and start planning for it.

Skills-focus not only improves overall process outcomes, it mitigates these risks and actually helps you turn them into competitive advantage.

All of these findings and more are included in our Act Now or Pay Later report, and you can download your copy of the research and access the free audit tool with this link.

> d.   Amelia Hatfield, Future Talent Lead at Admiral

Sits in HR. Will give a case study on skills. Trying not to stand still and to move forward even if we do not have all the resources. Will talk through what Admiral is doing and our approach.

Slide 43 - 3 different strategy pillars at Admiral as shown in the slide. Sits in Admiral 2.0 which is about the use of technology, analytics and a customer first approach. In the past have been strong on pricing and motor claims technical knowledge and want to grow this. Our Head of Talent asked which skills are needed to get to Admiral 2.0?

Slide 44 – 10k staff across many departments, so hard to work out where to find the information internally. Interviewed 40 senior leaders, all asked the same six questions to find out what the goals are for Admiral 2.0. Despite different leaders having different goals, there were 5 common skills as seen on the slide. Data fluency is the most common skill required. Bottom left hand side shows what happens if nothing is done. Validated internal research with external research.

Saw that many high performing businesses were moving to a skills-based approach. Want to encourage a proactive approach to hiring.

Slide 45 – Future talent planning refers to strategic workforce planning to avoid confusion internally. Need to be agile and flexible, no one size fits all approach. Need to try things and fail with some. This workstream is long term and strategic and asks business leaders to be proactive not reactive with hiring. Not used to working like this, so mindsets need to be changed. Talking to business leaders about their strategies to get them to think about hiring and upskilling internally.

Reskilling and upskilling programmes are shorter term solutions looking at business needs over the next year. How do we reskill people for internal roles and proactively find them amongst the existing staff? The idea is to give people another career in Admiral. Will take time to get right but this is how we are moving forward.

4. **Comments, questions and answers:**
    1) Sofie Azam: noticed that we are missing entrepreneurial skills at an early age. Believes that these should be taught at schools. Why in the UK are these entrepreneurial skills not seen as important. Start ups are more entrepreneurial in hiring.

2) Lord Lucas. How do school children know what skills they need and how do schools do this? How do you establish that you have the necessary skills as schools can only really deal with one route not many?

AH – in terms of what was shown on the slides, it is not exhaustive. We need to have an eye on what is up and coming in terms of need. AI is a great example as it has been coming for a while and people are now asking for AI skills.

JW – has designed the first EQ curriculum for early years. The value base for skills is almost entirely technical. Many cannot articulate the ingredients for the cake and can only talk about the whole. Looking at the economy of AI, the economic mobility index is found in those who do not go to University.

VB – relevant to have a common taxonomy in schools and how do those outside a particular market access that sector? WEF has the global skills taxonomy. Agree that there has to be a common understanding.

3) What about creating frameworks for people to access career pathways from outside that sector? In the regions employers are convening to discuss the gaps and tackle the problems locally. Important for employers to come together to work out the gaps.
4) James Bayton, Skill Street – we are yet to evolve a linear curriculum. Skills need was eloquently put forward but unless people can see what they want to be, it is hard for them to become what they want to be. How early does the careers talent pipeline start? Sir Ken Robinson talks about how the school system mirrors the factory system which drove the industrial revolution. 99% of UK firms are SMEs, how do the owners of these companies understand what to do? Do we need something like a pandemic to push change?

JW – has been looking at what is the break point between a 3 to 4 person company and a ten person one? Generally, at that level people hire from their own network and are risk averse to hiring people who may not fit.

AH – some advanced companies are going into Year Nine to talk to pupils about the jobs market. Why can't we partner with local schools? As employers we need to educate ourselves on the new talent chains.

5) Most recruitment processes are not consistent. It is tough for people to find employment. People are losing trust in employers as many do not hear back and are frightened of the use of AI. What can be done to make employers more accountable for good practice recruitment?

VB – concurs. 50% of candidates are ghosted which is a bad experience. Need to put the numbers behind lost talent. GenAI means that applications have sky-rocketed and this has created a perfect storm. How do we quantify the hidden talent to be found in "graveyards of candidates".

KR – explained how the BHI is creating a better hirer standard.

JW – all went wrong with advertising, people should not be able to apply for a job for which they do not stand a chance. Looked at the psychological outcomes of not getting work over a year. Job seekers who experienced sustained objections are more likely than not to develop mental health problems. There are better ways of doing it. The world of work is not linear.

6) Job seekers suffer from trauma because there is zero feedback. Some transparent response should be possible. Why alienate the candidates?
7) Role design is an issue, all of our roles are designed with the outcomes and deliveries related to the roles in mind. Also need to understand that the role may only last two years so hire for that.
8) Some talents are suppressed culturally in education, for example creativity and independent thinking is suppressed at school. Needs to be addressed early on amongst young professionals. Entrepreneurial approaches are suppressed.
9) Philip Virgo – Employers are swamped by AI generated applications and they are using AI filtering to weed out those applications. Using AI to help applicants work out what they are good for is missing. This would help them to work out what to apply for. Missing AI tools for employers to work out what they need.
10) Some software is very unfriendly and there is a huge effort needed to get through so people do not bother. Easier to assess a candidate's technical skills and helps hiring managers to justify a hiring decision. Harder to recruit based on potential

5. Conclusions:

JW – EU AI act will be a rude wake up call for employers. Chat GPT is not transparent. Replacing human actions not enhancing it. 90% of tracking systems use key words and job titles to determine job applications which misses so much of what is needed.

AH – entrepreneurs and leaders as well as soft skills such as empathy are expected to be in big demand. We need to find ways of doing this.

KR – In April we ran a session on reimagining hiring in this room, the SU President speaker told us then that the selection process is a rejection one.

VB – use the goals of the role to work out the skills needed is a great idea.

Next steps:

KR – we need to address the skills definition issue, taxonomy issue and think about advice for SMEs. We should look at system like regional employer convening as well as role design and an employer road map. Will need speakers help to develop this further.

Lee Barron closed the meeting at 6.00 p.m.

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6. Attendees

Admiral	Amelia	Hatfield
PwC	Victoria	Bombas
Clu	Joseph	Williams
APPG Secretariat	Andrew	Henderson
BHI & Reed Screening	Keith	Rosser
BHI	Corinne	Peart
BHI	George	Warrington
BHI	Lili	Hunneybel
Reed Screening	Kiran	Herkanaidu
Reed Screening	Emily	Dewar
Reed Screening	Orhan	Dacosta
Reed	Christy	Houghton
Admiral	Elise	Hunt
Mitie	Karen	Hutchison
Pod Point	Martin	Poole
BT Group	Matthew	Howe
Nexus	Teresa	Boughey
Aviva	Dan	Godfrey
Crowne Plaza London Kings Cross	Shubham	Wankhede
Reed	Matt	Rushton
IgniteQuals Group	Sophie	Azam
Huntress	Henry	Beck
Rise Above Consulting	Neil	Cox
DAIWA Capital Markets	Rob	O'Hare
Diversio.com	Daniel	Fellows
London Borough of Hammersmith & Fulham	Holly	Jewell

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The Find Your Flex Group	**Cheney**	**Hamilton**
Ingeus UK	**Jonty**	**Rooke**
Warwick University	**Gillian**	**Dix**
KPMG	**Andrew**	**Allison**
The ORARA Group	**Sean**	**Moran**
Choice Care	**Andrew**	**Key**
Arla Foods	**Melanie**	**Williams**
Jisc	**Chris**	**Rea**
Kier	**Kathryn**	**Fothergill**
Barclay Simpson	**Tanya**	**Macey**
Central London Community Hospital	**Farzana**	**Ali**
University of Oxford	**Nesrine**	**Ramadan**
Parliamentarian	**Philip**	**Virgo**
Digital Futures	**Ruth**	**Evans**
DBS	**Cathy**	**Taylor**
DBS	**Helen**	**Chandler**