



Industry and Regulators Committee

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

Tuesday 26 November 2024

10.30 am

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Members present: Baroness Taylor of Bolton (The Chair); Lord Agnew of Oulton; Lord Altrincham; Lord Best; Viscount Chandos; Lord Clement-Jones; Viscount Thurso; Viscount Trenchard.

Evidence Session No. 7

Heard in Public

Questions 63 - 79

Witnesses

I: Baroness Smith of Malvern, Minister for Skills, Department for Education; Alison McGovern MP, Minister for Employment, Department for Work and Pensions; Julia Kinniburgh, Director-General, Skills Group, Department for Education; Tammy Fevrier, Deputy Director, Youth and Skills, Department for Work and Pensions.

Examination of witnesses

Baroness Smith of Malvern, Alison McGovern MP, Julia Kinniburgh and Tammy Fevrier.

Q63 The Chair: Good morning, this is the Industry and Regulators Committee of the House of Lords. We are following up on our skills inquiry. Our witnesses this morning are Baroness Smith of Malvern, who is the Minister for Skills in the Department for Education, and Alison McGovern MP, who is the Minister for Employment in the Department for Work and Pensions.

I think you know the background to what we have been doing, and you have had the letter that we sent, which gave some detail about the concerns we found when we were talking to people and taking evidence on skills issues at the moment. Perhaps you could start by responding to one of our basic concerns: that everything having got very complicated and very bitty; employers, possible apprentices and other people were not quite sure where they were; and many things were very short-term.

We have a new Government and a new approach, so perhaps you could start by addressing that very basic concern that we found about the way in which the old system was working.

Baroness Smith of Malvern: Thank you for the question, and for inviting us to respond to the inquiries that you have been doing. You have obviously talked to a wide range of people, and it is good to be able to have the feedback and your eventual conclusions to support us in the work that we are doing.

It is a very fair criticism to say that the skills landscape is fragmented for those who are taking part in it as employers or providers and unclear for those who are learners and thinking about their routes through learning. That is why we have started quickly as a new Government by, for example, setting up Skills England to bring that coherence across the national skills environment. I am happy to go into more detail about how that will work. We have also started to bring that important link between what is rightly happening at a local and regional level and how that fits into the national infrastructure.

We have also started work on a post-16 strategy. A key element of that will be much more clarity about the role of different providers in the post-16 education and skills system. It will also bring much more clarity for learners about the appropriate routes from age 16 through to where they want to get to—whether that is going into higher education, knowledge about a particular occupation they already know they want to do, or something that they think they want to do in a particular area but are not completely clear about.

Being clear about the most appropriate route for learners to take and being confident that there are the qualifications, the apprenticeships and the access—for example, into higher education—to enable that to happen is the challenge that we will respond to in the post-16 strategy.

The Chair: Do you want to add anything at that stage, Alison?

Alison McGovern MP: Not much. I would just say that, from the DWP perspective, we are very focused on the challenge we have with the now nearly one million young people who are not in work or learning. There is a really important local dimension to that. Young people in different places have very different likelihoods of being in that position. We obviously work very closely with Minister Smith and will be supporting all that she has set out on skills, and we will add to that the DWP elements, making sure that young people, particularly those on universal credit, get really good support to move into work.

Q64 **The Chair:** I think we will want to follow up quite a few of these different points over the course of this session, but I will address one aspect. The nature of many of the projects and initiatives that have taken place have been very short-term, and we have not seen long-term commitments to key strategies. Will you perhaps reduce the number of priorities and focus more on certain aspects, and therefore be able to provide more long-term certainty about the direction of funding?

Baroness Smith of Malvern: I certainly hope so. It is probably for the last Government to say why there was such a lot of chopping and changing.

I have already talked about the post-16 strategy that we are working on. The role of Skills England will be very closely linked to the Government's industrial strategy, where there has already been an identification of the eight key areas of skills need and of growth potential and development. Those eight, alongside the two areas of construction and health and care, are of course vital for this Government's broader missions to build 1.5 million homes, to rebuild the NHS, and the green jobs element—the green upgrade element—of quite a few jobs in all those skills areas. The Government have already been clear that the link to the industrial strategy and those sectors will be the priorities for the sector focus on skills.

The Chair: We got some pretty alarming information about the age profile of certain sectors, particularly in construction. We were really worried about where the future would be.

Q65 **Viscount Trenchard:** Good morning, Ministers, and greetings from Tokyo, Japan. Will the post-16 education strategy and the *Get Britain Working* White Paper be closely linked with the Government's industrial strategy? If so, how will the priorities of the industrial strategy be reflected in skills policy?

Baroness Smith of Malvern: The first answer to that is obviously yes. To go back to the previous question, it has to be a real objective for this Government to bring coherence across the industrial strategy and the work of Skills England. Practically, for example, the chair of Skills England will sit on the industrial strategy council in order to bring a join-up at that level.

More fundamentally, in the eight identified areas in the industrial strategy, one of the questions to employers in that paper is what more do we need to do in order for employers to invest in training and to commit to their area. So for employers in those particular areas, there is a specific question about that.

The post-16 education and skills strategy comes to the points about how, for example, we can make sure that opportunities are there for people throughout their lives; perhaps we will come back to the point about young people later. As we develop that, we will obviously want to reflect on how that will also link to the work of Skills England and the industrial strategy.

But it seems to me that when we need to make decisions about how resources are allocated for training, we will want as a first step to think about how that will also align with the priorities we have set in the industrial strategy.

Ally may well want to say more about how the *Get Britain Working* White Paper, published today, also fits into that. That has been a DWP and DfE-developed White Paper. As we go on, there will be very close working between us on delivering the very large programme set out in that White Paper.

Alison McGovern MP: I will pick up briefly, if I may, on those final aspects. In a section of the *Get Britain Working* White Paper, we cover how we connect into the industrial strategy. If you like, the *Get Britain Working* White Paper is the people element of the Government's missions, including on the industrial strategy. In practical terms, we know from research that we have done that employers are often not well served by jobcentres and do not use them enough. So we want to turn jobcentres to face towards employers.

The Chair mentioned one area of shortage, construction, but there are many others. We want to work with employers to try to help fill those gaps. We know that a third are skills-related—that the vacancy exists because there is not a skilled person available. It really needs to be a joint effort between the skills system and what we can offer as the Department for Work and Pensions, bringing people into jobcentres or work coaches going to where people are in other settings, to help facilitate their ideas and how they might think about accessing the skills training they need to get into jobs.

We have already begun to completely change our strategy with employers, precisely so that we can try to fill gaps, serve employers better and give people much better opportunities in the type of work they might get through the jobcentre.

Q66 **Viscount Trenchard:** Ministers, could you say a bit more about how the DfE and the DWP co-ordinate with each other and with other departments to improve the consistency of the skills system?

Baroness Smith of Malvern: We meet and we talk a lot. We have co-ordinated clearly across the *Get Britain Working* White Paper. Skills England has an important role to play in this as well. It works not just with the DfE as the main sponsor department but also of course with the DWP and other departments across Government.

As a mission-led Government, we also have a series of mission boards, most of which I am invited to with my skills hat on. In each of those areas, there is an identification that without the input of skills we will not be successful, whether that is in rebuilding the NHS, shifting to becoming a green superpower, growing the economy, providing opportunities for people throughout their lives, or giving young people the opportunities they need, which is part of the reason why they may have a more fruitful life and help to make our streets safer. In that area in particular, there has been really close working between the DfE and the DWP, as Ally has already mentioned, on the development of the Youth Guarantee that we have announced today.

Alison McGovern MP: At the UK level, we are obviously talking, and we have written a White Paper together, so we are co-ordinating, along with our other colleagues, through the “missions” process.

I am very aware that the best jobcentres and work coaches have a very strong relationship with their college locally, because that is what they need to help people get on. Liz Kendall, Secretary of State, and I were in Peterborough yesterday at Peterborough College, talking to them about the work that they have done, particularly for people who have been out of work for some time. On the ground, some of those relationships are there, and where they are there, they are good. The challenge for us is to help that happen in more places and to build an infrastructure that can support those relationships in that town or city.

The Chair: We heard evidence from one or two areas where things were working much better than elsewhere. What you are talking saying about Skills England takes us right to Viscount Thurso.

Q67 **Viscount Thurso:** Thank you, and good morning. Broadly speaking, our witnesses were fairly supportive of the concept of Skills England as a sort of focal point for the skills system, but there are questions as to exactly what its role will be and how it fits in. What role do you envisage Skills England actually playing; how does it sit in the system?

Baroness Smith of Malvern: First, the commitment to Skills England was shown by the fact that the Prime Minister announced it back in July. In shadow form, Skills England is already up and running. In relation to the first of its objectives, it published its first report on 24 September, in which it brought together an analysis of where the existing skills gaps are, having used engagement with employers but also—to come back to the previous question—an audit across Government about skills gaps in order to bring together that first analysis of where the skills gaps are.

Having that one version of the truth about where the gaps are is an important element of what Skills England will do. Then it will have the responsibility for ensuring that there are the right qualifications, such as technical qualifications and apprenticeships, to provide the opportunities for people to be able to fill the skills gaps that have been identified, not just now but looking forward.

It will also act as a link, a co-ordination, between that national analysis of skills needs and what is happening at a regional and local level. Here, we have the development of regional growth plans, led by the MCAs, and the *Get Britain Working* plans, about which there is more detail in the White Paper today. There is also the input from Local Skills Improvement Plans operating at a local level, giving employers locally a more strategic say in what the gaps are. That also feeds into Skills England, with Skills England holding the ring in the middle.

All that analysis will be used on a loop back into Government to help to inform Government about the decisions and policies that will make the skills system more effective. At the moment, for example, it will inform where the reform we are intending for the apprenticeship levy—to move it to a growth and skills levy—should be focused in terms of the flexibility it provides for employers and the way it will support the link back to the industrial strategy that I was talking about earlier.

There has not been a body able to bring that range together or to create the coherence in the system in the way in which we envisage Skills England doing.

Viscount Thurso: There is no right answer to this question, in the sense that either of these options could be made to work. In Scotland, we have Skills Development Scotland. What I am really trying to find out from you is how much Skills England will be like Skills Development Scotland and maybe go down a different route. A central body can be a great enlightening body that makes things happen, or it can be a black hole that sucks the energy out of everybody else. I know you want to be former, not the latter.

Baroness Smith of Malvern: I think there is a right answer to that question.

Viscount Thurso: The question is: how do you see it fulfilling that?

Baroness Smith of Malvern: First, this Government have made it an early priority. And, yes, it is dependent on whether the Government really have a vision for the way in which they believe skills to be important. As I have described, we believe that skills sit at the heart of all the missions that we have set as a Government.

Secondly, it is in the way you set it up and the engagement you have with it. We have been really clear that it will have broad engagement with employers, it will bring in trade unions in a way that was perhaps not the case previously, and it will work with the providers of skills training. It

has started as it means to go on through a really good process of engagement on the report it published back in September, and now on the work it is doing on the growth and skills levy.

We are currently recruiting for the chair and the board. The fact that we have received literally hundreds of applications is a sign that people feel that this is an important body that they want to be part of, and they want to help with the strategic direction. That will mean that outside Government there will be an important spokesperson and ambassador for skills in the country.

So, to an extent, the proof of the pudding will be in the impact Skills England has. However, we have thought through the elements that are likely to make it deliver that coherence and be that strong advocate and driver of the skills system.

Viscount Thurso: How much will it control the funding, because, at the end of the day, the person with the money ends up getting the result that they want. How much of the funding available will be controlled by Skills England, and how much will they be trying to persuade people with money to do what they would like?

Baroness Smith of Malvern: In the area of skills, there is not one pot of money that is directed in one particular direction. So they will not control and allocate a skills budget, but they will be able to influence through the advice they give about the Growth and Skills Levy, because the Apprenticeship Levy is an important route of funding that comes from, and is spent by, employers but needs to be spent on things that will provide sufficient flexibility for the employers and also deliver the objectives, as I suggested, that reflect the industrial strategy. So there will be an element of direction in the design of the new Growth and Skills levy.

Then there is the funding of FE, which is where the qualifications, many of which will have been informed by Skills England's analysis, will be delivered. That funding is delivered through a national funding formula and reflects the demand in terms of demographics and the number of students. Then there is adult skills funding, which is 60% devolved to mayoral combined authorities.

So it is not as simple as saying that Skills England will spend and direct the money, but if it works effectively in the way in which I have described, it will have a significant influence on where that money is spent, and on making sure that the money is spent, because by making sure that the right provision is there it will encourage employers to step up themselves in order to invest more in skills spending.

Viscount Thurso: The other side of that equation is obviously devolution. A lot of our witnesses emphasised that they were broadly supportive of devolution within skills in the local area. It is that balance between getting something done nationally and allowing the local areas to do what they want. What value will Skills England bring to that part of

the equation, the devolved side?

Baroness Smith of Malvern: I understand the concern that it is a less neat system when funding is devolved. There is something very clean and tidy about central planning. However, it is not effective in enabling, at a Mayoral Combined Authority level for example, there to be flex in order to reflect local priorities.

I think the balance is right, with a national approach to defining growth sectors and a national set of missions that inform the skills needs. Then, there is the devolution of funding and responsibility down to Mayoral Combined Authorities, the role of Local Skills Improvement Plans—as I identified—and the *Get Britain Working* plans at a regional and mayoral level. Skills England can then co-ordinate what is happening at that regional level and how that fits within the national priorities that have been set.

Q68 **Viscount Thurso:** Skills England is very much focused on the eight growth areas in the industrial strategy. What happens to the industries that are not in there? I must declare an interest as president of the Institute of Hospitality, which is one of the biggest employers in the country and which I see as a growth industry. Where do we fit in?

Baroness Smith of Malvern: Skills England will ensure, along with the industrial strategy sector plans, that the skills needs in those eight growth areas are being considered and developed, alongside health and care and construction. It is not exclusively focused on those. It would be the role of Skills England to develop appropriate qualifications, for example. That would fit with what employers are saying they need in hospitality.

Alison McGovern MP: I will add something on hospitality, because it builds on exactly Viscount Trenchard's question. We know that we need the system, for want of a better expression, to serve employers better. In SWAPs—Sector-based Work Academy Programmes—we have a really good piece of work with UKHospitality, building a short course for people who want to try hospitality and gain some basic skills with a guaranteed interview at the end of it. That work has been developed between DWP and UKHospitality.

Obviously, we rely on the skills framework and so on, as Jacqui has described it, but there is a lot we can do, particularly in places where hospitality and the visitor economy are crucial to turning the local economy around. I think of a place like Blackpool, for example, which has significant challenges, particularly with unemployment for young people. The opportunities in the visitor and hospitality industry there could be really strong. We want to make sure it is good work and work that will help young people to develop, but we will be working in partnership with the hospitality sector to build on that SWAP programme.

Q69 **Lord Best:** Pursuing this devolution theme a bit further, everyone seems to agree that this is the way forward, but we are losing the local

enterprise partnerships that were that focal point for educators and employers at the local level. Do we have a substitute? The Local Skills Improvement Plans need somebody locally to work through and produce them. If we are losing the Local Enterprise Partnerships because their funding has gone and they are being absorbed, are local authorities equipped to be the partners at the local level that are needed?

Baroness Smith of Malvern: Local Skills Improvement Plans, of which there are 38 across England, are led by employer representative bodies—for example, the local Chamber of Commerce, the Federation of Small Businesses, or another local employer body. They enable employers at a local level to take that strategic view of what skills development they need in that local area.

To Ally's previous point, I was having a conversation with an MP from the Lake District just a week ago, who made that exact point about hospitality. You might imagine that in an area like that, or in Blackpool, the Local Skills Improvement Plan would include the local priorities that may well fit with what is set out in the industrial strategy but will have an element that will be specific to that area. It could be hospitality. It could be something that focuses more on nuclear in areas of the north-west, or something in London. It could be elements that focus more on financial services because that is what is really important in that particular area. They will then work alongside and feed into the local growth plans which the mayoral combined authorities are responsible for developing. There is the ability to co-ordinate on a local level in the way in which you have suggested.

There will also be the involvement of FE providers, for example. I know that because I was in Manchester last Friday. One of the excellent principals of one of the local FE colleges said, very frankly, that when she heard that LSIPs were coming, she thought, "Oh no. That's another quango that I'm going to have to deal with". However, she said that actually she found it enormously helpful to be able to work alongside local employers and know that there are priorities that have been agreed that can inform some of the decisions she will be making in her college about where she will be focusing resource so that it meets the needs of local employers as well.

Q70 Lord Best: Where there are mayors and we have combined authorities, I can see that the resources will go with that, but where there are not, the local authorities are in the front line. Will they be resourced and able to implement Local Skills Improvement Plans?

Alison McGovern MP: You make a really important point, if I may say, particularly given the many stresses on local authorities at the moment. This is why, in the *Get Britain Working* White Paper, we have earmarked resources to support local authorities that are not in mayoral combined authority areas in the production of their *Get Britain Working* plans.

Some of the biggest challenges we have are in places where there are no mayors. There will also be a future for devolution. Devolution is moving,

and I am sure we will work to make that a success, but right at this moment we need to work very closely with local authorities and support them through this process.

DWP has a lot of data, information and analysis of what is happening in different places. Alongside the White Paper, we are publishing some of that information today, describing the challenges that places are facing. We know that we very much need to support local authorities in taking the next steps to meet the challenge.

Julia Kinniburgh: I will add to the question on Local Skills Improvement Plans specifically. The Local Skills Improvement Plans, as the Minister says, are in 38 areas covering the whole country; they are not just focused on where there are mayoral combined authorities. The employer representative bodies that run them come largely from the Chambers of Commerce, although in some areas they are different bodies. Local authorities will be involved in those, but they are very much run by those employers, because the principle is that this is the place where employers can set out what they need.

You are absolutely right that there is a differential between the Mayoral Combined Authority areas and other areas, but we have it functioning across the country where there are both types of organisations.

Q71 **Lord Altrincham:** Minister McGovern made an interesting comment about the importance of a system that serves employers better, but we have a question that is the other way round. The UK appears to have lost its previous advantage in having a culture of employer-led workforce training. What will the Government do to boost employer investment in training, and do you agree that greater financial incentives for training may be needed, for instance through the introduction of the skills tax credit?

Alison McGovern MP: Thank you for that question. I suppose my focus is on what we can do to serve employers, partly because we want them to succeed, but also—if I may be blunt—because I have listened to our work coaches in jobcentres, and they tell me that they want to have really good jobs available through the jobcentre, because they know that is the best way to help somebody.

A young person who might have experienced ill health, for example, will be far better served by being in a job that will invest in them and help them to move on and move up. That is my focus. Jacqui might want to respond, because the role of changing what the Government do to help stimulate investment is more on the DfE side.

Baroness Smith of Malvern: You have exactly identified one of the issues that we have identified: the fact that there has been a drop in employer investment in training. We have seen a 9.1% real-terms decrease in employer investment since 2011. Comparatively, benchmarking, we have half as much employer investment in training per

employee as the EU average. Even in recent years there has been a decline in the percentage of employers who are training.

That brings us to the question of what we can do now. Details of the type of tax credit you were talking about would obviously be for the Chancellor. However, there are quite a lot of employers who do not realise that there is already, through corporation tax, a tax relief for training for larger and smaller employers as well as sole operators. This could be worth £1.3 billion. HMRC recently published more information about that, but perhaps there is a task for us in thinking about how we make that clearer to employers.

There are other strategic issues that we need to think about when thinking about how we get employers to invest more. I have already mentioned that, as part of the industrial strategy, we are consulting with employers on what would need to happen in order for them to invest more in these key areas. Employers are more likely to invest in training that they are confident meets their needs. Over the last few years the Institute for Apprenticeships and Technical Education has engaged employers in developing occupational standards. Assuming the successful passing of the Bill, which is in Committee again this afternoon, it will pass into Skills England so that we maintain employers' input into the occupational standards.

Then there is the question of how the Apprenticeship Levy is used. Employers have said to us that they would do more with the Apprenticeship Levy if it were more flexible. That is why we are moving to a growth and Skills levy to promote that flexibility. Then there is something about culture and celebration. We should make more of a thing of employers' responsibility to invest in their people's skills, and to celebrate it when they do. As well as making the changes I have already talked about, we are giving some considerable thought to how we can turn around what has been a rather inevitable decline in employers' investment in skills, certainly over the last 15 years.

Q72 Lord Altrincham: We have been trying to understand this topic as a committee, as you can imagine. We have heard about the tax incentives and about multiple different policy interventions, but there is a backdrop here of declining employer participation. It would be helpful to have your sense, your working hypothesis, of what has happened and why this is happening. Putting aside even trying to fix it—lots of different efforts have been made to fix it over time—the picture is rather challenging. Even with very strong tax incentives, employers are not taking up these opportunities, so we have to assume that further incentives of that type may not work.

What is your sense of why we have this pattern of lack of offering and participation underpinning this area? What is your best guess, as it is obviously unknowable? You talk quite correctly about culture, and that may have shifted, but what is your sense of what is happening?

Baroness Smith of Malvern: I do not think there is one answer. We have a very flexible labour market. Therefore, employers have not always had to upskill their own workers in order to get the skills they need into their companies or places of employment, because they can quite easily bring that in, including bringing it in through migration. That is why Skills England will work very closely with the Migration Advisory Committee in order to boost the domestic pipeline of skills training.

Those may be the two elements that have led to this. Employers will also quite often say that they do not have the time, or they are not sure what is out there for them. As I said at the beginning, we need greater clarity not just for learners but for employers about what is available for them to use or to buy, as appropriate, and more confidence that it will suit what they need. Those are things that might make a difference.

How we redesign and improve apprenticeships will also make a difference, so they increasingly become something that employers want to use. One of the arguments that employers have used is that the Apprenticeship Levy is too inflexible. If we introduce shorter duration apprenticeships or foundation apprenticeships for young people, as we intend to do, that might mean that it is easier for employers to take on apprentices and to upskill their workers. That might help.

Tammy Fevrier: I certainly agree with the Minister's points there. We also ought to bear in mind perhaps the external factors that are impacting employers. It has been quite a dynamic external landscape, with the flow from the EU exit, the Covid challenges, and now moving into a new Government situation. There is an opportunity here, as the Minister has set out with the industrial strategy and certainly the sectoral priorities, of a more stable environment—hopefully—that employers are able to build on and think about the long term a bit more than they have been able to previously. We certainly have the systems in place, and we hope they will be able to work with us on that.

The Chair: So you will have to have quite a concerted campaign to inform people and bring people together, perhaps through local roadshows, before you can feel that people are engaged.

Alison McGovern MP: That is right. That is why it is important that we engage with employers at the national level, particularly the largest employers, and that those relationships are strong in our jobcentres and colleges. We can do a lot from the UK level to push that forward and show how all the different facilities can be accessed, as Jacqui laid out. At the local level, we can also show how we have one system that can really help to support employers.

Q73 **Lord Clement-Jones:** Good morning. I declare an interest as chair of the council of Queen Mary University. A key issue that has come up during our inquiry is the purpose of apprenticeships, which was reflected in the letter that the Chair sent. What is the Government's view of the purpose of apprenticeships? Should they be a means of providing a fresh start for young people or those changing careers, or are they a means of

boosting overall training, including for existing employees?

Baroness Smith of Malvern: They may well fulfil all of those. At its heart, an apprenticeship enables you to earn and learn at the same time by doing on-the-job training. Since the early 2000s, they have been available to people of all ages. When the age limit of 25 was lifted, that was a good thing. I have met apprentices who are upskilling within their existing jobs. The intention to allow there to be shorter-duration apprenticeships in the new Growth and Skills Levy is partly to enable people to do that.

Where we have lost—certainly the statistics suggest this, with a 40% drop in young people starting apprenticeships since 2015-16—is precisely in getting that opportunity for the young person who knows that they want to work and learn at the same time. When I talk to apprentices, they quite often say that working and learning is the way they feel that they learn best. It gives them opportunities that they perhaps would not have had through traditional education.

There also needs to be recognition that apprenticeships are an important way into the labour market in particular jobs, but also that there has been a problem with some young people not being ready to go into a full apprenticeship because of their prior attainment or because they do not know what they want to do. That is why we will introduce foundation apprenticeships as a way into apprenticeships for young people who want to try this route of earning and learning at the same time.

Q74 **Lord Clement-Jones:** The Prime Minister has talked about rebalancing apprenticeships towards young people. How are you going to rebalance that in resource terms? Are you going to ring-fence part of the new Growth and Skills Levy funding?

Baroness Smith of Malvern: Rebalancing at the moment relates to shifting some of the Government support that currently applies to level 7 apprenticeships. These are postgraduate apprenticeships, so almost by definition these people will be older and already in probably reasonably well-paid employment. So the argument is not that level 7 apprenticeships should not exist, but that employers should probably be stepping up to fund them more. That money should be redistributed to the development of the foundation apprenticeships that I have just described, and to support for young people to enter into apprenticeships.

As we develop the post-16 strategy, we are thinking about what we need to do to develop those opportunities for young people, so we may well have more to say about that.

Julia Kinniburgh: Skills England is now talking to the employers in the different sectors about what foundation apprenticeship they would find most helpful. It is really important that a foundation apprenticeship is a job. It needs to work for employers as well as for the individual and for providers. Skills England is playing an important role at the moment in having that debate about what employers as well as individuals would

find useful. That is going on throughout this autumn, and they are due to give advice back to the Government in the new year.

The Chair: Are you looking at level 2 in maths and English as part of that, and at some of the requirements there?

Baroness Smith of Malvern: There are two separate things there. Do you mean: are we looking at the English and maths requirements for apprenticeships?

The Chair: The requirements, yes.

Baroness Smith of Malvern: Yes, we are. We have not yet come to a conclusion, but we hear from apprenticeship providers that, for some people, the requirement not only to get maths and English—on the whole, everybody should continue to develop the skills in English and maths that they need—but to demonstrate these skills in the way that they are currently expected to be demonstrated might prevent some people who are very good from getting to the end of their apprenticeship.

So, yes, we are looking at it. We have not yet come to any conclusions, but we are looking at it.

Lord Clement-Jones: I will not go into the level-7 point, but that is precisely why I declared an interest as Chair of a University Council.

Baroness Smith of Malvern: I am sure that in QMUL, as in many other universities, there are lots of excellent level-6 degree apprenticeships. They are very effective everywhere I have seen them, and we are not shifting support away from them.

Q75 **Lord Clement-Jones:** You have touched on the Growth and Skills Levy and talked about flexibility, short courses and so on. Could you unpack that a bit? What is the intention behind making the levy more flexible? Will it aim to further enable apprenticeships, for instance, by providing more functional skills training and by covering a greater amount of apprenticeship costs, or does it mean companies being able to spend Levy funds more freely on whatever short courses they wish?

Baroness Smith of Malvern: It means that we listen to employers about areas where they think there needs to be more flexibility. As Julia says, there is already engagement there between Skills England and employers. It means that we recognise that more flexibility could be delivered through the shorter-duration apprenticeships that I talked about, and which employers said they would want to see. It means that we will develop foundation apprenticeships, so that employers who perhaps are not able to take on a full apprentice feel able to offer somebody a foundation apprenticeship.

However, there is a challenge here. It will not be possible to fund every flexibility that every employer would like to see with a set amount of money. That is why we have asked Skills England to engage with employers to be able to provide advice about where the key flexibilities

are and which we will develop through the Growth and Skills Levy. It is also why the whole discussion we were having about how we can get employers to contribute more is also important, because there is a finite public amount of money that we need to ensure is being focused in the right places but also ensure that it is providing more flexibility than the currently Apprenticeship Levy.

Lord Clement-Jones: So it will be a mixture of ring-fencing and flexibility?

Baroness Smith of Malvern: At the moment, what we are talking about is not ring-fencing but providing the flexibility in the provision that employers have told us that they want to “buy”, essentially, with the Levy.

Q76 **Lord Agnew of Oulton:** Good morning. I am pleased to hear some of your earlier comments, particularly the recognition of the huge drop in the number of apprenticeships—40%. Can you explain what you are going to do about raising the profile of apprenticeships for pupils or students? This very much concerns me. There has been this mantra for years about how wonderful university is, and I say that with the greatest respect to my colleague Lord Clement-Jones, but the offer for many is degrading, with the cost and the cutting back of courses.

I do not think we are doing a good job. I speak of this as the chairman of an academy with 11,000 children. I do not see us making a clear offer to those pupils about the attractiveness of apprenticeships. As you said earlier, on the whole idea of “earn and learn”, by 21 you can come out £100,000 ahead of your colleague who went to a university to do a degree that cost him or her £50,000, while you have earned £50,000 earning and learning. What are you going to do about making that a much stronger message to pupils?

Baroness Smith of Malvern: First, it is probably important to say that the main problem for young people and apprenticeships is not that young people do not want to do them; it is that there is insufficient supply of the types of apprenticeships that they want to do. That is behind the argument for foundation apprenticeships, for example.

When we get to levels 4 and 5, there is a real gap in the number of apprenticeships and the amount of training that happens. There, we need to encourage more people to take a route that enables them to develop that sort of technical expertise, which in the UK we are very poor at providing.

To the extent that we need to make sure that young people understand the whole range of options available to them—I do not disagree with you about this—we also need to improve the careers advice system in schools, because that starts much earlier on in students’ education. Having spent 11 years teaching, I think it is almost inevitable that the people who are teaching in schools have gone through an academic route, because that is how you end up being a teacher. Therefore, ensuring that we are providing young people with work experience

options, placements and information is behind the Government's intention to invest £80 million in careers provision in this financial year and to improve the careers offer in schools.

I know, because I heard her talking about it on the radio this morning, that Ally has more to say about this as well.

Alison McGovern MP: I do. Thanks, Jacqui. The White Paper that we published today obviously has a Youth Guarantee at the heart of it, and in order to make that a success we will need to tackle this barrier. Not only can jobcentres do a lot more to link up schools with employers, but the employers I speak to also really want to be in there and help to support our schools to know what opportunities are available.

Jacqui characterises the situation that I have experienced, meeting employers who are increasing the number of apprenticeships they provide and the people they employ. They are oversubscribed, and those who experience the system would like to do more.

On a personal note, some of the best advocates and those who might want to mobilise are the apprentices themselves. They are very good at explaining to their peers—those who have come recently after them—the benefits of “earning and learning” and the craft skill that you often get when you are an apprentice.

For me, it goes hand in hand with identifying areas of the economy that we need to grow very strongly in places where the employment of young people, of everybody, has fallen behind. I am thinking of a recent visit I made to Jarrow to see the shipyard there, which is finally growing after many years of decline. They are employing apprentices and want to do more, but they need a local support system that can help them to do that, and we want to make that happen across the two departments.

Lord Agnew of Oulton: I agree very much with Baroness Smith about the whole issue of teachers going to school, going to university, and going back to school, so it is not in their DNA to think about the apprenticeship route. They have had no personal experience of it.

I ask you think about and take back to your opposite number in the DfE, strengthening the Ofsted inspection of careers and, particularly, encouraging apprenticeships. I know myself that when I push my management team to do more on careers, they say “Well, we get marked fine by Ofsted on careers”. That is not the point, because the bar is set far too low. In life, what gets measured gets done, and if you just put that small tweak into the next Ofsted review that you are doing, you would have a tremendous impact, because it will galvanise the organisation and give slightly annoying people like me chairing these trusts the ammunition to go after these things and say, “Why aren't you creating more relationships with employers?”.

I hear your point about some of these ones being oversubscribed, but there is a lot of what I would call low-hanging fruit-type apprenticeships

in the building trade. I know some people look down on bricklaying, but a bricklayer can earn £60,000 a year within three years.

We have to be more pragmatic, particularly at the school level, in explaining this to children and young people. So my suggestion, if you would at least think about it, is just tweaking the Ofsted framework to put more focus on this.

Baroness Smith of Malvern: I am always a bit dubious about whether Ofsted is the answer to everything, but the point about construction skills is really important. Last Friday, I spent the day at the national WorldSkills UK finals, and the young people who take part are inspiring. Many of those young people go on to be champions of WorldSkills and of the apprenticeship routes that they have taken.

Last Friday, we were able to announce, in this case employer-led, £140 million investment in construction skills hubs to work alongside housing developments, precisely to be able to provide more of the sorts of opportunities that you were talking about in what I think we now call “trowel trades”. These can also go on to become enormously sophisticated in construction, particularly when you need to bring green elements into upgrades.

Tomorrow night, alongside the Secretary of State and others, I will attend the National Apprenticeship and Skills Awards, where once again we will have the opportunity to celebrate the brilliant apprenticeship opportunities and brilliant young people who are doing them.

Lord Agnew of Oulton: I am sorry they are being called “trowel trades”.

The Chair: It does not necessary help, does it?

Lord Agnew of Oulton: It does not really help. I have been paying people on my farm £400 a day to do “trowel trades”. That is demeaning it, but I accept that is not your problem. I am pleased you are focusing on this stuff, and we can have a debate offline about whether we should use Ofsted. I respect the difference of opinion.

The Chair: The terminology is important because it comes with the image of what an apprenticeship is. Enhancing that image rather than demeaning it is really quite important.

Alison McGovern MP: On this very important point about construction, leadership, and what young people get into, part of our White Paper approach is to take a much more locally led approach. I commend to the committee what is happening in the Liverpool City Region, where it is not just traditional construction methods but towards net-zero modern methods of construction that are being developed, and the jobs within them. Mayor Steve Rotheram, who was himself a bricklayer, brings that leadership to it, with a forward view about what construction will look like and where the opportunities are for young people. I declare an interest as a Merseyside MP, but I commend that example to the Committee.

The Chair: It is not just trowels.

Alison McGovern MP: It is robots, not trowels.

Tammy Fevrier: The Minister gave a particularly important example with respect to construction. With respect to your larger point, we have a small army of jobcentre advisers. Our school advisers are doing exactly what you described: going into schools and trying to ensure that a wider cohort of young people are able to think about those non-traditional pathways into apprenticeships and wider learning, and upskilling themselves in the jobs that the local labour market needs.

We are trying to supplement the great efforts happening in the Department for Education by colleagues on careers advice with a bit more of that real-world focus on “What does the local labour market look and feel like?” and the worked examples within that. That is another example of where we are doing our best to work collaboratively across the two departments.

Julia Kinniburgh: The other thing we are trying to do, as part of developing the post-16 skills and education strategy that the Minister talked about, is that we are thinking quite hard about how we set out clear pathways for people, and different pathways from age 16 into employment. To your point earlier in the session, it is not terribly clear exactly how you route yourself through some of those pathways. One of the challenges we are setting ourselves through this strategy is to try to bring more clarity for those pathways for young people.

Q77 **Viscount Chandos:** Minister, you already referred to the importance of the Youth Guarantee, but in advance of the White Paper—clearly, we have not had a chance to see that yet—there has been concern that it is long on ambition and short on detail. The chief executive of the Chartered Institute of Personnel and Development has said that it is not sufficient to address the collapse of apprenticeships in recent years.

You talked about visiting Jarrow. There is an article in today’s *Financial Times* about the rescue and restructuring of Princess Yachts in Plymouth, a major regional employer. It has had 600 applications for 20 apprenticeships, which is the sort of ratio we heard in our evidence. Could you enlarge on the detail that may be in the White Paper or may come from it?

Alison McGovern MP: Thank you. I will. The Youth Guarantee is a central part of the White Paper. Obviously, this is part of a bigger ambition. It is a very big ambition to move towards 80% employment, and making sure that young people have a more certain path, that the pathways are clear—as has just been said—and young people taking up opportunities to get them on that good path is a part of it.

Announced in the White Paper is investment for trailblazers to work more on the detail of how this will happen. DWP is responsible for many young people who are out of work at the moment and who are not doing anything. We are working from a base of support for young people, which

at the moment includes youth hubs, brought in by the previous Government. It is my own opinion that this was perhaps an acknowledgement that the traditional jobcentre environment was not working for young people, so they developed youth hubs, which we want to build on.

The trailblazers are designed to look for that local leadership, as we have just talked about; to get those relationships right, as the Committee has covered, in terms of what employers want and what the opportunities are to drive up apprenticeships, as Jacqui has talked about; and to get that plan working so that every young person has the best start. We will also work with places where there are no trailblazers, but it is really about getting that investment in and understanding what can work.

As DWP we have a lot of information about local labour markets, and we want to help build those *Get Britain Working* plans with young people at the heart of them, so that we can figure out what is holding young people back and how we can get the right healthcare in place, the right training through FE and the right pathways so that we know that all of our young people are moving into something positive.

There is more to it in the White Paper, but it is really about that idea of putting the investment in, finding out what works, tracking it through, and learning and spreading that knowledge around.

Viscount Chandos: Is investment of money the constraint, or is it a mixture of what we have already talked about: employer attitudes and the capacity to provide apprenticeships? My back-of-the-envelope calculation suggests that the 20 apprenticeships that Princess Yachts was advertising for are probably less than it could pay for out of its Levy, which would suggest that there are other issues that hold it back. It is not that it would transform the position, but it would at least be an incremental gain.

Alison McGovern MP: It is all of the above. It is all the barriers that we have mentioned. The one point I would make is that these problems are very geographically concentrated, so we need to unpick the particular economic problem in that place. Some things are universal, and we have big national employers that could employ more apprentices and young people right across the country, but if you look at the data, the problems we have are quite driven by the place. This is why we want to take this trailblazer approach, understand what is happening in the particular area, have that local leadership, and build the system up from there.

I want to end up in five years' time with a situation where our rate of young people ending up on the "scrapheap" doing nothing is much reduced. As has just been said, we know in our heart of hearts that there are clear pathways into work for every young person in this country.

Viscount Chandos: Do you see a way for that initial focus on 18 to 21 being increased to, say, 18 to 24? Picking up what you said about large employers being able to do more, we heard evidence that large

employers are actually not the best providers of apprenticeships for young people. That tends to be smaller companies.

Alison McGovern MP: That is a really interesting point. I meant to say that there are some factors about the system which we can change from the UK level, which will help us to address the challenges we face that are very concentrated in local areas.

In thinking about how to work with small and medium-sized employers, I totally accept the point. Sometimes that can be the best opportunity. This is where our jobcentres can make a lot more happen. We have excellent employment advisers in our work coach community who spend a lot of time talking to employers about how to recruit. Working together with particular colleagues in FE they can really help employers and young people to get what they need. The marginal value of doing that for a smaller employer is obviously much more significant, so at the local level there will definitely be a lot of focus on SMEs that can really help a place to grow.

Julia Kinniburgh: One of the advantages of having the employer representative bodies that we have talked about in relation to the local skills improvement plans is that they bring in those small employers. As you say, in the data you can see that the small employers often employ younger apprentices more. That is not to say that large employers do not; we have some brilliant examples of national employers who do amazing things with young apprentices, who we will be celebrating tomorrow night at the awards. So it is not that all large employers do not, but we absolutely need to tap into the small and medium-sized companies if we are going to make significant progress on this.

Viscount Chandos: And challenge the national employers who are not so good to do more for younger people.

Tammy Fevrier: I agree. In relation to your point about the 18-to-21 year-old age bracket, we are beginning with that age range because we recognise that this cohort have much poorer employment outcomes, particularly the young people who do not have that traditional further or higher education routeway. I am starting with that cohort but also recognising that we have flexes in the system around young people with particular challenges. So part of the trailblazers will be about exploring what actually works, but certainly focusing on that 18-to-21 age range. I am sure the Minister will want to comment.

Alison McGovern MP: Thank you. That is great. Sorry, I forgot to answer.

Q78 The Chair: Can we turn to further education providers? FE is often described as the Cinderella of the whole of the education system. It has been decimated over many decades—not just the last decade, I have to say. It is really looked down on by lots of people in education as being for people who have failed, and the image is not very great.

It has been decimated by cuts that have taken place and restricted in the

kinds of courses it could provide. We used to have engineering in all FE colleges, but it became expensive, so when there were cuts, that went out. What are you going to do about it? What are you going to do about further education, given the dire state that it is in in many areas?

Baroness Smith of Malvern: Further education provides probably the broadest range of education provision anywhere in our system. It provides on an unselective basis; it is the only unselective part of our 16 to 19—or 16 to end-of-life—education system. Perhaps universities might want to quibble about this, but it is the part of our education system that is probably most attuned to what local employers need as well. Whether I agree with you that the previous Labour Government decimated FEs is an argument for another day.

The Chair: Perhaps not decimated, but they certainly did not restore them.

Baroness Smith of Malvern: It is the case, and I think people in FE feel this too, that it has not been the glamorous part of the education system. I am very pleased, therefore, that I have responsibility for helping to overcome that. In the most recent Budget, the Chancellor set aside £300 million more revenue funding, as well as £300 million of capital, for us to invest in FE.

However, to return to the post-16 strategy, we will want to do more there and think about the role of FE, be clear about what it is, and how, frankly, we can celebrate it. There is more that we can do in collaborations between FE and HE as a route into higher education, sometimes in terms of providing some of the areas where there are gaps—in the levels 4 and 5 that I talked about, for example. FE is part of the answer to how you provide more of that.

So it is partly about money, partly about regard, and partly about understanding. I think you are right; I do not think people have a very clear idea of what happens in an FE college. They think they know what happens in an FE college, but in my experience of having visited some in this role, you see some of the most innovative practice and interesting engagement with employers, and we need to build on it.

I suspect you will ask me about this, but, before you do, I have to say, as a teacher for 11 years, that there is a—

The Chair: The pay issue is really big there.

Baroness Smith of Malvern: There is a big problem of recruitment to FE, and there is a pay differential between FE and teaching the same students in sixth forms, all of which I think is unsatisfactory. A lot needs to be done to put that right, but when I talk to FE colleagues I tell them that we recognise the significance of the sector, but we understand that it is far from being where it should be at the moment.

Q79 **The Chair:** It is an issue that will not go away, and if we are trying to make real headway on the kinds of opportunities that we have been

talking, that is one area that will require a great deal of attention.

I also want to ask about timescale. You have identified a lot of the problems, and the evidence that we gave to you is very much in line with what you are saying needs attention. However, there is a degree of urgency about all of this. How long will it be before some of these changes will have an impact, and it will not be 17 people applying for every apprenticeship or 20 applying when there are 600 applicants.

Baroness Smith of Malvern: In our just over five months in Government, we have done quite a lot already. As I said, we announced the setting up of Skills England. It is already operational in shadow form. We have announced the first shift we want to make in the Growth and Skills Levy in order to encourage more young people and to design the qualifications that will enable that to happen. We have had the announcements today about the Youth Guarantee. In the Budget, we put a focus on FE and on investment to enable the development of foundation apprenticeships and shorter apprenticeships. We have set up the curriculum and assessment review, which is also important. That will have an important say over the routes for young people who are 16 to 19 and over what the curriculum there should look like.

The challenge is absolutely right, because we have inherited a far from ideal situation, in the numbers of people accessing skills, in the skills gaps, in the incoherence of the system. I suppose I am just defending myself on the basis that we have made quite a bit of progress, but I would relish an invitation to come back and describe more progress in a while.

The Chair: Thank you very much for that. We will take you up on it. One thing that concerns me at both ends of Parliament is that Select Committees do reports and there is no follow-up; just as with legislation, there is often no follow-up. So we will watch this space with great interest and no doubt listen more to what Alison and others are saying as the day progresses on the Youth Guarantee. Thank you very much for your time this morning, for responding to the questions and for confirming that some of our concerns were well and truly justified and that you are hoping to address them.