HOUSE OF LORDS

Industry and Regulators Committee

Corrected oral evidence: Skills for the future: apprenticeships and training

Tuesday 23 April 2024

10.35 am

Watch the meeting

Members present: Baroness Taylor of Bolton (The Chair); Lord Altrincham; Baroness Armstrong of Hill Top; Lord Best; Viscount Chandos; Lord Clement-Jones; Lord Cromwell; Lord Gilbert of Panteg; Baroness O'Grady of Upper Holloway; Viscount Thurso; Viscount Trenchard.

Evidence Session No. 1 Heard in Public Questions 1 - 16

Witnesses

I: The Rt Hon Robert Halfon MP, former Minister of State for Skills, Apprenticeships and Higher Education, Department for Education; The Rt Hon Charles Clarke, former Education Secretary, Department for Education; Lord Layard, Co-Director, Community Wellbeing programme, Centre for Economic Performance.

Examination of witnesses

Robert Halfon MP, Charles Clarke and Lord Layard.

Q1 **The Chair:** Good morning. This is the Industry and Regulators Committee. This is the first public session that we are having in our skills inquiry. Our witnesses this morning are the right honourable Robert Halfon MP, former Minister of State for Skills, Apprenticeships and Higher Education—quite a package—the right honourable Charles Clarke, a former MP and former Education Secretary, and Lord Layard, who is co-director of the Community Wellbeing programme at the Centre for Economic Performance. We will be giving you a transcript of this later, and we are looking forward to the evidence session, which is the first, as I say.

Maybe we can start off by asking you about the biggest challenges that you have faced while you have been doing the jobs that you have been doing in government or advising government. Linked with that, what have you been able to achieve and what were the stumbling blocks? Putting all of that into context for us would be helpful.

Shall we start with Charles, because that is a bit of history, in a sense, and come through to you, Robert?

Charles Clarke: Thank you very much indeed, and thank you for the invitation to give evidence today. I have no doubt whatever that the single biggest issue that dominated my time in relation to skills was the engagement of employers. I consider that to be just as much an issue today as it was then. It is very difficult to develop a proper base of skills without having the full input of the people who are going to use those skills. When I say "employers", by the way, I do not mean simply private sector employers but public sector employers as well. The question is how you engage that.

The central divide right through the education system between education on the one hand and work on the other also remains a very serious division. Although there were various efforts such as foundation degrees, sandwich courses and currently degree apprenticeships and so on, to bridge that gap—even at lower level, our specialist schools had particular specialisms that related, for example, to engineering or whatever, in which local employers got involved—I still believe that problem has not been addressed.

When I was in office, the major effort to try to address it was the setting up of the sector skills councils, of which there are now about 21 in the country, which was aimed at bringing together those employers with the educators and with government to decide what skills strategy could be pursued on a sectoral basis for people in particular areas. That built on what had already been done and what we inherited, particularly in engineering and construction, but trying to extend that right across the whole economy was something that we sought to do.

There were some successes. I particularly recall IT. The IT sector skills council had a real engagement with employers around the IT skills that were needed, but it was very patchy and the interest in that approach has not been sustained. I do not see how you can make real progress in this field without trying to align, to some extent, what is going on in the educational world at whatever level—school or university—and what is going on in the employers' world, particularly when technology and so on is changing things so very rapidly. That is my recollection.

Robert Halfon: Thank you for having me again. I previously attended the committee as a Minister when you did the much-valued report on the OFS. The biggest challenge in my area was what you can sum up in one word—Cinderella. What I mean by that is that for far too long people described the FE sector, or skills and apprenticeships, as the Cinderella sector. The former head of Ofsted did it in 2016, and it is a word that has come up again and again.

I hate that terminology with every fibre of my body. I always remind people that Cinderella became a member of the royal family and that we need to banish the two ugly sisters, snobbery, and underfunding and underresourcing. The problem that we have had in this country is that, somehow, if you are an academic or you do academia, you are seen as a much more valued person than someone who does vocational and technical education. That has profoundly depressed me, because of all the advantages that vocational and technical education brings.

With caveats to my esteemed colleagues in the room and beside me, there has also been an obsession with Oxbridge and Russell Group universities. People come up to me all the time saying, "Let's be more like Oxbridge". My retort to that is, "Why not celebrate all those students who go to Loughborough College or Harlow College and get incredibly good outcomes and incredibly good skills?" Also, those organisations—FE colleges particularly—are beacons of social justice.

The huge challenge really has been to change the culture and the way that we look at this. That is very important, because that leads to a lot of misunderstanding. We use this awful phrase, "soft skills", for example. No skills are soft. We have this false divide between knowledge and skills. My argument was, "Yes, you absolutely have to teach knowledge and the biology of fish, but you also have to teach people how to fish". We have had this false debate, as if skills, in some way or another, are seen as something lesser to do.

You asked also about the achievements. There has been huge change. Despite what I have just said, we have a long way to go, but we are genuinely building an apprenticeship and skills nation. There has been a revolution in terms of what we have done on apprenticeships, for example, moving from frameworks to standards. Pre-2010, apprenticeships were predominantly focused on trades. Many of them were not as good quality as they are now. Sometimes they were just a few months. Now, you can do an apprenticeship from level 2 right up to level 7. They have to be a minimum of a year; they can be two, three or

four years. We have transformed the skills landscape in terms of creating prestige T-levels, which are higher technical qualifications, and the new Institutes of Technology. Nevertheless, this battle is an ongoing one and it has done us enormous damage.

When you look at other countries such as Sweden, Germany and Austria, people who do vocational qualifications are really valued and are seen as great people. I met people from the Swiss education ministry, who told me that people who do vocational qualifications are often more valued than those who go to university. There should be a choice for everyone. University is a great thing—I was only the second person in my family to go to university—but we have to make sure that there is a prestige and parity of esteem between vocational and academic qualifications.

The Chair: Thank you. I think we will want to follow up on some of those points. Those of us who have been around a long time would certainly agree with you on the cultural issues there.

Lord Layard: The main problem has been the philosophy that has governed government policy in this area. If you look at the philosophy that governed higher education, it has been that we should provide enough places to enable any qualified applicant to find a place—not necessarily the one they want, but a place. That is the Robbins principle. We have not applied this same style of thinking at all down the vocational route.

Basically, we started with the expressed wishes of individual employers. Obviously there is a problem there because many employers would prefer, in many cases, to be able to hire workers who somebody else had trained, not who they had trained themselves. There has to be some method of expressing the collective interests of employers, which is, essentially, the same as the collective interests of society. We use everybody in society to contribute to its success and ensure that everybody gets whatever skill they are capable of.

At a minimum, we should be applying the same principles in higher education. If somebody has the qualifications to go on, they should expect to find a place. That is not the case at the moment. For example, in apprenticeship, under the government matching scheme, where employers put in places and individuals register their interests, three times as many people are registering a desire for a place as there are places provided.

We are not responding. We do not regard this as an outrage. The way in which we treat people who do not go to university after they leave school is a complete outrage, yet it is the main source of our low productivity nationally. It is the main source of our wage inequality and of our low social mobility. This should be being addressed.

In the later period of the former Labour Government, this issue was finally addressed in the Apprenticeships Act 2009, which imposed on the Government an obligation to ensure that anyone who had qualifications

for an apprenticeship and wanted one could expect to find one. That was a great idea because, once you have a big, simple idea that governs what is happening in the system, all the detail follows in.

The problem in this whole area is that we have not had a governing principle driving the system forward. Unfortunately, that was repealed, and the number of apprenticeships for people under 25 is now a lot smaller than it was in 2010. This is absolutely extraordinary after 14 years of people saying how important apprenticeships are. We do not have a system that is driving it forward. It is time to reintroduce that apprenticeship guarantee.

It would have to be extended to a higher age group—that is, certainly up to 21, or maybe up to 25. Of course, we are talking not about degree apprenticeships but about up to level 3. That is where we are failing. We could come on later to discuss how that would be funded, but it seems to me absolutely crucial, if we are to deal with the neglect of this sector, to have some single guiding principle from which everything else follows.

It probably could not be implemented in less than a Parliament, but it would have to be given a firm timetable by which time it had to be introduced. It would involve a system of obligation on local authorities and mayoral authorities to act as agents of the government in delivering it. They would work closely with the local skills improvement partnerships, and obviously there would have to be sufficient funding to drive it through.

The fundamental principle that should be accepted is the one we accept down the academic route: that if a person is qualified and wants to continue, they should expect to be able to.

Robert Halfon: I would just very politely take issue with my esteemed colleague, because there has been a huge strategy on apprenticeships since 2010. I mentioned in my opening remarks that, pre-2010, apprenticeships were predominantly focused on traditional trades. They could be a few months. The strategy behind the apprenticeship reform was to ensure quality qualifications designed by employers. There were something like 500,000 people participating in apprenticeships around 2010. There are now 750,000 people participating in quality apprenticeships developed by employers in standards that cover 70% of occupations, in everything from aeronautical to zoology.

On the level 3 point, well over 60% of apprenticeships are levels 2 and 3 at this time. Of course, there was a dip during the Covid years and the difficult economic recession, but, if you look at the latest figures, the starts have gone up quite significantly, and the achievement rates have gone up by about 22%. The most important thing, of course, is that over 90% of apprentices who complete get good skilled jobs, usually in the organisations that have employed them.

Q2 **Baroness O'Grady of Upper Holloway:** Looking at successful completion rates, the latest figures that I could find was something like

53%, which is well short of the Government's target of 67%. A lot of that low completion rate appears to be associated with low pay, poor conditions and few hours off the job for training. I just wondered whether you could update us on what the latest completion figures are.

Robert Halfon: The latest completion rates over the past year went up by 22%. It is a slow figure in terms of getting up to the figure of 67%, which is the overall target—you are right. I take issue that apprenticeships are poor quality. The minimum wage for apprenticeships has gone up significantly.

Baroness O'Grady of Upper Holloway: It is £6.40.

Robert Halfon: Yes, but that is a rise of over 20%. Do not forget that most employers pay well over the minimum wage for the apprenticeship. The minimum wage is usually paid to the younger apprentices in their first year, so many apprentices get a lot more than that. Those who are doing higher apprenticeships get well beyond the figures that you mentioned.

A lot of work is being done on completion, and no one is complacent about this, but one of the reasons is that apprenticeships are much harder than they were in the past, because they are standards. They are for one, two, three or four years, depending on the apprenticeship. They have been designed by employers with the Institute for Apprenticeships and Technical Education. They are not easy things to do, but that is not a bad thing. That is because we want to make sure that the apprentices are of the finest quality that there is to offer, because that is what the employers want.

Q3 **Lord Best:** My question is about how government relates to its role and its action on skills. The Department for Education's role is in co-ordinating cross-government action on skills, but how does that operate? Does the department look at the detail of how workers in particular sectors are trained, or does it focus on the training system more broadly and the overarching position, leaving the particulars of sectors to their respective departments?

Robert Halfon: It does both. The department monitors the training providers and what kind of training they do, but the DfE is central to the strategic direction of training and training programmes, and what kinds of offers there are. The Unit for Future Skills identifies skills deficits and is centred in the department. There are cross-government committees and task forces, but the DfE has an absolutely essential role in this.

To take one industry as an example, it was recognised that there were skills needs in the shipbuilding industry, so the DfE was central to producing a shipbuilding taskforce pack, mapping every single skill to every relevant occupation in the shipbuilding industry. That happens across the board where there are skills needs.

Charles Clarke: I would not claim to be up to date, Lord Best, on precisely what is happening now, but certainly my recollection was that the Department for Education did have a co-ordinating role.

Going back to the point I made earlier, the engagement of employers is absolutely central. Taking the shipbuilding example that Robert just gave, the question of the skills that are necessary in that sector should be dealt with by the employers working with the educators and with government in that particular economic sector. That is the best way to proceed. That is why I supported the approach of the sector skills councils that I mentioned earlier on, because I thought that that was the best way to address it.

In answer to the second part of the question, focusing on the way in which workers in particular sectors are trained, I am not sure that I see that as a Department for Education function. The Department for Education should have a strategic role in this in relation to other government departments, rather than in terms of how the training is done.

By the way, I reject the charge, if this is what Robert was saying, that somehow there is more focus on Oxbridge and Russell Group universities than on the rest, which is complete nonsense. This is not the place to have that kind of discussion but that is, in fact, complete nonsense.

The key question is how you engage the employers in this approach. What I saw was many employers feeling that what came out of the education system, including apprenticeships in some areas, simply was not relevant to the skills that they were trying to deal with in their particular area. That is why I focus on engaging employers in the approach. Certainly on the subject of how workers in particular sectors are trained, I see that as employers' and educational institutions' functions, not the department's.

Q4 **Baroness Armstrong of Hill Top:** Good morning. I am sorry that I have to leave early—it is just one of those things that happens. I am really sorry about it, because I wanted to hear this all the way through.

It does seem to me that we have now got to the position where there is some discussion out there about what the most effective way is to make sure that we get the right institutions in the right place, in order to get this transformation of our workforce. As Charles said, technology is moving very quickly, and moves much more quickly than any of us have anticipated or lived through in the past, and yet we need a workforce that will be able to change that quickly.

Do we have the right institutions at the moment? Should there be more co-ordinating institutions, or should there be much more devolution? We have a sectoral approach and a central approach, but there is a lot of argument going on at the moment around a devolution approach. For example, Andy Burnham is setting up real regional approaches to this, or is saying that that is what he wants to do. Given your experience, I just wonder where you are with this at what I see as a critical moment.

Lord Layard: You should answer that particular question. I have a general point that I want to make.

Robert Halfon: There are so many institutions already out there in this area that it is a bit like a Ben-Hur movie. It is a cast of thousands, and we do not need any more. There has been significant devolution. Some 60% of the adult budget is devolved. We have devolved a significant amount of skills training to the mayoral authorities.

Separately, there is what are called Local Skills Improvement Plans, run in 38 geographical areas, set up by further education colleges and chambers of commerce, supported by universities and local councils, which identify the skills needs in those areas. For example, from memory, there was a deficit in creative skills in the north-west. They set out a local skills improvement fund. The Government responded with the latest money that was given for local skills improvement funds across the country. It was about £165 million. Each area identifies their local skills needs, and the Government respond. That is a good model. In essence, there is devolution going on across the country, but it is at the grassroots level.

The other thing that I would say is that, while I believe in devolution, I also believe in devolving power to people, not just to institutions. We may talk about it later on. As a Minister, I introduced the lifelong learning entitlement, which enables every adult to borrow up to £37,000. They do not pay back more than they borrowed, except in real terms. They do short courses or modules of courses from levels 4 to 6, and that will come through from late 2025 onwards. When we think about devolution, we need to think about devolving power to individuals as much as to institutions.

Charles Clarke: In answer to Hilary's question, I would say that it is regional and sectoral as opposed to national. I very strongly agree on regional, but that requires a major up-pulling of current ways of doing things. If you take, for example, Jobcentre Plus and all the institutions through the Department for Work and Pensions, it was not true that the work and, therefore, skills needs for unemployed people in Norfolk were the same as for people in Merseyside. They simply were not.

The people who worked in those institutions argued to me very strongly that, if they had the same amount of money—they were not asking for more money—but were able to allocate it towards addressing the skills shortages in their part of the world, they would make a better fist of it than simply applying the central government rules that applied.

I strongly believe that devolution, which is something that Richard referred to en passant in his earlier remark, is very important. It applies to many areas of government—not only skills as such but also, as I say, to the DWP. That was always opposed by the Treasury on the grounds of having a nationally consistent system, which is a reasonable point of view but one that I do not think is right. You have to devolve the money to a much lower level.

In terms of an elected mayor, such as Andy Burnham in Greater Manchester, I certainly think that the Greater Manchester mayoralty is a good place to locate the powers and spending powers in these areas to address the economic needs of Greater Manchester, which, as I say, will probably be different to those of Norfolk or wherever it may happen to be.

You also cannot simply lose the sectoral dimension. If you look at construction, for example, there is a competition for work across the country in these fields. There are comparable standards. I am sorry to sound like a broken record on this, but that is why I come back to the sector skills councils, because you need to look across an economic sector at what is happening.

I also think that you need the kind of unit that Robert described in terms of looking at future skills in a creative way in a central government department, but it is not a question of looking at it with a complete blue sky. All the enormous technological changes that are happening are, basically, improving and changing the ways in which sectors operate economically, and we need to understand the way in which that works. It is quite infrequent that you have something coming out of a complete blue sky as a completely new area of work. It does happen but it is not the dominant theme that needs to be addressed. My answer to the question is regional plus sectoral.

Lord Layard: I agree with everything that has been said, but the point that I want to come back to is that, in the end, you need an approach that is population-based. How many young people are there, and what is our aim for those young people? We go astray if we think, "What do employers want?" We have to produce a situation where employers want to equip all young people with the skills that they are capable of. We need a population-based approach. That has to be, at the local level, an assessment of what the needs of the local young potential workforce are.

Equally, of course, there has to be the same at the national level. The extraordinary fact, which is, I must say, almost where one would start thinking about this whole thing, is that, at the moment, 30% of our young people aged 18 are in no form of training or education. Nearly a third of people are stopping their training or educational development at the age of 17. This is such a desperate situation. It is the main thing that differentiates us from France, Germany and other competitive countries.

We have to have a population-based approach and to generate the demand from employers to employ those people and give them the skills that they need. I very much agree with Robert that the quality of apprenticeships has improved enormously in the last 10 years, but the quantity is what absolutely needs addressing.

Q5 **Lord Clement-Jones:** I have three rather broad questions. What types of skills will be needed for the future of the UK economy? Will this require an increase in the training and retraining of the workforce? Thirdly, is the skills system capable of providing such an increase?

Charles Clarke: I was just looking back to a reference about the skills needed in the economy of the future. The core point is that the skills that are needed are the skills of being able to think about and address things in a way that is not as technical as has been the case in the past, because AI and a whole series of technological developments will be doing many of these things.

The question that needs to be addressed is, "How do we build an economy and a society within which this works well?" This means people who have judgment and a wide range of skills—not soft skills in the meaning of the word that is used, but able to assess how to move forward. The idea that the STEM subjects will completely fill the needs of society as we move forward is quite wrong. There is a series of issues about how you use the technologies and so on that we have. I would be focusing on the issues that are about the judgmental skills and the abilities of that type.

Lord Clement-Jones: Thank you; we will come back to the second and third questions in in a minute.

Robert Halfon: We talked about the Unit for Future Skills. It is not about blue-sky thinking; it is about looking at the data around where the skills deficits are. A huge amount of work goes on with that in the Department for Education. I also said that the best way of identifying where you have skills needs is not just with the Unit for Future Skills at the centre but the Local Skills Improvement Plans. In each of the 38 geographical areas, they identify the skills needs.

From my time in government, it is clear that the skills needed for the future are going to be green skills. There is no doubt about that. There were cross-government green skills task forces that I was on. There is, of course, the fourth industrial revolution as well, and the need for skills in AI. Overshadowing all that is STEM, where we have a deficit, although well over 300 of the 690 apprenticeship standards are in STEM-related subjects. Those, from my experience, are the skills that we need to focus on.

Lord Clement-Jones: You have a bit of a disagreement with Charles there. Are critical thinking, judgment and so on also important in terms of the skills that we need to develop for the future?

Robert Halfon: That should be part of everything. Skills such as critical thinking should be part of when you learn a skill. Perhaps with a green skill, you might have that as part of the training that you do. It is not something that you separate. If we are talking about the jobs of the future, given that, at the end of the day, we want people to climb what I call the ladder of opportunity, we must focus on the skills that employers want. They want green skills, they want AI and they want STEM.

Lord Layard: I agree with that. There is a need for analytical skills, which are not just STEM but also the kinds of skills that you learn in social sciences. What is crucial is the ability to analyse your work

situation, the process that is going on and how it could be more efficient, and the ability to think in a quantitative way. It is completely wrong to imagine that that can be taken over by AI or somebody else. We have to have people who can think these things out for themselves and check them with AI.

It is clear that a large number of mental processing operations will be replaced by AI. If you think about what the pattern of the workforce is likely to be, there are going to be many more people employed in caring activities in the future, because those are the ones that cannot be replaced by AI, and so we absolutely need to be addressing the workforce issues in the whole field of caring.

Lord Clement-Jones: Without leading the witnesses, nobody has mentioned creative skills. Would you include them?

Charles Clarke: The quote that I was trying to find was from Joseph Aoun, who is the president of Northeastern University and wrote the book *Robot-Proof: Higher Education in the Age of Artificial Intelligence*. He argues that, in order for humans to distinguish and develop their capacities from those of machines, the skills that are particularly necessary to try to deal with a society in which AI is moving forward very quickly are creativity, which talks to your point, as well as mental flexibility, sociability—which is an underestimated thing in our current education system, the ability to communicate and work with others—and imagination.

Lord Clement-Jones: Do you agree with Robert that that goes alongside the fact that, if you are teaching STEM, you need those other underlying skills as well, or are they stand-alone? I am not quite sure whether we have agreement across the panel.

Charles Clarke: I do not think that they are stand-alone. You need to have the technical understanding. For example, the ability to use statistics and logic ought to be a much deeper part of certainly a university but also a school education system than we have at the moment. Those skills, if that is the right word to use, are devalued compared to what is necessary. I agree with Richard that humans need to be able to evaluate and think about the processes that are coming through.

That does not go against Robert very strongly. While I agree that the STEM subjects and so on are important—I am not trying to diminish them—if you think about what will distinguish humans as opposed to machines 20 years from now, it is those skills that Aoun suggests in that book, which are nearer where we need to be thinking about than the kinds of technical skills that we sometimes think about when we talk about apprenticeships and other ideas like that.

Lord Clement-Jones: Can I ask each of you in turn whether you think we have a gap and how we are going to fill it with those skills?

Charles Clarke: Yes, and it requires elevating the discussion about them and their place in the curriculum in both schools and universities. I am doing some work with one of the exam boards at the moment on the 11-to-16 school curriculum and an assessment to see what steps there might be to deal with it. As we have gone through it, I am very struck by how the schools do not address some of these skills as much as they need to in the current environment that has built up.

Lord Clement-Jones: Particularly at secondary.

Charles Clarke: That is what I am looking at at the moment.

Robert Halfon: I absolutely believe that there has been a gap in STEM subjects, and there is a huge amount of work going on. I mentioned that over 300 apprenticeship standards are in STEM. There are T-levels in STEM. There are boot camps in STEM and digital. There are free level 3 courses that adults can access. We have introduced the higher technical qualifications, many of which are in STEM-related subjects.

Something that I am very passionate about are the Institutes of Technology, which will revolutionise tertiary education. I did a lot of work on that. There are 21 around the country. They are collaborations between university, further education colleges and business. They provide particularly the STEM and higher technical qualifications for those students and, again, because they have business involvement, they are employer-led.

Lord Clement-Jones: I declare an interest, because we have an IoT at Queen Mary with Newham College. Is enough resource going into those? Is the skill system capable of providing such an increase?

Robert Halfon: There absolutely was a resource problem in the past, and FE never got as much funding previously. There have been some measures to address that. Some £300 million is being spent on opening 21 Institutes of Technology. We have about 19 or 20 open at the moment, or 21 altogether. I would love to see more of them all over the country. As I say, they will revolutionise tertiary education, they will be disruptors to the traditional university model, and they have a lot to offer.

Billions of pounds are being spent on apprenticeships: by 2025, £2.7 billion will be spent on apprenticeships and apprenticeship standards. You have more money going into further education than before. There will always be a need for more, absolutely, but, compared with previous years, there has been a significant change over the last two or three years, given the state of the difficulties in the economy. Some £550 million is being spent on boot camps alone. They are like accelerated apprenticeships, where people can do 16-week courses. They are guaranteed a job interview. We had over 40,000 people doing boot camps over the past year. They have been a tremendous success, with very good outcomes.

At every level, from 16-to-19 to the introduction of T-levels, higher technical qualifications, boot camps, free level 3 courses and apprenticeships, there is a skills offering now. A special focus is on those areas that need it most. In the previous Autumn Statement, the Chancellor announced a £50 million budget for apprenticeships, but in key areas where there is need, particularly in STEM areas. That shows a focus in terms of money on the skills that employers are asking for.

Lord Layard: I would just add a point on general skills. The Prime Minister's initiative in maths and English is a very important thing, which could affect the skilfulness of people right across the workforce. I have been reading a wonderful book by Steven Pinker called *Rationality*, which is about the four Rs, of which the fourth is rationality. Your ability to apply reasoning to any problem that you face is one of the most important skills that we need for the whole workforce.

Lord Clement-Jones: You are a bit more with Charles in terms of wanting to look at those broader skills at an earlier age. Where would you fit your vision into this?

Lord Layard: I do not think that there is a disagreement, no.

Charles Clarke: It was Steven Pinker who, about five years ago, argued specifically that, in their first year, every student at Harvard should have compulsory modules on statistics and logic to go through the whole process, for exactly the reason that Richard is implying in this approach. You can argue whether his approach was right or wrong, but he was trying to address the kind of problem that we are talking about here.

The Chair: That takes me back to the 1960s, when some of the new universities of the time insisted that anybody doing a social science degree had to do other dimensions, and vice versa. What goes around comes around.

Q6 **Viscount Trenchard:** I would like to explore with you what you think the role of business should be in encouraging the development of skills in the UK, and how early business should get involved. I have just been at a breakfast meeting for the nuclear industry and heard that there is a shortage of 200,000 workers skilled in basic technologies such as welding to the standard necessary for nuclear safety.

Some of the companies there say that you have to get into schools to encourage children aged as young as 10 to consider the nuclear industry, or whatever other industry, not just in terms of the academic approach and looking at STEM, but to get rid of some of the negative feeling about going into highly technical employment areas such as nuclear construction. Should the role of business be in encouraging the development of skills? Should business be a consumer, a funder, a trainer or a co-designer of skills provision?

Charles Clarke: My argument would be very strongly that engagement should be as early as possible. Of those choices, the word that I would select is "co-designer", to be involved from the outset in discussing, with

the education system, what skills are needed for their industry in later life.

There are lots of examples of how that does not happen at the moment. Interestingly, just this morning HEPI published a blog by Professor David Phoenix, vice-chancellor of London South Bank University and an outstanding academic leader in this field, in which he laments the inability of business to involve itself properly with universities in helping to develop the courses that are needed to meet exactly the skills shortages that you are describing in a particular industry.

David sets out all the problems and difficulties and, in fact, quotes from an early report of this committee on the Office for Students, where you lamented—rightly, in my opinion—"the proliferation of regulators", which "has caused … red tape, increasing the burdens on providers" and the "lack of effective collaboration" that is needed.

My answer to that question is: from a very early stage. That is the reason why I talk about the sector skills councils, so that you discuss, in a particular economic sector, between employers, trade unions, education and the Government, what the right skills are that are going to be needed. You try to foresee how that is going to change over time, because, as everybody has quite rightly said, the skills that you learn today will not necessarily be those that are necessary in 15 years' time, and so how do you deal with that?

These institutions are very patchy in the way that they operate at the moment and do not have sufficient commitment. That is exactly the way that it should be proceeded. As I said earlier, the extent to which employers engage in this varies very much, economic sector by economic sector. I am not surprised to hear that the nuclear industry wants to engage in it, because it has a long record of trying to engage in these kinds of discussions. I am also not surprised that it has had difficulty engaging, because, to be frank, among many people in the educational world, whether at higher education or at school level, there is a resistance to the idea that employers should have a role in what is going on, which is a problem.

What I am saying has two sides. People in education are saying, "We do not want to be involved with dirty people involved in work", and the people in work are saying, "The soft-headed education people are hopeless at providing the skills that we need in our sector". It is a hopeless dialogue, and that dialogue is what needs to be developed.

There are funding issues. Philip Augar made some very interesting proposals on that in his report a couple of years ago. The phrase you used in your question, "co-designer of skills", is exactly what you need to engender.

Robert Halfon: If I could start with an anecdote, I said at the beginning that there is a cultural problem that has existed and is changing a little. Statistics show that businesses train less compared to many other

countries in the OECD. I remember going to Germany to look at all this. We were with the chamber of commerce. Businesses train and give work experience to students from the age of 14. I said to the business and the chamber of commerce, "Why do you do this?" They looked at me absolutely horrified and asked, "What do you mean by 'why'? It is our duty. We are training the next generation. We then identify those students who we can employ". There is a very big cultural difference, but it is changing.

You need a bit of carrot and an occasional stick. I do not like to use the word "stick" as such, but you have the apprenticeship levy, which I know we will discuss later. The whole idea of that is to ensure that big business trains apprentices, but you also have to have incentives, and there is an enormous amount of incentives through the system. For example, the Government, or the taxpayer, now pay for the cost of every young person from 16 to 21 to undergo training in a small business. For every apprentice employed, if they are a young person, the business gets £1,000 and the provider gets £1,000. We now have qualifications, not just through apprenticeships, that encourage and, in fact, insist on work specialisms. If you do a T-level in the second year, you have to do 45 days' work experience.

There is change coming through the system. It is a mixture of carrot and stick. I accept the regulation point. As a Minister, I used to use the phrase "Operation Machete" in the department, because there is a huge amount of work going on to cut the red tape. They have cut the red tape quite a bit for small businesses in terms of when they employ apprentices, but there is a lot more work that is going on.

Just to end, there is a national college focused on the nuclear industry. There is an enormous amount of work going on across the country strategically in terms of nuclear skills, whether through apprenticeships or the Institutes of Technology that I mentioned, and the other skills offerings that I have also described to the committee.

Lord Layard: Business is crucial. It has to set the standards and the content, and all of that is vital. In the end, of course, it has to provide the places for the people who are being trained.

How should we think about these shortages that you mentioned? It is quite common to blame the students and say that this is a problem to do with career guidance and so on. That is, of course, incredibly important, and proper information to young people about apprenticeships and so on is still not universally available. The fact is that there is excess demand. That is the fundamental situation. Not enough places are being provided by employers to meet the wishes and availability of young people, so we have to find ways of changing that.

We have to find ways of making sure that the apprenticeship levy is more directed to young people, because how people get their start in life is even more important than their subsequent retraining. We need to get

people off to a proper start in life, as the primary obligation of government is to ensure that that happens.

Business has to be pushed and incentivised to make that possible, which, coming back to the role of government, means that there is an enormous need for very proactive activity in Whitehall, reaching out into the regions, with not just a computerised National Apprenticeship Service but a national team promoting apprenticeship and pushing local authorities and LSIPs to deliver what is needed. It has to be a combination of greater focus by business on the needs of young people and greater emphasis by government on the means to induce that.

Q7 **Baroness O'Grady of Upper Holloway:** Building on that discussion, arguably a successful skills strategy depends on a strong social contract involving state, employers, unions, institutions such as colleges and providers, and the workers themselves. I would be keen to hear anything more in terms of your observations on whether we have achieved that social contract that we see in other countries. If not, what could we do to accelerate progress towards that?

Secondly, it is clear that investment in adult skills has suffered a long-term decline, certainly compared to the early noughties. In terms of that social contract and a sense of clear roles and responsibilities, what are your views on whether state, employers and individuals are investing enough? Do we in this country have the balance right, particularly between the state and employers?

Charles Clarke: First, when Robert talks rightly about the strength of the German system, which he did in his answer a second ago, that is entirely because of the social contract structure of Germany that dominated during the 50s, 60s and 70s. A whole structure was created in which skills and training were a core part of that social contract in Germany, which has led to the kind of situation that you rightly describe.

There is an interesting question now as to whether the German model is outdated in the very fast-moving skills movement that we are seeing at the moment, because it is the car industry and so on where you need to move forward. The concept of the social contract is absolutely central to the whole approach, and the question is then how flexible it can be to deal with the technological and other changes that are coming.

In answer to the question of whether we have that here, we patently do not—that has not been the case. You have experienced that yourself through a whole professional career, and it is a massive issue to try to get to a point of view where you have a social contract approach that takes things forward.

My equivalent model, which you may or may not agree with, is the one that I have articulated here about the sector skills council, which is a different type of model to the traditional German-style social contract, but, nevertheless, has the purpose of getting not all economic sectors but all sections of interest to work together to try to address the problems that we have at the moment. There is a burning need to get to that

situation, and we should be trying to do it. Whether or not we have a new social contract, if that was ever to be the case, in the skills section of the world you need to build those kinds of partnerships in a way that really works.

Individuals have a role, and there are some quite serious questions about whether individuals are incentivised to go through continuous professional development, retraining or whatever in a way that moves forward. There are some interesting questions about that, but the state has a very important overall strategic role that I would favour.

Robert Halfon: There are different definitions of "social contract". I would prefer "skills contract" or "skills guarantee", which I think we are on the way to doing, although there is a lot more work to do, whereby anyone who wants to do a skill is able to do so, and particularly those from disadvantaged backgrounds.

When I came into this area, my first ever speech in the House of Commons was about the fact that schools were not doing enough to encourage their students to do apprenticeships. That is changing. It may be that we talk about that a little bit. I came in to champion apprenticeships as a Back-Bencher from 2010 onwards, because I felt that it was the greatest ladder of opportunity, particularly for the most disadvantaged, as well as in terms of addressing our country's skills needs.

I would like to make sure—I believe that we are making progress on this—that we offer everyone a ladder of opportunity and have different skills offerings. Some may want to go to university, but I want them to get good skills when they are at university and good jobs when they come out. Some may want to do T-levels, higher technical qualifications or apprenticeships, and I want to make sure that those offerings are there. I have been very open in the past in saying that skills and the FE sector had not been funded in the same way as other education sectors.

There is a long way to go but that is being addressed. We are spending an extra £3.8 billion over the Parliament on skills. Hundreds of millions of pounds were announced for skills and education. If you take the Autumn Statement and the recent Budget, an extra £110 million is to be spent on apprenticeships, and £500 million on boot camps. In terms of free level 3 courses, while you say that there has been a decline in adult education, these are new schemes that were created and are very successful.

Baroness O'Grady of Upper Holloway: Even taking that into account, the IFS says that there has been a decline.

Robert Halfon: There has been some decline, but adult community learning, for example, was up 8% over the past year. The numbers doing boot camps shot up to over 40,000. You have many thousands doing free level 3 courses. What I am trying to say to you is that the glass is not full, but it is a half-full glass, not a half-empty glass. We need to

acknowledge where progress is being made, even if we say that there is still a fair way to go.

Lord Layard: I do not have a lot to add, but just one observation. The area where things have gone worst has been with small and medium enterprises, where the number of apprentices has halved since 2015 or so, since the apprenticeship levy came in and created a lack of clarity in the way in which the non-levy paying sector was meant to be operating.

We have to find ways of engaging not just the captains of industry but the whole of the industrial and employment sector in this effort. These are local issues, essentially. It requires some real dynamisation of the skills improvement partnerships, or some very strong central leadership that helps them to find a new mode of operation. There has to be some step change in the way this functions.

Q8 **Lord Altrincham:** Following that, maybe this question is really the private sector question. You speak very well of the importance of business being pushed and of engaging with business and the private sector. Perhaps you could share with us your perspectives on what you have learned from the private sector directly and what they see. Why has employer investment in training declined in recent years? What incentives do employers really have to provide training for employees? Should there be further incentives put in place to reverse the decline in investment in training?

Charles Clarke: My take on this is that I always oppose the idea of looking only at private sector employers, which is what people often use. Public sector employers are an enormous proportion of the economy. The question of what public sector employers—whether it is the health service, the Government or education—do in relation to skills is centrally important. The Government have the power to require those sectors to be able to do more on training, and it should do so more.

There was an idea that ran around when I was early in government called the NHS University, which came from somebody from within the trade union movement. The whole idea of big public sector employers doing that work is very important.

Then you come to the private sector, as you rightly ask, and here the problem is, "What are the powers?" It is an illusion. One of the difficulties with what Richard said earlier is how you require private sector employers to take action in this field. You can incentivise with various schemes, and this Government have done some of those, but, at the end of the day, if an employer does not want to do the training and education, can or should the state require it to do so?

Lord Altrincham: Can I take you back to the core question, which is about why they do not want to, from the private sector perspective?

Charles Clarke: It is because of the costs. Again, Richard rightly made allusion to this earlier on. The fact is that, if a small employer thinks that it can get its people trained and paid for by somebody else, it would

prefer not to invest in the training and to take the person on directly, having done the training elsewhere. It is a cost factor, as far as it is concerned.

Government can help that by putting financial support in, and Robert has outlined one or two ways in which that is done, but the cost factor is there. Although I am not a businessman, I would say that that is extraordinarily short-sighted by that employer, because the reason for doing it is that they become much more technically competent at the cutting edge of business than would otherwise be the case, but it requires support.

Many years ago, when I was a councillor in the London Borough of Hackney, I had a role that will shock Baroness Taylor. I was chair of something called the Fashion Centre, which was a body that was set up by the local authority to shift the benefit of producing for example a shirt from the west of London, where it was sold at a very high price, to the east of London, where it was produced on basically slave wages.

The question was how you could set up a structure to deal with that. It required investing in technology and in people, and so on. The local authority put in resource through the organisation that I was chair of to do that, but that requires a very direct investment of resource. The employers in the private sector, in what were sweatshops in east London, had no motive, or did not see any motive or incentive, to put money in themselves, because they did not think that it was financially worthwhile.

The question was about what type of state support could make a difference. In this case, it was the local authority. That kind of example crops up all over the place. That is why I said, right at beginning of this evidence session, that the number one question for me is engagement of employers. There are incentives—as I said, the Government have offered some—and there are other steps that can be taken. Some forms of legislative requirement can happen in some areas. They are mostly not in the area of small and medium-sized employers, as Richard was rightly lamenting, because a central regulatory regime probably would not touch them in many of those areas. You have to make it worth their while not only in terms of financial support but also that idea of the sector working cohesively to try to improve skills in the sector.

Robert Halfon: It is down partly to culture, which I spoke about at the beginning. It is down to costs and to red tape and regulation, especially if you are a small business. Just to clarify, 41% of apprenticeship starts are from SMEs, but we need to do a lot more than that.

Lord Layard: It is 60% of the workforce.

Robert Halfon: Yes, but I am just putting these in perspective. What I would like to see one day is a skills tax credit for businesses. You have an R&D tax credit for research and development. If businesses are offering genuine skills programmes, there should be a skills tax credit. That would incentivise business, because, at the end of the day, incentives work. The

levy is the stick side of it, but a skills tax credit would make a difference in the long run. It is something that I hope would be introduced by government. That would be the best way to boost skills training separate from the apprenticeship training that is already on offer.

Q9 **Lord Cromwell:** Can I bring you back to who apprenticeships are aimed at? There is a concern that existing training for older employees is being rebadged as apprenticeship. Therefore, while lifelong learning or CPD—call it what you will—is, of course, very important, as Lord Layard said, for the young who are starting out on their future paths, should the levy for apprenticeship be ring-fenced for younger apprentices?

Lord Layard: I have been very disturbed by this. The original idea of apprenticeship was to get young people off to a proper start in life with a proper training structure. Unfortunately, since the apprenticeship levy was introduced, it has handed the feeling to employers that this is their money.

Previously, we had the funding of apprenticeship coming from government to discharge a social purpose, and that was the right way of doing it. The apprenticeship levy has created this unsatisfactory situation where, although legally the money has to be put aside, employers increasingly feel that they have the right to use it in the way that they want to. The simplest way to use the money is to pay for things that you previously paid for yourself, so it is not surprising that this has happened.

There has been some of that. There has also been the extraordinary development of apprenticeships where people are studying for degrees or MBAs and avoiding the student loan, because they have the apprenticeship money helping to fund it. This is not what was intended. Degree apprenticeships are a terrifically good idea, but they should be paid for by employers, until we have proper development of apprenticeship up to level 3 for the majority of the population.

There is a very simple set of priorities that we should be thinking of in this area, which is, first, to deal with the problem of low skill among the people who do not go to university. This should be the central focus, if we are worrying about skills issues. The ones at the higher level will take care of themselves.

Robert and his colleagues have done a good job in setting up levels 4 and 5 in the same way as the rest of higher education. That can go ahead and, hopefully, will really take off, but the thing that is not taking off is level 3 and below. On the contrary, it is stagnating, and that is what we have to do something drastic about. It means that we have to refocus the apprenticeship levy on those people.

At one time, I proposed an amendment that was passed by the Lords but rejected by the Commons, which would require that two-thirds of the levy went on people under 25 doing level 3 or below. There have to be some restrictions put on the use of the levy if we are to do anything about the 30% of 18 year-olds who are doing nothing.

Lord Cromwell: I will ask you all the same specific question. Should there, therefore, be an age cap on the apprenticeship levy usage?

Lord Layard: I do not know whether it should be on all of it, but it should certainly be on a major part of it, in terms of both age and level. If there is none in terms of level, you will have an explosion of degree apprenticeships soaking up all the money.

Robert Halfon: I take a different view from my colleague. First of all, I will just repeat the point that well over 50% of apprenticeships are done by young people. Level 2s and 3s account for well over 60% of apprenticeships. I believe in the apprenticeship levy, because it is a Ronseal levy: it does what it says on the tin.

I have been all over the country, travelling thousands of miles, literally from Cornwall to Cumbria. I did 843 miles in five days during National Apprenticeship Week. The reason why I say that to you is because I went to visit companies that were employing apprentices all over England. Many of them are not young people but adults who made a different choice when they were younger. They maybe did an English literature course or whatever it may have been at university, and then wanted to do a nursing apprenticeship or a financial apprenticeship, or to go into law having done a legal apprenticeship.

It is very important that we do not deny those people those opportunities, because apprenticeships should be about lifetime training and retraining. There may have been some gaming of the system, but the Government have knocked some of that out. For example, in terms of the master's issue that Lord Layard was talking about, they got rid of a particular master's one that was being abused. The vast majority of higher apprenticeships are in STEM or public service.

Since 2014, when they came in, there have been over 200,000 degree apprenticeships. They are one of the greatest reforms that we have done, because they combine the benefits of university and skills. They bring skills and knowledge together. They are ladders of opportunity for the disadvantaged. You can do them in a huge range of subjects, not just management and MBA. You can do policing. You can do medical. You can do legal. You can do accounting. They are a great reform. I would describe "degree apprenticeships" as my two favourite words in the English language, because they answer so many problems.

I would be very wary of tinkering with the levy, because, every time you tinker with it, you have gaming on one side or the other. How you get more younger people to do apprenticeships is by providing more financial incentives to employers. We are doing a lot on that in terms of the money that is going to SMEs to try to encourage more younger people to be employed as apprentices, but you should not throw the baby out with the bathwater. It is not an either/or. You can absolutely have a focus on young people, but you must allow adults to have that opportunity to train and retrain throughout their life and to do an apprenticeship if they feel that that is the right way forward for them.

Lord Cromwell: So there is some gaming of the system, but not enough to worry about. Why should it not be the case that you could do an apprenticeship later in life? Turning that argument on its head, is that not a different type of training to the sort of apprenticeship that Lord Layard is talking about, where we are setting people on a path?

Robert Halfon: I just do not agree, with courtesy, because I have huge respect for you. An apprenticeship is something that you should be able to do throughout your life, at whatever age you may be able to do it. It is incredible. I talked about that mileage, because I went from company to company and saw the most incredible examples of young people doing apprenticeships, as well as adults who are changing career midlife and have been able to take up the most extraordinary opportunities, whether medical, policing, financial or legal, and would not necessarily have been able to do that. They have been able to get the training that they need. It is not an either/or, and you need to focus on both.

I am not saying that gaming does not take place, but, wherever you see it, you have to knock it out somehow. Every time you tinker with the levy, you dilute it, which just leads to more gaming, so I would be very wary. The levy is a great reform. Some significant changes have just been made, in that big companies can now pass over 50% of their levy to any small business that they like. There are changes that happen to the levy, but, every time you tinker with it, you have more gaming.

I would also say that there is a misunderstanding around companies that do not use the levy. That money goes to smaller businesses to fund the training of their apprentices. The money is not taken away. In some ways, if a big company does not use their apprenticeship levy, that is not a terrible thing, because I know that a small business is going to be able to be funded to train an apprentice.

Charles Clarke: I am not as up to date in this area as I would like to be. However, I too favour degree apprenticeships in the same way that I favoured sandwich courses, foundation degrees and a range of initiatives that were taken over time to try to get universities to work closer with employers. I also favour the kinds of initiatives that exist in a widespread way across our universities for job experience and work experience for different people.

Where I find myself in difficulty is with the use of the word "apprenticeship". I like Lord Layard's reference to "start in life", and that has always been a very important concept to support this. Everybody is worried about significant numbers of people who see their future blocked in some way, because of an inability to move forward, and who hope that some opportunity for paid work in the form of an apprenticeship is a way forward for them.

There are key issues about the education system itself that cannot be ducked. I think that I am right in saying that about 240,000 young people got to the age of 16 without having a basic qualification in mathematics at all—a very big section of the age group—which makes it

very difficult for them to proceed. While you need the start in life via something called an apprenticeship, you also need schools to do better in terms of ensuring that everybody is able to go through in a qualified way.

My difficulty with the word "apprenticeship", however, is at the second end. I have never liked it, for the reason that it implies, for me, a very static view of what skills are in an economy and in a very dynamic area. The original concept of apprenticeships was to train people up to a particular skill that would then be operated throughout life by a particular person, but is there anything that today you can say is a skill that will last you for 30 or 40 years in this very rapidly moving process?

In terms of equipping people for the changes that are taking place, it is an ability to be flexible and use skills to address new, fast-moving situations, and to be flexible in what operates, that you should be trying to promote. I would not call that an apprenticeship. I know that I am out of line with probably most people in the room, but I do not like the word "apprenticeship" for that kind of thing.

Things like retraining, continuous professional development, or somebody who has not been able to use their English literature degree at university wanting to get a job as a nurse are absolutely excellent, but I would not call that an apprenticeship in the approach that is taken forward. It is not quite remedial—that is the wrong word to use—but it is trying to help somebody reverse a mistake that they made in their earlier career path.

I would say yes, do have an age and skills cap of some kind and do focus on that start in life, but do then work with the education system as well. I had examples of schools in my constituency where local employers had gone to the school and said, "Could we provide some work experience for your 14 to 16 year-olds?" There are kids who really would have liked that and would have benefited from it, but the school system worked against it.

I would focus on that "start in life" point and then put all the rest of it, which is about people being able to enter training and so on at different points in life—40 year-olds and so on being retrained—in a different package. Maybe you would call it an apprenticeship levy—I do not know—but I am certainly not persuaded that the apprenticeship levy system has succeeded in what it is trying to do at the moment, and I certainly do not regard it with great admiration, as a scheme that is getting people into the right place.

If it is the case that people are gaming the system, as you were implying, Robert, what is the reason? The reason is that people are using it simply as a financial asset and not as a commitment to developing training skills in their own company and organisation.

Q10 **Viscount Chandos:** I should start by declaring an interest as I chair the Credit Services Association, which is a trade association that, through a subsidiary, provides apprenticeships to employees of member companies and of other employers, including many in the public sector.

Businesses have complained that the apprenticeship levy is too restrictive in what can be funded, perhaps reflecting a lack of co-design, which we discussed earlier, and have called for greater flexibility to allow funds to be used for shorter modular courses. Can a balance be found between allowing that greater flexibility and ensuring and maintaining high-quality standards?

Charles Clarke: I certainly would associate myself with the idea that the apprenticeship levy is too restrictive, and with the idea that we need far more flexibility and a much wider range of shorter modular courses and so on at various levels of what is happening.

On the second part of your question, in terms of whether a balance can be found, it depends on targeting what you are trying to do. If you are trying to ensure that people get the skills that they need in the modern world as the skill demand is changing in different economic sectors, you can see a way to do that, and there are many examples of schemes that have been done to do that.

If you are targeting younger workers, which is what you asked in your question, it is much more difficult to see how you do that through this apprenticeship levy system. Maybe you simply call the younger workers element of it the apprenticeship levy, and establish something else for all the other types of things and the flexibility that you are trying to encourage. It is a wording point, but the question of enabling people to retrain later in life is a different challenge to the challenge of giving young people a better start in life and, in particular, enabling them to get onto the jobs ladder in some form or another, which most people think is a desirable thing.

They are not really the same thing, but they get brought together in one word—apprenticeship—and in one scheme—apprenticeship levy—in a way that I do not think is right. We have known each other for a long time. I am of too great an age and out of touch in this, and no doubt Robert will come in and say, "You are old and out of touch when you say this", but you have to be much clearer about what you are trying to do with these large chunks of government money, what you are trying to promote and what kind of challenge you are trying to address.

Viscount Chandos: I am sympathetic to Richard's view and to yours about apprenticeships in terms of the start of working life. Do you feel that, for instance, the current minimum time period is appropriate for a true apprenticeship or a start to working life course, and that the flexibility should be greater for the later stage?

Charles Clarke: The aim should be flexibility. Therefore, any rules that are put in to say that an "apprenticeship" should be for a particular length are restrictive and do not need to be operating in that way. That would be how I would take it. For young people and school leavers, that flexibility is exceptionally important.

It might be argued that a young person is interested in doing an "apprenticeship" only if it is a clear route to employment, and I can see that, but I am not sure why the state should put that restriction on that, rather than individual companies doing what seems best for their particular local young labour market.

Lord Layard: I can only repeat what I already said, which is that a certain proportion of the levy—at least a half—should be restricted to people under 25 doing level 3 or below. I do not see how, otherwise, we are going to get away from the situation where we have a massive number of people who are not getting any form of training or education at age 18.

Q11 **The Chair:** We have, I think you said, 30% of 17 year-olds not going into anything further, and yet we have three applicants for every apprenticeship, so there does not seem to be a disincentive to people for applying. Are there are barriers to people at 17 or 16?

Lord Layard: In surveys, young people constantly say, "I could not find an apprenticeship, and that is why I am just doing dead-end jobs". This is different from the problem of NEET. Something like 20% of 18 year-olds are doing a job with no training. We are talking about how to stop that.

Q12 **Viscount Chandos:** In terms of the maintenance of the balance between quality and flexibility, I see from a distance how rigorous the standards are that Ofsted imposes on apprenticeship providers. Is that something that would get diluted, and would that matter if there were shorter courses and greater flexibility?

Charles Clarke: It might get diluted, but I suspect the reason why Ofsted is so rigid on this is to try to avoid the kind of abuse that has been described elsewhere, with companies claiming that they are putting money into apprenticeships but not doing it in a way that really benefits the potential apprentice in that way.

In principle, I do not think that a flexible system or a greater variety of types of course or activity is something that Ofsted could not deal with itself. I am perhaps being too rigid in supporting your call—or the levy's critics' call—for more flexibility in the field, but my observation is that things are moving very quickly. The idea of an apprenticeship is really out of time, I would say, because the demands of working life are so different in so many ways. It is the ability to work in that world that young people need more than anything else.

Q13 **The Chair:** It is particularly difficult to get that if you are starting only at 17 or 18. If you have not had it in the school system previously, it is a very big jump in approach.

Charles Clarke: I could not agree more, and that is exactly why I tried to argue earlier that, at this bottom level in terms of age, a collaboration with local schools and the local education system is absolutely central in order to find those routes. We tried a rather half-hearted approach in government, which was the idea of specialist schools, which got local

employers involved in the management of the school precisely in order to develop those kinds of relationships.

That was all abolished in 2010, but I still believe that getting local employers involved with their school in the kinds of activities that would appeal to people in those areas would be very important. In fact, I saw some very exciting schemes up in Liverpool, at Ford in Halewood. It had a tremendous set of schemes that were motivating children who would have been most demotivated and not engaged at all in education between the ages of 14 and 16. What Ford was doing was very impressive.

The Armed Forces had some very positive schemes of various descriptions, but these were drops in the ocean rather than a systematic approach. What I really believe in is some kind of systematic approach to engage employers, locally and nationally, with the education system to try to provide particularly people between the ages of 14 and 16 with the opportunities that will meet what they might want. Although it is not so much the statistic that you gave about people applying there, what I have seen is that, if young people aged 14 to 16 who are most disaffected see some kind of opportunity that interests them, they are ready to go for it. They are not wastrels. They are people who are looking for something to take it forward.

Going back to an earlier question in this discussion, that requires something very localised. You need to have a local set of relationships to make this work. That is the direction in which I would be going, but that does not lead me to say that you have a rigid system. That is why I like the word "flexible", because you have to try to fit horses to courses in particular situations.

Robert Halfon: I have described to you that I am a passionate supporter of the levy. I believe that it is a Ronseal levy: it does what it says on the tin. We talked about gaming, which you can deal with where it occurs. It is not expensive. If you start diluting it, all that happens is that you will have fewer apprentices. Estimates from the Department for Education suggest that you could have a reduction in starts of about 140,000 a year. That is a 60% decrease compared to last year.

Some companies do not like the levy—I completely get it—because it is a levy, but there are many companies, from Amazon to John Lewis to companies all over the country, that are using the levy very successfully. They like it and know that it is a great way of training employees, including younger ones. It would be fundamentally wrong to destroy the apprenticeship levy, because that is what it would really do if you start diluting it to a skills levy.

The other point to make is that there is a host of other skills offerings that people can do. There are the higher technical qualifications, the boot camps, the free level 3 courses and the other adult learning courses. There will be the lifelong learning entitlement. It is not as if there are no other skills offerings available to employees, but why dilute the levy when

it has, in my view, been great for the most part? It does not mean that change and review are not worthwhile, but it has, for the most part, been an incredible success and means that £2.7 billion will be spent on apprenticeships by 2025.

It also means that we are able to say that we can completely fund the training costs for small businesses from the ages of 16 to 21. The levy is a good thing, and diluting it would be a disaster.

The Chair: Maybe we need a two-tier system—an apprenticeship levy and a skills levy.

Robert Halfon: A skills credit or a tax credit might be a better solution.

Q14 **Viscount Thurso:** Can I declare my interests, please? I am president of the Institute of Hospitality, president of the Academy of Food & Wine Service, and president of the Tourism Society of the United Kingdom, all of which are involved in various aspects of training and continuous professional development in the hospitality industry, which may give you a clue as to where I come from on these issues.

I have a fairly simple question regarding the sufficiency of consistency in skills and training policy and in the architecture of the institutions over the years. Could I preface that with a question prompted by Robert's opening remarks around Cinderella? To what extent do we have a fundamental problem in this country that blue-collar, however well-paid, is bad, and that white-collar, however poorly paid, is good?

There is an inherent prejudice that the highly paid head chef is always worse off than the lower-paid manager, for example. Is that in part why we do not have the Robbins principle in those areas of skills that the economy needs and will need just as much as it needs all the big, growing skills? That is a precursor question to then talk about the architecture of all the different things.

Robert Halfon: The cultural question has been a big one in the past. Those who are doing vocational qualifications were somehow seen as lesser people. My local college, which is Harlow College, is brilliant. I have visited it over 110 times since being a Member of Parliament. They have an incredible hospitality and catering school, just for example. If you met those students, they are going to be great people of the future. There is no doubt in my mind about that. They have great teachers and so on.

It is changing. Interestingly, yesterday, the *Telegraph*, of all places, reported that apprentices can earn higher salaries than university graduates. They include a table into which you can type different apprenticeship professions.

We are on a tide. We are not yet at a tipping point, but it is slowly happening. This is why degree apprenticeships are so important: they increase the prestige of vocational qualifications. We are on the cusp of a huge tidal wave of cultural change, where vocational and technical education is seen as something very special to do and to be proud of.

When I was talking about Oxbridge and Russell Group at the beginning, I was trying to say that, in the past, if you went to those universities, you were somehow seen as somebody great. If you went to a brilliant college and did an incredible vocational course, you were somehow not seen as being as great as that person who went to Oxbridge. I want that to change. I want people to see greatness in both. That is what my argument was.

I do not understand why schools have a metric that looks just at Russell Group universities. I went to a Russell Group university. They are some great universities, but there are many other vocational universities that do really well and provide incredible vocational courses for those students, and yet schools are judged by how many students they send to Russell Group universities. I just do not understand it. I want there to be a metric that looks at all universities, not just one particular group of universities.

Charles Clarke: This is outrageous. The metric that put Russell Group universities into the system was introduced by your friend Michael Gove, Robert. He put that in and specifically put Russell Group as a qualification, against much opposition. I opposed it throughout and I have publicly attacked the Russell Group, because it is an elitist and hopeless organisation that moves in different ways.

I was jabbing at your remarks because I thought—wrongly, and I apologise for misunderstanding you—that you were saying that I shared the view that Oxbridge and the Russell Group were somehow superior to other places. I really do not. I do not think that it is right.

There is another confusion that arises in this area, which is about the relationship between vocational and universities. All the great universities were principally vocational institutions. Whether you are talking about medicine, architecture or even theology, they were vocational institutions. If you go to Cambridge University today, I do not know what the figure is, but you will find that 70% or 80% of students are doing vocational courses.

This distinction between vocational being non-university is nonsense. I looked up the figures in *The Times and The Sunday Times Good University Guide* rankings. They include 67 subject tables, of which 38 might be considered predominantly vocational and 29 not, beginning with accounting and finance, aeronautical and manufacturing engineering, agriculture and forestry and so on.

My point is that universities are, in fact, vocational today and, historically, always have been. When the word "vocational" is used against universities, I just think that it is wrong and should not be used in that way. There is a question of levels of study and so on that can arise, but in terms of these cultural issues that you refer to in the question, you are completely right to say this and it is an appalling state of affairs. Here is where I would have common ground with Robert. We should be trying to drive that out. My doubt is whether it is being driven out.

In answer to the question of whether there has been sufficient consistency in skills and training policy in the institutional set-up over time, there absolutely has not. There is no consistency in this area. You have ideological questions and intellectual ideas that come in less or well informed, but the result is a complete dog's breakfast over the whole period.

Going back again to my initial point, that is why I thought that the framework of a sector skills council with all sectors involved, looking at each economic sector—for example, hospitality—is the approach that should try to unify different ways of thinking about the skills that are needed in an evolving area.

Viscount Thurso: I never went to university. I did day release at Westminster Tech—I am very proud of it—and got my qualifications in hospitality that way. I grew up as a manager with the hotel catering training levy board, which was fantastic, because it meant that we all paid. Those of us who did train people used the money, and those who did not got fined, as it were. Should we be going back a bit more in that direction and marrying that up with, say, the sector skills councils to bring these things together, or do we just have to sit with the evolution that we have got to?

Charles Clarke: I would go back to that. In fact, the training boards in particular industrial sectors were the stage in evolution towards sector skills councils. I mentioned at the beginning construction and engineering. The construction ITB and the engineering ITB were the devices. There was a process that we tried to establish but that is probably broadly unsuccessful, where a levy could be established within a sector, and people would be required, in exactly the way that you have just described, to make a contribution that would then move into sectors.

I think I am right that the IT sector skills council did that as a new area back in about 2004 or something like that, but that is exactly the approach and is much more likely to get the engagement of employers in a particular economic sector, because they can see that they and their colleagues in the sector are making a contribution to the overall welfare of the sector by raising its skills.

Lord Layard: I just wanted to mention a couple of points in relation to parity of esteem. From the point of view of young people, there is a bit of a fallacy that, somehow or other, we have to establish parity of esteem between what we could call the BTEC apprenticeship route and the academic route. For young people who go down the apprenticeship route, that is a totally valid experience and they are, themselves, not really comparing it with something else, and yet the guilty middle class have felt that they had to come in and somehow establish a system where there were full equivalences and parity of esteem between the two routes.

This is now having a rather catastrophic effect because of the introduction of T-levels and the suppression of existing qualifications, especially BTEC,

which had complete validity. We are now trying to produce an integrated system where there is parity of esteem, which is forcing unwanted academicism into the apprenticeship route. We should be rather careful about saying that we have to do something to establish parity of esteem if what it ends up doing is killing off routes that have been found to be perfectly valid by the people who went down them.

On the other side, of course, where there is no parity of esteem is in the funding procedure, as I said at the beginning, with demand-led funding down the academic route and nothing that looked like it down the other route.

Q15 **Lord Gilbert of Panteg:** I wanted to ask about international comparisons in the approach of other countries to skills and training. To some extent, you have been addressing that throughout your remarks. Charles, you wondered whether Germany was the right place to be looking. Robert, you have referred anecdotally to lessons that you have learned from overseas. Perhaps you could expand on that. Could you tell us now where we should be looking for really joined-up skills and apprenticeship policies and approaches?

Secondly, Robert, I wonder whether you have seen the skills tax credit work anywhere else. That is a really interesting idea that we ought to think about a bit more, and I wonder whether you have seen it and can point us at anything.

Finally, if your counterparts from other countries were coming here, what would they say we do well and what would they want to export to their jurisdictions?

Charles Clarke: Just as an aside, the idea of a skills tax credit is a good one and is worth pursuing. It is an interesting idea that should be considered, along with many other reforms of the taxation system.

I am not sure how up to date I am on this, so I am slightly worried in answering your question, but I have always thought that the German, Swiss and Austrian systems—the German-oriented systems—that were talked about earlier have always had a great deal of credit around the world. I have been to a number of countries where German training institutions are working literally in the office next door to the Minister and helping a particular country be able to carry through its reforms in various ways.

The worry that I expressed was not about the concept of the system, which still remains strong, but, in a very rapidly changing skills environment, with questions about whether the German system will stay up to date with the changes that are taking place, it is also the case that that system, I thought—and I am open to correction on this—was very much founded in the engineering and automobile area, very much more so than, for example, the life sciences or whatever. I am not sure whether, even in Germany, the other sectors have kept up with the lead that was set by auto in particular. That requires looking at it more carefully than I have been able to do.

As far as we are concerned, there are aspects of our system that other countries look at positively, but the fact remains that, in those other countries, employer engagement is the key point. That is, of course, what the German system has brought in more than anything else. We have some examples of where we have done that and that are good examples for other countries. In other societies, where the engagement of employers is more of a difficult thing to achieve, looking at that is what it is.

I come back to the central point, for me anyway, that employer engagement is the core. There are aspects where the UK has done extremely well, but others where we do not.

Robert Halfon: If I could just come back on the Russell Group issue, first of all, of course, I would never dib at you, Charles. I know that the measure was introduced by a Conservative Government, but I just happen to think that it is wrong. I am just being honest with the committee, because you do not just want someone to say that everything is wonderful. I am being honest with the committee. The University of St Andrews is a great university. It is not part of the Russell Group, so it does not get included on the measure. I really just do not get it. I just want it to be genuine merit in terms of the best universities that have the best outcomes for students, just to be very clear about that.

The second point is in terms of Lord Gilbert's question. I went to see Germany. I went to see Switzerland. This was when I was a Select Committee Chair, not as a Minister. There is someone who I hugely admire called Andreas Schleicher, from the OECD, who has written hugely about this. I strongly recommend him. You might want to ask for evidence from him. He is someone I look up to.

In Finland, around 30% of instruction is delivered outside the classroom. In Germany, 70% of pupils undertake vocational learning. In Switzerland, it is a similar number. These countries have it right. I like the German system a lot, and I have looked at it. I have not seen any countries with skills tax credits, though, but that is something that I would look into.

What has been very interesting over the past 18 months, when I was previously a Minister, was the number of countries that wanted to ask us about what we have done to reform apprenticeships, the 690 apprenticeship standards covering 70% of occupations, and the apprenticeship levy. They really like that model.

The other thing that they came to ask a lot about was the lifelong learning entitlement, which was the legislation that was passed last year, and which, as I mentioned in my opening remarks, will transform lifelong learning for adults. There will be a huge revolution in terms of adult learning and the way in which people think about university as well. The number of Ministers from overseas who came and wanted to learn about this, and asked to engage with officials subsequently, is very encouraging.

Just looking at the figures, England has the second highest number of apprentices, second to Germany. Germany has 2 million and we have 750,000 people participating in apprenticeships. France is third, with 661,000. Again, I would say that the glass is half-full, not half-empty. There is a long way to go, but it is a half-full glass. While we have been learning from other countries, and many of my views that I have developed over many years have been looking at what goes on in Germany, not only are we catching up, but, in some areas, they now want to learn from us.

Lord Gilbert of Panteg: I am just interested in the point about the apprenticeship levy and countries coming to look at it. Quite often, it is the second adopters after the first inventors that get a product right. I wonder whether we ought to see whether other countries have come to us to look at the apprenticeship levy way and implemented it in a different way, and whether we can learn lessons from them.

Lord Layard: Talking about other countries, I was a member of the Economic Affairs Committee in 2007. We went to Germany. We all went round a department store in Düsseldorf and were impressed. We recommended the apprenticeship guarantee, which was where the idea first surfaced, and that was then embodied in the 2009 Act. It would be just wonderful if this committee were minded to recommend reinstating it.

Q16 **Baroness O'Grady of Upper Holloway:** Given that we have agreed a big focus on employer engagement, would you agree that, when you look at those countries that are doing well compared to Britain, employers are much better organised for engagement in skills, and that the problem in Britain is that employers are not as well organised and are more fragmented?

Lord Layard: That is definitely a problem. Chambers of commerce are the key organisations in the German system. There is this sense of a common purpose that employers are expected to serve. It is extraordinary when one thinks that the countries of the world are doing this with climate change. It is extraordinary that they are pursuing climate change, which is not going to make much difference to their own climate.

I know that Chancellor Kohl was dissatisfied with the number of apprentices being taken on by German businesses. He lectured them and said, "If you are not willing to do it, we will have to increase some business tax or other to pay for it", and they took on more apprentices. That is the sort of attitude that we need to develop.

Robert Halfon: I set out to you in my opening remarks that example of when I was in Germany, but there is significant change. Businesses are involved in the local skills improvement plan. Businesses now design the qualifications with the Institute for Apprenticeships and Technical Education. Businesses are central to the 21 Institutes of Technology.

Businesses are helping design the T-levels and higher technical qualifications, and some new qualifications that will come through.

Businesses have been involved in a way that we have not necessarily seen in the past, and there is a culture change. The Helmut Kohl answer to you is the apprenticeship levy. That is what we have done, and that has changed business behaviours. Big companies now, from Virgin Atlantic to Google, have a chief knowledge officer or a person in charge of apprenticeships at board level. That never happened in the past, so there is a huge change, albeit we are behind the business culture of some of the countries that we have been discussing.

Charles Clarke: I completely agree on the importance of employer organisation.

The Chair: That is a point of agreement at the end, which is good. It has been a long session, and we are very grateful to you for giving up so much time and for giving us quite a lot to think about, so thank you very much indeed. You have been our first witnesses and we have got off to a very substantial start. Thank you.