

## **Autumn Budget 2025 – Input from Skills Federation**

**15 October 2025**

### **Overview**

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 19 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.

Skills underpin every one of the Government's national missions which means that investment in skills should be at the heart of the 2025 budget. Whilst understanding the challenging fiscal environment prioritising existing funding for skills and crowding in additional private investment is essential. Our submission makes the case for prioritising skills, ensuring that businesses have the workforce needed to deliver on the government's growth agenda and that young people and adults have the skills needed to seize opportunity.

Our response makes recommendations in relation to the Growth and Skills levy, education and training for both young people and adults, devolution and creating the conditions for greater employer investment.

### **Introduction**

Skills underpin every one of the Government's national missions. Our ambitions for stronger economic growth, increased productivity, global competitiveness, as well as for expanding opportunity and tackling regional disparities means that investment in skills should be at the heart of the 2025 budget.

Employers across all sectors report persistent skills shortages, while technological change, the transition to net zero and demographic shifts are reshaping the labour market at an unprecedented rate. To maximise the potential for growth there needs to be targeted investment in skills. A well-functioning skills system can provide employers with the productive workforce they need and support a reduction in the reliance on migrant labour.

### **Our response**

Our submission draws on the extensive sector-specific expertise of our members. Recognising the critical role that skills play in driving economic growth, our response makes asks of Treasury which will ensure the skills system is fit for the future.

We recognise the fiscal constraints that the government is working within and that funding for new activities will need to come from the existing budget. We have therefore taken the approach in our response of also suggesting measures that could lever greater private investment in skills to increase the funding overall that is available.

### **Growth and Skills Levy**

The apprenticeship model is valuable for both employers and individuals because apprenticeships enable people to develop the skills, knowledge and behaviours that people need in order to be competent in a role. This concept of 'occupational competency' is key for employers, particularly in safety critical jobs where there are consequences if people can't

carry out tasks to the standard required. However, apprenticeships are not the optimum training solution in all circumstances. Therefore we welcome the government's intention to reform the Apprenticeship levy into a Growth and Skills Levy.

We ask that Treasury:

- Makes the full amount collected through the levy available for skills development.
- Funds pilots of flexibilities in the Industrial Strategy priority sectors – starting with the development of workforce plans which identify skills challenges and solutions at national level. Pilots would enable fast action in priority sectors without destabilising the wider skills system.
- Works strategically with employer-led sector skills bodies to identify and implement flexibilities that will best drive economic growth and opportunity within their sectors. Sector skills bodies are funded by their industries to provide sectoral voices and vital support on skills issues and are therefore well-placed to carry this out.

## **16-19 technical education**

The Youth Guarantee is intended to support young people to gain work. Effective 16-18 education and training which can support the new aspiration of two thirds of young people going into academic, technical or apprenticeships at levels 4-6 is a key part of this.

Based on this we would ask that Treasury ensures that sufficient funding is available for providers within the post 16 education sector. A well-funded system is required to ensure that young people develop the skills needed for work and further study. This should include funding for sufficient pay to recruit and retain quality teachers, and to secure industry standard equipment.

## **Adult education and skills**

Training needs to be available not just for young people at the start of their careers, but for people throughout their working lives. As Skills England analysis shows, over 70% of jobs in 2035 are expected to be filled by people already in the labour market. However, the nature of work is evolving quickly, and some roles will disappear, as others are created. This means that upskilling and reskilling will become increasingly important and need to be done efficiently in terms of both time and cost.

To achieve this we propose government works with employer-led sector skills bodies to develop sector skills packages that clearly identify the role of industry in identifying and meeting its skills need, alongside a commitment from government to support and invest in sectors driving growth. The sector skills package developed for construction provides an example of how this can work well.

## **Devolution**

We welcome wider and deeper devolution as an opportunity to ensure that local skills provision can be better tailored to the needs of individuals, including connecting them to employers and employment opportunities in their local area. However, devolution, whilst better meeting the skills needs of places, can cause challenges for employers, particularly those that work across regional boundaries.

To maximise the potential of English devolution we ask government to commission employer-led sector skills bodies to develop comprehensive workforce plans that address national skills challenges while also supporting locally implementable solutions.

Devolution of skills across the UK nations also causes challenges for employers, particularly those that work across borders. The move of skills policy to DWP provides a platform to address this by ensuring parity and greater coordination across the UK within a devolved skills landscape. Government should fund development of competency standards to be used across the UK as a significant starting point to achieve this.

### **Crowding in employer investment**

The DfE funded Employer Skills Survey 2024 found that the total UK training expenditure in 2024 was £53.0bn, down from £59.0bn in 2022 (in 2024 prices) and a 18.5% decrease since 2011. This isn't a blanket reduction and there are many employers who are committed to developing their staff and invest heavily. Some of the reduction in employer spend may also reflect positive trends, such as additional recruitment, greater use of AI, and use of more cost-effective training.

However, it is widely acknowledged that employer investment in skills in the UK is lower than the EU average and is declining. This may point to a cultural issue where employers see upskilling as a cost rather than an investment and suggests the importance of financial and fiscal incentives to change behaviour, build capacity and embed new ways of working.

To address this challenge, Treasury should

- Pilot the introduction of fiscal incentives such as a skills tax credit, as proposed by the [House of Lords Industry and Regulators Committee](#) and the [Learning and Work Institute](#).
- Ensure all of the revenue from both the Apprenticeship Levy and the Immigration Skills Charge is spent on skills.