The Skills Federation

Skills for the future: apprenticeships and training - Skills Federation Response

https://committees.parliament.uk/committee/517/industry-and-regulators-committee/news/202880/call-for-evidence-on-skills-and-training-reopened-by-lords-committee/

About the Skills Federation

The Skills Federation brings together the shared perspective of different industries on how the UK can build a workforce able to meet our skills needs. Our members are 18 employer led, sector skills bodies who work across more than 20 sectors of the economy and represent over 150,000 employers, both large and small, across the UK. They are funded by their industries to provide sectoral voices and vital support on skills issues.

Our vision is a skills system that supports industrial investment and growth by providing a pipeline of talent into each sector of the economy, giving the opportunity for everyone to get in and get on at work through pathways that turn jobs into great careers. This includes workforce planning and intelligence, professional standards, tailor made skills solutions, qualifications, kitemarking, accreditation and quality assurance.

1. **What kinds of skills do you think will be needed for the future of the UK economy? Is the UK's skills and training system capable of equipping increasing numbers of people with these skills?**

The jobs we do and the industries we do them in constantly evolves. This constant evolution is shaped by a number of factors including population change, technological development, the policies of governments across the world (including on climate), decisions taken within businesses and organisations, and consumer preferences. In turn, the evolving labour market informs the knowledge and skills needed to do these jobs and the workforce development requirements.

Employment forecasts commissioned by the National Foundation for Educational Research reports that over the next 10 years, total employment is expected to rise by an additional 2.6 million jobs, with growth particularly strong in the following sectors:

	2020 employment	**Additional jobs by 2035**
Health	2,661,000	368,700
Food and beverage services	1,902,000	333,800
Education	2,956,000	144,300
Social work	996,000	151,300
Land transport, etc.	805,000	75,200
Residential Care	765,000	136,400

By occupation, the main trends are an on-going growth in highly skilled, white collar, non-manual jobs.

Between 55% and 68% of new jobs are forecast to be held by women, because of the historical dominance of women in public service roles.

The forecasts in the table above are assumed to be the most realistic and in line with pace of labour market change to 2020. However, alternative forecasts, based on additional resources going into social services, could see 845,000 additional jobs in the health sector and 232,000 in Residential Care. These variations illustrate the 'unknowns' in forecasting demand.

What remains consistent across alternative forecasting scenarios is growth of around 2.6 million jobs by 2035, with particularly strong growth in the demand for highly skilled workers. This growth in jobs is dwarfed by a need to replace 17.6 million people who leave their jobs across all sectors of the economy.

The Climate Change Committee reinforces the need for urgent action on green skills. Their 2023 report indicates that 250,000 new jobs have already been created in the transition to Net Zero and estimates 135,000-725,000 net new jobs might be created in sectors including building retrofit, renewable energy generation and electric vehicle manufacture by 2030. Their report suggests around 20% of the workforce will have a direct role in delivering net zero and 20% will have an enabling role (e.g. in financial services, education etc).

A significant number of roles will also change. For example, in the Financial Services sector there isn't a huge increase or decrease predicted in the number of roles, but there will be significant change in what roles there are.

Each sector of the economy, supported by their Sector Skills Body, is developing a business led skills response to the demographic, technological, climate, political and other changes they are facing. Each sector has different needs and places emphasis on different solutions, but there are a number of common threads including a focus on understanding the changing competence needed in key occupations, developing new ways to deliver, assess and assure workforce competence on a continuing basis, and the shift towards more modular and e-learning solutions to complement more traditional apprenticeship and classroom-based provision. There is also a high demand for workforce planning tools and frameworks to help companies adapt to meet future needs. The following examples show the range of challenges faced by diverse sectors and how they are responding:

> The **construction** industry, through CITB, is increasing its focus on Modern Methods of Construction including more efficient methods of planning and project management using digital skills, retrofitting buildings for energy efficiency and a low carbon future and offsite construction skills. CITB is building future skills into apprenticeships and FE Courses and is placing an increased focus on competence assessment and assurance, identifying changing competence needs and developing lifelong learning solutions. There is an increasing use of modular and e-learning delivery and assessment, including a 7-module offsite construction training programme and online health and safety testing.
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> **Engineering construction**, supported by ECITB, is placing strong emphasis on assuring professional competence in safety critical occupations, through retraining, assessment and certification. There is a high demand for supervisory skills in managing a site-based workforce and an urgent need to upskill project managers on risk management and oversight of the project management function. Net zero is having a significant impact on each occupation with for example oil and gas engineers moving to roles in hydrogen production and distribution. ECITB are part of the Hydrogen Skills Alliance which is looking at how engineering construction skills can be applied in supporting the low carbon agenda.

For the wider **engineering and manufacturing** sector, the requirement for upskilling and reskilling of the existing workforce is a challenge as a result of the drive to Net Zero, through electrification, the need to digitalise and the need to import and reskill workers from other sectors. The Sector Skills Body, Enginuity, continues to promote the need for employers of all sizes to focus on skills and workforce development, backed by three tools for use by employers. These are being used to explore transferable skills gaps and how each engineering sector can identify new sources of labour.

Agriculture is facing a major challenge in adapting to the environmental impact of climate change and net zero, with agriculture responsible for 10% of UK greenhouse gas emissions. The problem is getting widespread adoption of new agricultural practices across 216,000 farms. Their Sector Skills Body, LANTRA, has highlighted the Farming Connect programme in Wales as an example of effective intervention in the UK. This programme offers a wide range of training modules and courses ranging from business planning and marketing to livestock handling. Applicants must explain how the training will improve their business and successful applicants receive up to 80% training subsidy. All training completed is recorded on a central training/CPD system. Once people have an account then they are encouraged to record all their CPD through the account, not just that which is done through the Farming Connect programme. This encourages a positive learning culture, creates a valuable data set and the possibility that future interventions could be conditional on applicants having had the appropriate training.

Financial Services has been significantly impacted by technological change as digitalisation and now generative AI become increasingly central tools. The Financial Services Skills Commission's latest skills report, "Bridging the skills gap in a rapidly evolving sector", sums up the challenge they face. Skills gaps for behaviours have widened and are now comparable with skills gaps for technical skills. The highest gaps in behaviours between supply and demand are for empathy and adaptability. For technical skills, machine learning and cyber security have the biggest gap between supply and demand, with 34% and 33 % respectively. In many instances the supply of skills has grown, however, demand has grown at the same or at an even faster rate. A competence based Skills Framework, co-designed by five companies has been widely adopted across the sector. The industry tends to have limited engagement with public skills programmes and apprenticeships.

In relation to the whether the skills system is capable of equipping people with these skills, we do think some changes to be made. Our responses to the remainder of the questions addresses the ways in which we think this can best be achieved.

2. **What is the appropriate level of government intervention in the development of skills policies? What should the Government's proposed post-16 education strategy include in relation to apprenticeships and training?**

The role of Government is to set skills policy, but this needs to be in the context of a clear industrial strategy which is owned across government. Government departments should be held accountable for delivering on clear objectives in relation to the industrial strategy. More effective cross government working is essential to meeting the significant challenges of changing technology, the impact of digitalisation on jobs at all levels in every sector of the economy and the opportunity to become a world leader in low carbon skills.

We welcome the plan to develop a post-16 strategy and believe this will help bring some much-needed coherence to the skills system.

The strategy should:

- Set out the overarching vision for post 16 skills system taking the Industrial Strategy as the starting point.
- Define the strategic aims, ensuring that they create a coherent whole. This is particularly important for apprenticeships where the strategic aim has never been clear.
- Detail the main skills challenges that the strategy is intended to solve. Sector skills bodies have rich labour market intelligence that can support this.
- Define how the interplay between sector and location should work and develop a more nuanced position on responding to sector need to better meet employer led demand.
- Cover the range of different types and levels of provision required to meet skills needs.
- Be clear and realistic about the asks of employers and how to facilitate this within a more response skills system, balanced with what government will do.

There are a number of elements that government could helpfully include in the strategy to support the implementation of skills policy:

- Strengthen workforce planning at national, regional and sector level. Build on the progress already being made through Local Skills Improvement Plans and Mayoral Combined Authorities (MCAs) by adding a clearer sector dimension to their work, ensuring that there is a single skills plan in each sub-region that addresses the most pressing skills needs with a clear line of sight to national sector plans and LMI.
- Re-establish formal workforce planning in each industry sector as the basis for developing more flexible provision and to provide employer insight on skills issues to inform national skills plans. The primary focus should be on securing pipelines of talent.
- Connect sector and geographical planning more effectively through a small number of pilots that link MCAs with key industries in their region, to share intelligence and co-create appropriate workforce plans.

3. Are current Government policies on skills, particularly apprenticeships and training, sufficiently clear? Have policies and the institutional set-up been sufficiently consistent over time? If not, what changes or reforms would you recommend?

There have been numerous skills policy changes over the last decade in England including the significant reforms of the apprenticeship system and the introduction of T Levels. This is in addition to the wide range of funding initiatives which have come and, in some cases, now gone. There is widespread agreement that constant change has contributed to a fragmented skills system that can be difficult to understand, and which doesn't operate as effectively as it might.

Skills policy should be reformed, the following principles should be taken into account:

- Skills policy reform should be guided by an industrial strategy and underpinned by a post-16 skills and education strategy. This should help ensure that frequent change is not required.
- The impact of proposed changes is reviewed within the context of the skills system overall, not elements taken in isolation.
- The timescale for implementation and embedding change is realistic.

- Effective support for institutions and providers is put in place where needed, including financial support.
- Lessons are learnt from the introduction of previous policy initiatives.
- The views of employers, via sector skills bodies, are sought and taken account of from the start.

One area of policy change where Skills Federation members are concerned about the speed of change is the defunding of applied general qualifications (AGQs). The risks that have been outlined by employers include:

- T Levels are still relatively new and haven't had time to embed.
- T Levels won't fully replace the withdrawn AGQ offer and provide a realistic pathway for a smaller number of students. This may mean limited options, particularly for disadvantaged students, and gaps in the skills that students develop.
- T Levels are not the answer to all employer needs. This is particularly the case in some sectors where applied general qualifications are a well-understood and valued route to employment.
- Work placement issues, particularly in safety-critical industries, mean T Levels are not seen to be a realistic model for all sectors.

We welcomed the pause in funding for this year and the intention to carry out a review. However, it is important that decisions are made in time for providers to be able to plan effectively and a longer pause would be desirable.

4. Are the right institutions in place to ensure an effective skills system for the future? Should co-ordinating institutions be national, regional, or sectoral, or a mixture of each? What is your view of Government's proposal to establish a new body, Skills England?

The fundamental problem is that there is currently no mechanism for strategic oversight of the skills system and therefore no consistent workforce data either. This has led to a confusing array of initiatives, inefficient deployment of public funding and no coherent way to engage with industry.

We support the Government's proposal to establish Skills England. We believe Skills England needs to be a strategic, social partnership body with the explicit purpose of advising and making recommendations to the Secretary of State for Education, and other departments as appropriate, on the skills strategy and policy that will enable England to develop the skills needed to achieve government missions on growth, productivity, green energy transition and opportunities for all over the next decade.

Skills England could do this **by social partners working together** to:

- Develop a single picture of national, sectoral and local skill needs
- Draw out evidence-based insights about what works and doesn't work, including reasons for skills gaps and barriers, and opportunities for reskilling and upskilling the existing workforce as well as training young people.
- Advise and make recommendations to Ministers on skills strategy and policy and with other relevant government ministers on policy to support a clear 'golden thread' between industrial strategy and skills delivery.
- Make recommendations on the flexible part of the Growth and Skills Levy and maintaining an approved list of accredited training, developed by industry.

This requires a fundamental shift to a body which is social partner led and co-designed.

To facilitate this it will be important to operationalise mission-led government and to focus on making the interfaces work between the different elements including the Industrial Strategy Council, Skills England, DfE, lead departments for each sector and between parts of government, employers and the delivery system outside government.

The regional dimension is important and some combined Mayoral authorities, for example, are doing great work around skills. However, Local Skills Improvement Plans (LSIPs) are often missing the link to national sector perspectives and need joining up. There needs to be an effective collaboration mechanism to address sectoral priorities, assess the totality of LSIPs, learn from what is working well and avoid duplication. Skills England will be well-placed to support this.

5. **What should the role of business be in encouraging the development of skills in the UK? Should business be a consumer, funder, trainer or co-designer of skills provision?**

Business should be central to development of skills in the UK. Employers understand where the skills gaps exist in their workforce and are putting solutions in place.

Business potentially plays all the roles outlined in the question. They are a consumer of the publicly funded skills system to train their staff. Although this has decreased, employers still fund a huge amount of training themselves. Many employers do training in-house where this is the most appropriate option and they have the skills within their workforce to be able to do this, and around 120 employers also operate as apprenticeship training providers. The role of employers in co-designing training is important to ensure that training meets needs. This happens at a local level where employers are working with providers and colleges to co-design and often support delivery of training.

Employers also lead the development of occupational standards and end point assessment plans for apprenticeships in England. Skills Federation members report that this process is often time-consuming, and it can be challenging to find employers with capacity and capability, particularly around the design of end point assessment plans. Sector Skills Bodies already support this process and could play a more formal role as they bring the right mix of skills, knowledge and experience.

6. **In a more mobile, flexible labour market, what incentives do employers have to provide training for their employees? Why do you think that employer investment in training has declined in recent decades?**

The main reason employers invest in skills is because it enables them to meet business need and deliver their organisational strategies.

The DfE funded Employer Skills Survey 2022 (carried out by IFF) found that the total investment in skills was £53.6 billion (including trainee labour costs) which was a real terms decrease of 7.7% from the figure in 2017 of £58.1 billion (adjusted for inflation). It's worth noting, however, that there hasn't been a blanket reduction in investment, in some sectors spend has increased, and within sectors where spend has decreased, there are employers that invest heavily.

The reasons why there has been a decrease overall could include:

- The Employer Skills Survey reports that among establishments that would have liked to provide more training, the main barriers to doing so were staff time (45%) and

lacking funds for training (40%). Both these factors are influenced by the economic situation.
- Employers may be finding different solutions to investment in skills including additional recruitment, greater use of AI, more online training, and accessing better value opportunities.
- Employers may be spending less but accessing better value opportunities which have the same impact but cost less. The survey indicates that employers are spending less per employee (£1.8k in 2022 compared to £2.2k in 2017). It isn't clear, however, whether this can definitely be taken to indicate better value for money, or just lower spend.
- Lack of management capacity and capability, particularly in SMEs, to carry out workforce planning. This can lead to people being promoted because they are skilled in their current role, without the support in place to help them to thrive in their next role.
- The lack of clear progression routes into and through work doesn't help to create a culture of investment in learning. It isn't always clear to individuals, or to employers, what the next steps are and what training is required to support people to successfully progress.

7. Should further incentives be put in place to reverse the decline in employer investment in training, and if so, what form should these incentives take? Do smaller employers need greater support to access skills provision, and what form should this support take?

Overall, improving the skills system in a way that responds to employer led demand should help to encourage greater employer investment.

There is no single source of government funding to support or incentivise employer investment in upskilling and reskilling the UK workforce. Instead, we have a complex array of separate pots of government money that have been established over time, each with their own complex funding rules and bureaucratic processes.

There is a role for government to continue to incentivise employers to invest in skills. However, any proposals to do this need to be focussed within the context of an Industrial Strategy.

Employer investment in skills is less than the EU average and this may point to a cultural issue where employers see upskilling as a cost rather than an investment. This indicates that incentives should focus on building capacity to change behaviour and embed new ways of working, rather than providing a one-off funding source for training. There should also be sufficient flexibility – a one-size-fits all fund is unlikely to work across all industries and regions. Providing advice and guidance for employers about how to assess upskilling needs and create a plan for training should also be considered as this may support smaller employers with less capacity.

Government should consider where co-funding and co-creating with employers would be beneficial, perhaps through sector agreements. Employers understanding that government is investing alongside them may help to create a stronger culture of learning. It is also worth considering the role that reward and recognition schemes could play.

Finally, it is essential that the starting point is not a blank sheet of paper. There is effective practice internationally that could be learnt from in addition to learning from the UK. Employers, via sector skills bodies, should be consulted and listened to about what will work.

8. **Concerns have been raised over the operation of the Apprenticeship Levy, particularly in relation to the decline in young people taking on apprenticeships. Is there a case for reforming the levy, for example by ring-fencing more levy funding for training for younger apprentices? If so, what portion of Levy funding should be ring-fenced, and for what ages and levels of qualification?**

The first point to make is that there is a lack of clarity over the purpose of the apprenticeship system, and this makes it hard to evaluate its impact and success.

However, the reduction in younger apprentices is a concern and the reasons why this has happened should be reviewed before solutions are put in place. Research carried out by London Economics on behalf of the Association of Colleges indicates that the largest drop in apprenticeships overall in England (-25%, 120k) occurred immediately after the levy was introduced followed by a significant decrease during the pandemic (-70k) which has not been recovered.

There is some evidence that suggests that the reduction in recruitment of apprentices at age 16 is due to their lack of work readiness, and for some sectors it is challenging to have people under 18 in the workplace anyway. However, the increase in higher level apprenticeships could also be at the expense of apprenticeships for younger people. Higher level apprenticeships are welcomed by many employers as the right solution for their workforce. Any increase, however, should be about providing the most appropriate training, not maximising levy spend.

We welcome the Prime Minister's announcements about the Growth and Skills Levy. We agree with the value of pre-apprenticeship provision, and the potential for apprenticeships that may be shorter than the currently required one year minimum, as both will introduce some welcome flexibility. We also support the balancing of funding towards lower-level apprenticeships providing that a sector-based approach is taken.

If further changes in addition to the restrictions around funding for level 7 apprenticeships are introduced, the right balance of incentives and restrictions needs to be put in place. The consequences and any potential perverse incentives need to be reviewed carefully. A strong case will need to be developed as many employers would not be in favour of changes which restricted their levy spend.

Skills Federation members represent a wide range of industries and have different views about how well apprenticeships are working in their sectors. Work carried out by the Skills Federation in January 2024 came to the following conclusions:

- Level 2 is the entry point for some occupations, and this isn't always reflected in skills policy which focusses more on increasing higher level skills.
- It is difficult to use apprenticeships for reskilling as an individual can't become an apprentice until they are in the role.
- There are some sectors and occupations which would benefit from shorter and more modular apprenticeships.
- This could include exploring whether parts of Standards can be used to base more modular apprenticeships on and/or whether a percentage of the apprenticeship could be flexible to respond to local industry need and/or new technologies.
- This could usefully include consideration of pilots of different ways of delivering apprenticeships and experience from other countries.
- Government should utilise the reach of Sector Skills Bodies to formally consult on skills policy, taking a UK wide approach to ensure greater coherence.
- Sector Skills Bodies could play a greater role in maintaining a strategic overview across the four nations and develop action plans for their sectors based on this.

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9. **Should the Apprenticeship Levy be made more flexible, allowing funds to be used for shorter courses? What is your view of the Government's proposals for a Growth and Skills Levy?**

We support proposals for a more flexible levy which funds other qualifications and training in addition to apprenticeships. Views on how this could best work include:

- It is likely that demand will exceed supply. Priorities should be set to incentivise meeting national, regional and local needs.
- Consideration should be given to a sectoral or clustered sectoral approach linked to the priorities set out in the Industrial Strategy which will help ensure it drives growth. An approach along these lines would agree what government will pay for, what is funded through the levy, and what employers pay for themselves.
- The system of funding needs to be transparent for all relevant parties.
- The solution is not always awarding organisations, industry is often best placed to accredit sector specific modules whilst maintaining a rigorous approach.
- Any changes to the levy need to increase flexibility. Whilst funding systems need to be robust, rigidity which defeats the purpose of creating a more flexible option should be avoided.
- There would be benefits in introducing any changes gradually rather than a 'big bang' approach.

10. **What is your view of the Government's proposals for a youth guarantee of access to training, apprenticeships, and employment support? If a guarantee was to be introduced, which institutions should be responsible for providing it and would they need additional resources or powers to do so?**

New ONS data shows that the number of young people not in education, employment and training has risen to 872,000 (12.2%). The increase is concerning, and we agree that action needs to be taken to reverse the trend. We also agree that a youth guarantee of access to training, apprenticeships, and employment support could assist with this.

We propose that the following needs to be considered in relation to implementation:

- Consideration should be given to extending the guarantee down to 16 and up to 24. Whilst the number of NEETs is lower, at 65,000 for 16-18 year olds, there are still too many young people who are not getting the best start to their careers.
- For the guarantee to be effective it will need to be delivered in partnership. This should be wider than skills partners and include better join up between employment and health services to create a more holistic approach. This will involve a culture change in some cases to provide a focus on supporting individuals.
- Relatedly, targets are important because they drive behaviour and allow for evaluation of impact. However, targets need to be set carefully to ensure they are focussed on young people succeeding, not on meeting narrow targets for engagement.
- Employers are key to delivering, particularly the apprenticeship part, of the guarantee. Sector Skills Bodies are well-placed to be able to represent the views across sectors and should be consulted.

However, a guarantee will only be successful if it is underpinned by more effective careers information advice and guidance. The Skills Federation have called for a new careers strategy to set the direction and purpose of career development for young people and adults.

A strategy exploring career development's potential to help address broader economic and social issues and connect individuals and industry which would:

- Widen perspectives, ensuring the skills for the future and supporting levelling-up.
- Remove fragmentation in the English system and promoting an "all-age" approach to Careers Information Advice and Guidance.
- Engage with Sector Skills Bodiess and use the very rich information already available including existing industry careers sites/materials and building work placement opportunities.
- Utilise the tools and training already available through organisations including the Careers Development Institute and the Careers and Enterprise Company.

We are supportive of the proposal to bring together the National Careers Service and job centres. However, this will only be effective if there is a culture change within job centres to move from a focus on moving people off benefits to supporting employment.

11. Should further education be funded in a demand-led way, as is the case in higher education? Is such a shift practical, and would it be necessary to provide a youth guarantee of access to training?

This is a technical question and I'd suggest we don't answer it. Not sure I understand it enough to answer effectively.

12. How does the UK's approach to skills and training compare to those of other countries? Are there examples of good practice that the UK should be learning from?

Again, we don't have this already and other organisations are better placed to answer it.