



Work and Pensions Committee

Oral evidence: [Youth employment, education and training](#), HC 1585

Wednesday 11 March 2026

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[Watch the meeting](#)

Members present: Debbie Abrahams (Chair); Johanna Baxter; Mr Peter Bedford; Steve Darling; Damien Egan; Amanda Hack; John Milne; Joy Morrissey.

Questions 1 - 44

Witnesses

[I](#): Kate Nicholls, Chair, UKHospitality; Tim Balcon, Chief Executive, Construction Industry Training Board (CITB); Chris Russell, Senior Policy Manager, Federation of Small Businesses (FSB); and Kate Shoesmith, Director of Policy, British Chambers of Commerce (BCC).

[II](#): David Gaughan, Director of Employment and Skills, West Midlands Combined Authority; Jan Feeney, Head of Employment and Skills, Norfolk County Council; and Dave McCallum, Head of CIAG Operations, Skills Development Scotland.

Written evidence from witnesses:

- [Add names of witnesses and hyperlink to submissions]

Examination of witnesses

Witnesses: Kate Nicholls, Tim Balcon, Chris Russell and Kate Shoesmith.

Q1 **Chair:** A very warm welcome to the first session of our youth employment, education and training inquiry, and we are delighted to welcome members of different sectors this with us this morning. We have Kate Nicholls from UKHospitality, Tim Balcon from the Construction Industry Training Board, Chris Russell from the Federation of Small Businesses, and Kate Shoesmith from the British Chambers of Commerce. Thank you so much, all of you, for coming along.

We have some questions for you, and I am going to start. Thinking about the change in the labour market, what would you see as the big changes that may be particularly affecting our young people, thinking about now, as well as what we might see over the next five years, say? Please start, Kate.

Kate Shoesmith: Thank you. I can start from the perspective of just yesterday having published our latest quarterly economic forecast, and we managed to factor in what is happening in Iran, which has had an impact on our predictions for inflation over the course of the year. We are expecting that path to not go back to the 2% as quickly as we did previously and to stay elevated for the rest of this year.

The other part of that was that there is a knock-on impact on unemployment; we are at the higher end of a forecast on unemployment, predicting it to reach 5.5% by the end of this year. We probably think that if circumstances continue across the board, not just in the middle east, that could be an underestimate of where we actually end up.

One of the most concerning features of that is that often, young people are impacted disproportionately by unemployment rates. We can see that, across the board—businesses are trying their level best to stay afloat right now. That is probably how best to put it. While just under half of all businesses tell us that they expect and would want to grow over the coming year, they are concerned that they cannot do that.

When we look at growth, which is probably the defining mission of an agenda of our time, it is the thing that businesses share most with policymakers. One of the big drivers to get to growth is productivity, and so businesses want to hire more people. They would like to be in a position to hire more people, but the simple costs of that right now are impacting them.

Just to give you two particular points around this, one is that when the increase in national insurance contribution hit in April last year, 13% of businesses told us that they made redundancies as a direct result. One particular mid-sized professional services firm said that the cost on their wages bill was £170,000 and, when they looked at it, that meant that where they were thinking about training and progression routes—bringing young people into the jobs market, into their businesses—they would have to pause some of those activities. So there is a direct correlation between those costs and what is happening with youth unemployment.

Q2 Chair: Would anybody like to add to that—we have a good overview there from the Chambers—but specifically UKHospitality and CITB?

Tim Balcon: Yes. Construction is described as a quite fragmented labour market, in the sense that it uses a lot of supply chain, contracting, subcontracting, and so on. It is the kind of sector that is defined by 98% small businesses, so it relies on that small chain, and the pipeline of work is really critical to the confidence of employers when they are recruiting people.

Over the last probably 18 months, the industry has felt as though it is in a recession, although in reality it has grown by 0.1%, but that is converted into confidence about what the future pipeline looks like being very low. One of our board members described it as it feels like we are in a recession, it feels like we know when we are going to come out of it on the other side, but until that workload hits the ground, the industry is very reticent about taking on additional labour. That is broadly where they are.

Chair: And particularly young people?

Tim Balcon: Young people require an element of training. When we are talking about costs for construction, the industry works on very tight margins and, for example, just the insurance to take on a young people will increase. All those things are quite critical when you look on a project-by-project basis, whether that is building a small extension or a huge football stadium. All of those costs mount up in an industry that typically works on a 1% to 3% margin.

Q3 Chair: Chris, I am thinking about what Tim just said. The primes tend to be the larger construction companies, with the supply chain being smaller companies. How are young people affected by the impact on small businesses?

Chris Russell: Building on what Kate was saying, we have seen a huge increase in operating costs, and specifically employment costs, for small businesses. As Tim was saying, small businesses operate at very thin margins, so they have to pass on the cost somewhere. It is often the case that they will say they recruit less because employment costs are increasingly increasing.

We do a quarterly survey. In quarter four last year, we found 26% of small businesses saying that they are employing fewer staff than in the previous quarter. That is the worst percentage score we have seen since we started this survey about a decade ago, so yes it is having an impact.

Each year we conduct a survey on the national living wage and we surveyed in May, shortly after the new rates had been implemented. As well as holding back the amount of recruitment activity, when employment costs increase that also changes recruitment behaviour to some extent.

When we ask employers, “Would you be more or less willing to employ someone with experience or qualifications?”, our members often say, “As



wages and employment costs increase, we are looking for those who are more qualified, have more experience and do not have gaps in their CV", and that often means that young people miss out. So, yes, employment costs do have an impact on recruitment behaviour as well as the amount of recruitment that small businesses can do.

I would add a minor footnote on the employer NICs because for micro-businesses in particular, that has been offset quite a lot by the increase in employment allowance, which happened in the autumn Budget 2024. That has helped the smallest businesses, and it has been a positive step by this Government, offsetting that cost for micro-businesses.

You also asked about the next five years. Our members are concerned about the implementation of the Employment Rights Act. Particularly in April, when the SSP measures are introduced, there is going to be quite a big increase in their employment costs on SSP. We have been calling for statutory sick pay rebate, which was in place until 2014 and during the pandemic. We think that would help to offset employment costs and encourage small businesses to hire more young people.

Q4 Chair: Thank you so much. Welcome Kate Nicholls from UKHospitality. What specifically has the hospitality sector seen from the changes and their impact on young people?

Kate Nicholls: I would echo comments that colleagues have made about the overall cost of doing business and the cost of employment that has increased recently. Hospitality has traditionally been part of the critical infrastructure to provide pathways to employment for young people.

Chair: I was one of them.

Kate Nicholls: I think many of us were. Our first taste of work is often in hospitality—summer jobs, Saturday jobs and part-time jobs while we are at university. We also provide supported pathways to employment for lots of people who come from disadvantaged backgrounds who are the furthest from the jobs market. That has been traditionally our strength. In the decade post the financial crash in 2010, we generated one in three of net new jobs for young people under the age of 30 and we are the largest sector of the economy that employs 16- to 24-year-olds, the critical period.

Q5 Chair: What has changed in that sector?

Kate Nicholls: What has changed is the cost. Around 38.7% of our workforce is aged 16 to 24 and employment costs are our biggest costs. We are a service industry. Our people are the engines of our business; employment costs now account for 53% of all our costs and around 37% of our turnover goes on employment costs. Over the last decade that has gone up from around 29%—a significant increase in the cost of employment.

In the last two years, as our colleagues have said, we have had particularly changes in the NICs threshold—not the rate, but the threshold—and that brought in just under a million people in hospitality



for the first time. And because we disproportionately skew to young people, that disproportionately impacted those first jobs and entry-level jobs for 16 to 24-year-olds. That is because those workers tend to need to work or want to work part-time and those are the jobs where the tax rate has increased by 75%.

If you couple that with changes for whatever reason, with the wage costs having also gone up, with national living wage and national minimum wage increases that are above inflation, that means we have had a £1 billion of extra wage costs going through. Therefore, what our businesses are telling us is that 60% are cutting staff hours and staff headcount because they cannot afford to fill the vacancies that they have. They cannot afford to employ people.

Also, a third of our businesses are cutting their operating hours, which again reduces opportunities. So on those initial pathways into employment, the impact is twofold. There are those people who want that first taste of work, to give them transferable skills before they progress to other careers, and there are those who are using hospitality as their first entry point for their career in hospitality. Both of those opportunities are severely restricted. In relative terms, they are the costliest workers to employ now, so those career opportunities at the bottom of the ladder are removed and are restricted. It is simply down to that.

My final point, echoing some of the points Kate made, is that post covid, we have had a halving of operating margins within hospitality. The margins on which we are operating are around 3% to 4% net. That means that hospitality businesses are incredibly vulnerable to any shocks—geopolitical, macroeconomic, what is happening in the middle east—and anything that happens there where we have a further increase in costs, even if it is not in the cost of employment because that is the only point of flexibility in the model, immediately impacts jobs, job opportunities and investment in people.

Q6 Chair: Thank you so much. I have a couple of quick questions now. You focus very much on the demand side and the issues that you are facing there. Kate Nicholls, starting with you, I would like the views from other sectors, too.

Recent events with Travelodge are a real concern. Do you think the image of a sector—for example, women working on their own—would put young people off a career in hospitality?

Kate Nicholls: Clearly, the Travelodge incident that you mentioned was absolutely horrendous. Travelodge has rightly apologised for that. It has instigated an independent review, and it is looking at its own internal procedures for the security and safety of guests and teams.

I should say that across the whole of the sector, the security and safety of our teams and our guests is the most important thing. We take it seriously. We work hard to establish best practice and good practice guidance to support businesses of all sizes and scales.

Clearly, bigger companies will have their own internal procedures too, to make sure that the care of vulnerable people working in the industry and staying, being entertained or looked after within our industry is our top priority. We are urgently reviewing all those processes and procedures in light of the case, and we regularly have dialogue with the CEOs of all of our companies, as well as our small businesses, to support them going forward.

Q7 Chair: I understand that Travelodge is saying that it was following industry standards. What does that mean in terms of how you, as an industry sector leader, will be reviewing your standards around health, safety, and safeguarding? This Committee takes safeguarding very seriously.

Kate Nicholls: As do we in the industry. Safeguarding is a top priority for us, particularly making sure that we look after the more vulnerable guests. We have steps in place to take care of the security and safety of all of our staff. I do not mean just hotels, but also in the wider night-time economy. Vulnerable people and young people will be out in those situations.

We keep it under regular review. We have health and safety, and we have established committees to make sure that we have good practice and best practice. We are an industry that is 90% SME, so it is about making sure that we are supporting smaller businesses that might not have those formal policies and procedures to follow good practice. We have stepped that up to make sure that we are reviewing and keeping them up to date, and that we are taking the lessons learned from this incident to make sure that that is taken forward across the industry as a whole.

About 120 million people stay with us each year. The safety and security of those people in our hotels is vitally important, and we make sure that we have good, robust procedures in place to look after safeguarding.

We also look after modern slavery and child sexual exploitation. We will be reviewing all of those industry processes and procedures to make sure that the best practice is followed. It is then down to companies to translate that through to their own internal security policies and procedures.

Q8 Chair: Tim, the same question to you. How will the image of different sectors affect young people's desire to want to engage in them? What do you think from a construction perspective?

Tim Balcon: If you take this as an indicator, colleges are oversubscribed with people wanting to join a construction course, so we don't see an attraction issue here. About 56,000 people who attend a construction-related college course will not get into jobs at the end of it. Almost two-thirds of the people who go into a construction course will not get into a job. So we don't have an attraction problem.

Another thing that I will say about construction is that it is a glorious opportunity for everybody. In terms of inclusivity, whether you want to



be an architect or a senior professional, or you want to come in as a labourer and earn some good money, construction offers a raft of different roles, occupations and opportunities. It is one of the most highly paid sectors as well. So that is not the issue. Attraction is not the issue. The issue the industry has is absorption; how to absorb those people into those jobs, and that is where there is a disconnect between those in training and those in employment.

Q9 Chair: Two quick questions now because I am very conscious of time. We need answers that are as brief and succinct as possible.

What are the supply side issues in terms of young people and why we have those particular issues with the high levels of NEET? We will start with the other Kate this time, very quickly, please.

Kate Shoemith: A few things are really important. First is the role of knowing what the career pathways are for where the job opportunities lie. We sometimes find instances of organisations and businesses that would love to bring in the next cohort of young people, but the services are not in the right place.

I will give you a very quick example. Suffolk chamber works on the supply chain of the delivery of Sizewell C. When they were first looking at the construction and the development of the site, they realised that the college that would be the feed-through for that was well over an hour away. What did they have to do? They had to think about how to deliver the further education requirements on site and the wraparound support required—transport, caring responsibilities and all the other things that you will hear about, like mental health support and wellbeing—and the jobs guarantee that has recently been announced.

A number of chambers are very actively seeking to be involved because we think it is the right thing to do to bring young people who are further away from the jobs market into employment, but the support services are required. One of the things we are doing is looking at how we work most effectively with partners, King's Trust in particular, to develop both the employment and the employability support.

Q10 Chair: Tim, again, from the supply side, why do we have such high levels of NEET? What can we do about that?

Tim Balcon: For the young person looking for a job, I think it is about identifying where the jobs are. In construction, very often—and this is quite typical—the industry recruits from Facebook or somebody they met at the pub or a friend of a family. There is an informal recruitment methodology.

At some point, I would like to describe what we are doing with the Construction Skills Mission Board because, in a sense, that mission board is collecting intel about where the jobs are and where they expect them to be so we have a 10-year infrastructure plan, which is a real bonus because we have a long sight of where the jobs are going to come from.

There is an intention to build 1.5 million houses. It will happen at some point, I am pretty sure, but I don't know when. We need to know where



the jobs are. We can link that to the colleges, particularly the CTECs, and then we can provide better advice to those young individuals about an entry route into the job. That is the programme we are doing.

Kate Nicholls: Can I add to that? I agree entirely with what Tim said. It is about seamless transition, and that is where I think we could look more closely to make sure we have those supports and links in place as people are moving out of education into higher education and further training, into jobs, and moving through those routes.

Our sector is doing a couple of things. We have the advantage that we are in every high street and every constituency. They are local jobs, and they are in quite deprived areas, so there is a benefit there.

Hospitality Connect is something we have done to work with careers advice and education in schools. It is in 18 cities. We have involved 182 schools and achieved 4,000 work experience placements. We are linking that through to DWP job centres to make sure that we have sector-based work academies that take it through. Then you need transition into supported pathways in work. That is an area the Committee could look at to make sure that disadvantaged young people have that pathway.

Chris Russell: I would add two points. It is definitely an issue that when young people have low levels of qualifications or no qualifications, they are a lot more likely to be NEET. I think 48% of 18 to 24-year-olds with no qualifications are NEET and that really must be the focus—trying to get young people to level 2 and level 3. It makes a huge difference, and is really important.

Q11 **Chair:** Very quickly, Chris, are you saying that that has changed, or are you saying that it has always been like that, and it is still the case? That where young people have low levels of skills, they are going find it more difficult, but not necessarily that there are more low-skilled young people.

Chris Russell: I think numbers have stayed pretty stable. One of the good things this Government have done since they have come in is to try to have more focus on level 2 and level 3 as well as on young people in general, which previously, probably, was not the case, if I am being honest.

I want to mention health as well because I don't think anyone else has. It is obviously a very important issue, and it is having a big effect, but I am conscious of needing to keep my remarks short.

Q12 **Chair:** Thank you so much. I think Chris is the only one who mentioned health in connection with the supply-side issues and young people.

My final question is on AI—again, two-sentence answers, please—and I will go down the line, starting with Chris. What about AI's impact on young people?

Chris Russell: Despite a lot of the stories out there, I think the impact has been pretty limited so far.

Q13 **Chair:** And in future?

Chris Russell: I think the impact is on people with low qualification levels. That is the important thing there. The problem is not graduates being replaced by AI, at least for now.

Kate Nicholls: We are in the service sector, so people deliver service and experience. These jobs are protected from AI at the entry-level point. However, AI is being used in our industry at a higher level and at the marketing level in particular to create greater efficiencies and greater productivity, and to free up people to do what they do best, delivering that service. These are routes through to employment that are AI-proof.

Tim Balcon: AI is unlikely to have an impact on construction in the short to medium term. It may start to have an impact at the professional level but not at the craft level.

Chair: Very helpful.

Kate Shoesmith: I can simply say that we will have a report out soon. We are investigating, and the report will be coming out in about a month from now. Then we can share the data of the impact from a business perspective on jobs.

Chair: Thank you so much.

Q14 **Steve Darling:** Thank you all for coming today. It is much appreciated. We have already touched on the national insurance hike, the increase in minimum wage and the impact of employment rights. We were mostly covering the immediate impact. What do you see as the long-term impact of those things? Also, employment rights are not necessarily set in stone. We have already heard from one witness about where there could be some tweaks or some softening there. Any reflections on that would be helpful.

Chris Russell: On the Employment Rights Act point, I will start by saying that it was very welcome that the FSB—and I believe the BCC as well—was involved in negotiations with trade unions and the Government on unfair dismissal. Getting a compromise on that was welcome because a day-one right to protection from unfair dismissal would have had a huge impact if it were implemented.

Having a six-month qualifying period will make a huge impact and mean that small businesses will still be willing to take what they might perceive as a risk on someone who is young, who might not have much experience or qualifications, and I think that is very important.

I have already mentioned the statutory sick pay rebate. That would help small businesses a lot. I am conscious that I was here about a month ago and talked a lot about the rebate back then so I will not repeat myself too much, but I think that would make a huge difference.

Finally, I think a lot of young people will be on zero-hours contracts. For students, for example, zero-hours contracts can fit neatly with studies. Some of the details around the qualifying period and on some other measures will be important. We are yet to see the details on that, but I

think it could be consequential if it were very hard for businesses to employ young people on zero-hours contracts in the future.

Q15 **Steve Darling:** Kate, your thoughts on any long-term impact and any flexibility in employment?

Kate Nicholls: My first point is that all of those employment costs need to be looked at in the round and collectively, and often that is not the case, particularly when the Low Pay Commission is assessing the impact of wage rates on youth unemployment. The Commission does not tend to look collectively in the round at employment costs.

Secondly, there is the cumulative cost of doing business. If things such as business rates or other packaging taxes or other forms of taxes go up, that also has a knock-on effect on the ability to have some money within the P&L to employ people and to invest in people—young people in particular.

That leads to whether you can afford to employ people and the more costly you make it for those who are more vulnerable, further from the jobs market, the riskier hires, those are the jobs that go first because business invests in people who can commit to for longer periods or for full-time work. Longer term, there is that to be worked through. I don't see that being an easy solution to come out in the next two to three years.

However, looking at the Employment Rights Act, as Chris says, there are a lot of areas up for consultation. If you are a young person who is not in education, employment, or training and are further away from the jobs market, then usually—it is not always the case, but usually—you will want to have flexible employment. It is not part-time, full-time, it is not a binary choice. It is usually flexibility that is needed, particularly if you layer in some of the mental health issues or health concerns that some people have also compounding why they are not in education, training, or employment.

We need to make sure that we have those supported pathways, that there is flexibility in employment patterns, and that we do not reduce job security by over-complicating and over-regulating part-time, flexible, and zero-hours contracts routes. The objective should be to make sure that those people have a pathway into work and that they have greater job security. We do not want to see anything that reduces that.

Q16 **Steve Darling:** Do you just want to develop slightly what you were saying about the Low Pay Commission and it being, perhaps, laser-focused on a certain area and not taking the whole package?

Kate Nicholls: Clearly, the Low Pay Commission takes its remit annually from the Government Ministers who set it. It used to have a biannual review period. It is now very fixed in an annual cycle. The Commission is gathering information now on recommendations they will be making for what happens in 2027 before we have the full impact work through of what has happened as a result of changes that were announced last year. It is always slightly playing catch-up.

The remit at the moment is to maintain at 66% median earnings for the living wage and 50% average earnings for the minimum wage but working towards equalisation. There is no ability to take a pause and take time to assess and carry out the evidence that is needed to see what the impact is on employment. I think you need to look at broader economic circumstances, the impact on employment and particularly the impact on NEETs of that cumulative impact: make sure that the remit is broad, make sure that the Low Pay Commission is given direction from Ministers to gather that evidence and take a pause and time as we try to absorb employers' indigestion from very high wage increases, large inflation impacts and other costs of doing business.

Tim Balcon: I don't have a feel for how the Employment Act is going to affect the construction industry because I have not heard the industry talk about it. There are other priorities that the industry wants to talk about, and that may be the fact that the industry uses subcontracts and self-employment models predominantly to deliver.

Q17 **Steve Darling:** As far as the long-term impact of the national insurance, minimum wage rises and employment rights matter, do they trigger any particular trends in your industry that you are seeing or is it just the immediate indigestion that they are suffering at the moment?

Tim Balcon: The cost of labour, which has been described earlier, has put people off recruiting apprentices. We have witnessed a holding back because the cost of an apprentice now is much more expensive and, therefore, they will choose to use other labour routes to satisfy requirements. At some point the industry will have to absorb that. The industry will still build stuff. The industry will still carry out its activities, whether it can absorb the cost and build that cost into the cost of construction; that is probably the way it will go.

I am seeing signs now. They are not strong signs but there are signs that people who have held off recruiting an apprentice, for example, are now suggesting maybe they can go back. The key point, again, is about the pipeline of work, that confidence about work looking ahead. That is the deciding factor.

Kate Shoesmith: We have seen the national living wage have a direct impact. In our latest quarterly survey of 5,000 businesses, 72% said that labour costs were their biggest concern. When we specifically asked about rises in minimum wage rates, 54% of the firms with fewer than 10 employees—so the smaller businesses—said that the potential for there to be no differential in minimum wages for younger people would prohibit them from hiring that age group going forward. Because when they bring in people in that age group, they are using it as a pathway, a route in, training them up and seeking to leverage the fact that that wage level is slightly lower than the average for the 25s-plus by the fact that they are having to put in the investment in their training and their development.

In terms of the Employment Rights Act, the Government's assessment of it says that the likely cost to employers going forward is now around a £1 billion per annum. Just a sound check and looking across businesses

when we speak to them—that feels like an underestimate because so few businesses are actually factoring it into their plans.

I think what Tim said is interesting. A number of organisations, when they start to think about things like the Employment Rights Act and knowing that there are different start points for the different activities, are looking to see who they need to take advice from—HR and legal professionals—and that is a direct cost to them. That is something that we just have to weigh up against: what are you doing in terms of your hiring plans going forward? Because businesses are being squeezed. As Kate says, it is the cumulative impact right now that is impacting them as much as businesses really want to do their part and bring more people in because they want to grow their workforce and increase productivity.

Q18 Mr Peter Bedford: As we have heard, the number of NEETs has surged to just under a million. The CIPD says that 37% of employers are reducing or freezing recruitment for new posts and 74% of employers say that the Employment Rights Act, as we have just heard, is going to add significant costs. In that difficult employment environment specifically, what can the Government be doing to encourage the recruitment of younger people? Maybe Kate, we can start with you.

Kate Nicholls: I think there is an urgent need to reduce the lack of certainty around the Employment Rights Act. The consultations are due to come out but it is fuelling a lot of freeze by employers in moving forward. There is an uncertainty about whether tax changes will come again. There is an uncertainty around what the rules and regulations around the Employment Rights Act will be in the longer term, so people are pausing, and are not wanting to make any decisions.

One of the things that was done post the financial crash, when we last had a crisis around young people not in education, employment or training, was an NIC holiday for under 21s. I think that could usefully be extended to under 24s, particularly for entry-level jobs and those routes through to employment. That would take people off welfare, provide a supported pathway from welfare into work while you have employers struggling to absorb the costs that are inhibiting them from employing those people directly.

Back to the point that I made to the Chair, this is about seamless transitions. If the Government are investing in sector-based work academies or work experience in schools, and you have people moving through with pre-employment training, can we then make sure we can transfer them seamlessly into foundational apprenticeships and then into higher-level apprenticeships by employers, particularly in sectors that are the solution to youth unemployment such as hospitality, retail and high streets?

The Government's focus at the moment is predominantly on the industrial strategy sectors and higher-level aspirational training. We must have the pathways for these young people who, as Chris rightly said, have low educational qualification levels and need to have basic training in basic



skills. We cannot afford to cut away those ladders to employment and just focus on the aspirational industrial sectors.

Q19 **Chair:** Sorry to interject, Peter, but can I just confirm something? According to our notes, apprentices under 25 and all employees under 21 are exempt from employer national insurance contributions.

Kate Nicholls: Yes. I was suggesting that that could be for under 24s more broadly.

Chair: Okay, thank you.

Kate Nicholls: Those pathways that were introduced, post the financial crash, were very helpful in getting NEET problems resolved. An extension now would be particularly helpful.

Chair: Thank you. Noted.

Chris Russell: Can I build on that? We have a similar suggestion for NICs holidays for employers employing those who are currently economically inactive. We are basing that on a similar scheme set up for veterans at the moment, which gives employers a NIC holiday. I think that would help with employment costs.

I am going to briefly mention three more things. I have already mentioned the rebate on statutory sick pay. When we asked our members directly what would encourage them to employ more people currently not in employment, 34% of small business employers said a rebate on SSP costs. Of those small businesses that employ 16 to 20-year-olds, 46% said the same thing. So that would go a really long way.

I mentioned the employment allowance in passing. That helped the smallest businesses when it was uplifted before, and we would like to see that uplifted in line with increases in the national living wage moving forward.

The third thing is about apprenticeships. During the pandemic, the Government introduced a £3,000 incentive for businesses to employ apprentices and that led to a lot more starts. When we surveyed our members on what would help encourage them to employ more apprentices—particularly young apprentices—I think 49% said the reintroduction of that £3,000 incentive, and that was the top factor by quite a way. That would help small businesses to employ more apprentices as well.

Tim Balcon: I have a couple of points. Apprentices account for about 10% of new entrants into construction, and around 50% to 60% of people who join construction leave within the first six months. That reflects the informal nature of the industry's recruitment.

The big issue for me is the disconnect—and I will come on to the solution because I think it is something we are doing—between the skills system that educates and trains people and the labour market that wants to receive them. Employers are saying that they do not get the skills that we need from the skills system and therefore they will find an alternative

way of training their staff or finding ready-made labour. They would rather go for ready skills than train people.

I will go back to the Construction Skills Mission Board because I think this is a real game changer. Governments and employers have recognised that we have to create a better bridge between those in training and education and the employment market. The mission board is an exciting initiative. We have the key leaders in the construction industry, with senior Government officials trying to make that bridge happen.

It is all premised on that pipeline of work, so we need that one but, in order to get employers what they need, there needs to be a training system that gives the employees the skills that employers are looking for, but the employers need to engage in that process. We know that the best training programmes are the ones that employers are engaged in, which can give employees real skills on site. Look at the models in Switzerland and Germany: their models are much about an integrated approach between employers and the training system.

We have the CTECs, which have been a huge positive. The Government have put £600 million on the table to create a better skills infrastructure. We will be asking employers then to say where the jobs are and tell them they need to engage in this. We are now building a work placement model into that training process to enable the transition from training into work. It is almost a try-before-you-buy kind of thing.

After we put the mission board in, the skills agenda moved to DWP, so we were able to bring in the NEETs and that is been a refreshing contribution to what we are trying to achieve. We have all the components together in one place to make a really big impact.

Q20 Mr Peter Bedford: Do you feel that you are inputting your expertise and ideas in this area into Government policy on that, and are the Government listening? Is the DWP listening? Are those people charged with implementing the policies listening?

Tim Balcon: I do feel that is right. We were describing the problem. Initially this was about how to build a million and a half houses. We said that to do that, you need another 160,000 people, so it was very clear there needed to be a skills solution that was different from the one that we currently had. Through a number of iterations, the industry has come together through its Construction Leadership Council, which is led by Mark Reynolds. His contribution has been pretty profound.

We have brought together—at the time it was DfE but now it is DWP—MHCLG and DBT all to the same party, saying, “Look, if we are going to fix this problem, we need a different solution”. In answer to your question, Peter, yes, absolutely, because everybody is in that room understanding the same problem and, therefore, we are trying to work out those solutions.

Q21 Mr Peter Bedford: I am conscious of the time. Kate, do you have anything else to add to the ideas that have already been suggested?

Kate Shoemith: Can I pick up on what Tim was just saying? I think the point there is that we have pockets of excellence and things are working where they are really established.

Our experience across the chamber network has been that local skills improvement plans have led to change where 33 out of the 39 plans are delivered by the chambers. We have found is that the chamber is a natural place for businesses to come together. They have a convening power. The further education college, the higher education institution and the training providers locally, with the employers locally, will naturally be in a place where the chamber is and they will bring together their expertise to think about the skills solutions for the local area so that we can establish those pathways.

What we don't have is enough long-term thinking in those things. Every year, you have to re-bid for your LSIP contract and that takes away a sense of activity that could be going into those skills' improvement plans and their direct delivery. For the most part, I think businesses want to engage in this agenda, but it is an add-on when they are thinking about all the other things that we have already discussed.

Q22 **John Milne:** A key part of the Government's response to the problem of youth unemployment is the jobs guarantee. How attractive do you think that is to employers? Kate, I know you referred to it earlier.

Kate Shoemith: One of the things we found was a sense of absolutely wanting to do the right thing, not just from an ethical point of view of thinking about young people in your community and how do you get them into the jobs market but because there is a direct business gain. We need this talent pipeline for the future.

A number of businesses engaged in Kickstart, the predecessor. We said, "This is the right thing to do, to think about a jobs guarantee" and we do think that there is room here for the development.

There are certain boundaries to be established around this. There are only six areas for the first part. These are young people who may have never had any form of employment experience whatsoever. The routes that those people have to take are super important. I am totally with Kate about flexibility and engaging people and meeting them where they are.

This is only going to be 25 hours a week but for some people, it might be that they have so many other things—whether it is health conditions, their personal caring responsibilities, the cost of getting to the place of work—to consider, and offering the small bite-sized pieces of learning that they need to undertake and allowing that learning to bed in in the workplace is going to be super important. We need to learn as we go.

With Kickstart in particular, businesses were there and wanted to do the right thing, but young people were not yet ready or aware of the scheme. We have to learn the lessons from what went before.

John Milne: Thank you. And Tim in construction?



Tim Balcon: Like any of these schemes, is it going to be positive? I am sure it will be, but it needs to be contextualised to each sector, within construction, different for hospitality, and we are hearing that today.

We are working with DWP officials, not just on the youth guarantee, but on other schemes to get those people not in employment or training into a process. I am witnessing lots of pragmatism, and lots of, “What can we do to solve the problem?” I am witnessing a lot of that. I think the youth guarantee will be a component. It will clearly not solve the issue. But if we can contextualise it to construction, I am sure it will be another contributing positive factor.

Kate Nicholls: We are very enthusiastic about it. We were one of the sectors that provided the largest number of Kickstart places for young people to provide those opportunities for a generation that was impacted by covid. We are optimistic that we will be able to provide those soft skills, transferable skills and entry-level skills, through the youth guarantee. We were very pleased to hear at the Budget that hospitality would be one of the priority sectors. It makes very great sense to us that we are.

We provide those routes through to meaningful careers. We have the most meritocratic system of training once we get those young people in. If they want to remain in hospitality, they can go from entry level to management in under two years with the investment that we can make. Or we can provide that route through for people to get those transferable skills—common skills, that take them to whichever area of the economy they want to work in next.

I am sorry to sound like a stuck record, but our challenge is that we do need to make sure that those transition points are seamless, that we are sucking people in, providing them with work and training that is embedded in the work that they can do, and, crucially, that the jobs are there for them when they come out of that youth guarantee. There is nothing more dispiriting for a young person than to have a short-term temporary fix and then find that they are still at the problem end when they come out of it. We need to make sure that the support is there. I am sure that we can do that.

We have stood up again our industry charity bodies. We have stood up our industry bodies and Springboard, which works on work-ready training for young people. We have the Licensed Trade Charity and Hospitality Action, benevolent charities to provide that wraparound care and support. Crucially for this younger cohort, they provide helplines, counselling, and mental health first aid in the workplace to make sure that they have that camaraderie of joining a hospitality team, being supported and looked after, and that their first taste of work is a positive one.

Q23 **John Milne:** Thank you. Chris, from the point of view of your members, any comments?

Chris Russell: Yes. We have been very supportive of the jobs guarantee. The evidence from the Future Jobs Fund and from Kickstart—particularly

for young people who leave school without high levels of qualification or with special educational needs—is that both of those schemes have had a positive long-term impact on future outcomes for those young people. In principle, we are very supportive.

We are disappointed, though, that it does not go further in that it is only for young people up to the age of 21. They have had to have been out of work for 18 months and I believe the target is about 20,000 placements per year.

When I speak to FSB members about whether they would be interested in this, they see it as another level of pretty hard-going kind of engagement. For instance, a lot of our members take on T-level placements or higher apprentices, but, to them, someone who has been out of work for 18 months probably has not had a job if they are 21 and probably has some other issues as well, it is quite a lot to ask from an employer. We would like to see it broadened out so that it is applicable to those who have been out of work for six months or so.

Q24 John Milne: Now my final question, if I can just throw it open generally for swift answers if possible. As part of the jobs guarantee, the Government are offering grants of up to £2,650 per participant to cover wraparound costs. Do you think that is enough? Is there any other sort of form of support that you think would be appropriate? Does anyone want to come in on that?

Kate Shoesmith: We are finding that we are going to have to work with partners to ensure success and that is right. Earlier I mentioned the King's Trust is thinking about the employability support.

To Chris's point, in most businesses—particularly at the smaller end of business—the person who is the founder, owner, manager, HR director, and operations director is doing everything, plus they will be bringing in this young person and helping them through their journey. Nobody wants to get that wrong. Therefore, it is really important that you have the right services in place. Because they may not understand from the surface all of the conditions that have prevented that person from having gained work experience previously.

The amount of money on offer is very limited. We will make it work because we think it is the right thing to do, but it does prohibit us from thinking about what else we could do to support this young person because there are so many facets to this that often are hidden from the surface.

Tim Balcon: It is hard to say. Employers that have a pipeline of work will do this regardless, so the number is irrelevant. The problem is with those that are lacking the confidence. We are talking about de-risking taking on a new person and this absolutely moves towards that. Whether it is enough depends on the employer at the time. It is always difficult to come up with a number, absolutely. There is one thing for sure, however; if there is work in the pipeline, this will be helpful.



Kate Nicholls: I think the scheme could be more ambitious. Our challenge at the moment is that you cannot dissociate it from the costs of employment that we have all described earlier. The reason that you don't have these immediate access points where you can take in and support a young person going in, is that the cost of employing that young person has increased exponentially over the last two years.

Will it be enough to offset the costs and to de-risk? It will be a step towards it. It will help to be able to provide that supported pathway but support costs. Therefore, as an employment cost alongside this, and it will not offset that entirely. You cannot get away from the cost of the NICs that are going to be alongside as you move that person from a guarantee into meaningful, permanent work.

Chris Russell: I am conscious of the time, so I am just going to agree.

Q25 **Johanna Baxter:** Thank you for joining us this morning. While appreciating the challenges that businesses face, a number of my constituents will raise an eyebrow at descriptions of their hard-won improvements to their employment rights being described as causing indigestion for employers. Can you tell us how the Government can ensure that the jobs available are good jobs and that they offer the opportunity of sustained employment?

Kate Shoesmith: The vast majority of businesses up and down the country are doing absolutely the right thing. I have mentioned a number of times that, if you want to grow your business, you need to think about the productivity of your business and about your workforce. That means treating your people well, and they really are. We know that one of the biggest drivers of growth is how to solve this thing that we have perennially talked around, the productivity challenge.

The difference with the Employment Rights Act is that a bunch of new things is coming in and they have to be grounded in pragmatism. Just take zero-hours contracts. There are people that zero-hours contracts work for, and we do have to accept that that is part and parcel of a choice that some people make. There are people that they do not work for, and we should find routes for them to find other forms of employment. That is absolutely essential.

There is absolutely a need for some of this flexibility. If we just take the peaks and troughs of the hospitality sector, thinking about the summer seasons and the run-up to Christmas, the same happens around logistics and deliveries. We know that the construction sector is project-based quite often. There are reasons why there are these different types of contracts and they matter. What is important is that, from the outset, everybody understands exactly what is involved in this form of contractual work. That is what is important here.

It is the case with any form of change. Businesses are not as aware as they need to be about what is coming down the track, partly because it is such a long-phased approach, the road map that Government are talking about. The second reason is because there are 70-odd different things in



there. It is huge, this programme of work. It is not an underestimate to say it is a once-in-a-generation change, and it will take time to adjust. It is not a case of not wanting to do the right thing. It is about that knowledge and understanding and investing in those processes. That takes time and it does cost.

Chris Russell: Let's build on that point. Our FSB members rarely have HR staff. For the business owner who is not going to be an expert in employment law or HR, as Kate was saying, these sorts of things are very complex, so many different measures coming out at the same time.

The vast majority of our members want to be as supportive as they can be to their employees. That might not take a very formal, set approach with HR in place, but they want to be as supportive as they can. I think there is a huge risk that they may just get caught out because they are not aware of some of the technical details that they have to implement by a certain date.

Also, to be frank, I don't think that the Government are doing enough to prepare employers or small businesses for these changes. I have mentioned that SSP changes are coming in in April. The Government still have not published transitional guidance for employers on those changes, and it is less than a month away. These are very complicated changes, especially if you are employing people on zero-hours contracts. There needs to be a lot more time and support for employers in small businesses—and frankly, all businesses—to incorporate these changes.

Tim Balcon: Can I add a point? I do think there is something around making sure that the employers understand all of these initiatives because there appears to be a lot coming out at the minute and, regardless of whether they are being positive, employers just want to build houses or build buildings and actually understanding this is really very difficult. I take your point on that, Chris.

Going back to your point, it is really important that we think about bringing new people into employment as a system. It is not just about getting them into a job and then looking at it six months later, saying they are in sustainable employment and leaving them there. It needs to be a system of: how do they develop their career, what happens after they get a job, where is their career pathway and what support do they get for skills development?

I am thinking particularly for construction. We employ roughly about 200,000 people, new additional people every year. We lose about 200,000 people every year, so there is this constant churn of people coming in and out of the sector. One of the reasons there is churn is because of this lack of career pathway. It is something we are working on, so we know that it is in there, but my recommendation here is to think about the jobs guarantee and all these initiatives and to build that into a system of continuous professional development and employment thereafter.



Kate Nicholls: I will just echo that and build on it. I will be very quick in the interests of time. I think it is absolutely right. What we need to do is to make sure that we have those transitions and pathways all the way through. In hospitality and similarly in construction, some people will choose to do it as a temporary job or as a part-time job as they move forward towards their broader career. Others will choose to have it as a full career. We have put in place now, going from foundational apprenticeships to level 1, level 2, right the way through to levels 6 and 7 now in degree apprenticeships, to make sure that we have that career pathway, continuous professional development throughout the industry from entry level to boardroom.

One of our strengths is that 80% of our people who work in hospitality, particularly in the management side, do not have degrees. They have come through that pathway. Formalising it will help to address the perceptions of the industry as a career of choice and a good quality career. We need to make sure that the Government support on the apprenticeship and growth levy and skills levy, when that is reformed, supports that in-work training and professional development.

Then I think it is about transparency, certainty and choice, and I would differentiate between the costs of employment and employment rights. Good employers have not been waiting for the legislation to change, to make sure that they are supporting their teams and that they are investing in their teams. However, as Kate rightly said, part-time, flexible, zero-hours contracts or small guaranteed-hours contracts work for a lot of people in the industry. In our sector in particular, where you have seasonal employment, the key is: are you making sure that those people have job security, and are you making sure that people have good-quality jobs and rights while they are in employment?

Over the course of the 30 years that I have worked in hospitality, I am proud of the fact that one of the things that we have tackled is job insecurity. When I first came into the industry, 25% of our workforce were on temporary part-time contracts that were casual. They were fewer than 12 weeks; they had no job security. That is fewer than 8% now, because we have worked to make sure that people have permanent employment contracts. They may be zero hours if they choose them, or they may be short-term guaranteed hours if they choose them, but they are permanent, and that means those people have rights and have investment in them.

- Q26 **Johanna Baxter:** Very quickly following that up—I am conscious of time—I am pleased that job security and progression was referenced in those responses because those are key pillars of what is good work. The other thing that is crucial to that is the role of the line manager, because, as we know, most line managers are promoted to management positions not because of their management skills but because of their technical skills or qualifications. What more can the Government do to ensure that there is support for line managers to create that positive workplace environment?



Kate Nicholls: It is an important point, particularly in our sector, where that is at an outlet level and it is an outlet manager who will be doing that. That goes back to Kate's point and Chris's point about the need for clarity, line of sight, guidance from the Government about what these changes will be, because we will have to train and invest in our managers to be able to deliver a lot of those changes that are in the Employment Rights Act in a very short space of time. We need line of sight and businesses need time to be able to adjust.

The second point is on flexibility in the apprenticeship and skills levy. We need to make sure that those levy funds can be used in work, both to onboard people on to an aspirational apprenticeship and also to offboard them and move them into those management positions. At the moment, there isn't the flexibility to be able to use those levy funds to train and invest in some of the management skills that you might need when people are moving into that management position, or to take account of some of these changes. Those are two observations that I would make.

The final observation is that good work depends on you having access to work. That needs sustainable businesses and that needs viable businesses. We do need to look at that in the round, then we can make sure people can invest.

Kate Shoemith: Can I pick up the point on the levy in particular? The flexibility of the levy is absolutely essential, and it was a pre-election commitment, so delivery on that is important. Just to add, not making it a choice of either/or in terms of what training is acceptable, because one of the things that we do find is that in terms of delivering higher-level either apprenticeships or management training, is that that then provides a place where you can then bring other people in because of the progression.

If we just look at level 2 apprenticeships—which we need more of, by the way; we absolutely do—there needs to be more paths in. We also need to think about how you then allow people to have the ladder so that when they are in work, they are being trained, that there is funding available for that training, that there are clear pathways, because then it provides that place where they can move up into a new role and somebody else can come in.

Chair: We are against the clock, so I will finish that there.

Q27

Damien Egan: Luckily a lot of the points that I was going to raise have been covered, because I wanted to ask about the barriers that impact young people from taking on more apprenticeships. If I ask the panel to be mindful about the point you were saying, Kate, around the entry level, level 2, level 3 apprenticeships—we talk about post covid, but even before covid, big businesses and small businesses were raising criticisms about the effectiveness of the apprenticeship levy—can you go into more detail about how you feel that these changes that were recently announced will make a difference and if the lessons of the failures around the apprenticeship levy have been learnt?



Kate Shoesmith: The levy has not worked to increase numbers of apprentices, has it? That is clearly a failure of the policy. What we need to think about is—Tim was talking about how you match the supply and demand, ultimately, so that there is an understanding of what we are doing in terms of the education and skills system into proper jobs. The move of skills into Work and Pensions can help with that. Joining up the policy dimension is important.

When we look at it across the board—we just had the announcement of V-levels this week—there are so many choices available, and it is really confusing. One of the things that we feel is incumbent on us to do as businesses is to try to describe what matters in the workplace. Some of these qualification pathways and routes are important as stepping stones, but describing the skills that are required is important. We have seen some great examples of how, if we can convene young chambers and give young people experience of how employers talk and the world of work, there is so much more that can be done that is outside of the traditional apprenticeship and education pathways, but the levy has not worked.

Chris Russell: Can I come in? I am conscious of time and want to make some long-winded points, but I will try to be as concise as I can. When you look at the data, there is a huge interlink between small businesses, young people and lower-level apprentices. Since the 2017 changes to the levy and moving from frameworks to standards in qualifications, those three numbers have decreased a lot. Apprenticeship starts at small businesses, apprenticeship starts at level 2, and apprenticeship starts among young people have all declined.

Part of the reason for that is that the system itself was very much focused on levy payers who were, for various reasons, focusing in on the higher-level apprenticeships. To be fair to the Government, they have recognised this and in the last Budget they did make an announcement to help small businesses employing young apprentices with training costs. That has been very welcome. But to increase starts in all three areas, as I mentioned earlier, the £3,000 apprenticeship incentive would go a very long way in boosting starts for young people and small businesses.

Kate Nicholls: Can I make a couple of additional points? You are right to look at apprenticeships, but also, if we are looking at the young people that this inquiry is particularly focused on, they often need help, training, and support before they can access an apprenticeship. Therefore, the skills levy reform is the critical one that will make the biggest difference if we can push that forward, so that you can have shorter, sharper interventions to get people the training that allows them to access a more aspirational, higher-level apprenticeship. Often they don't start work on an apprenticeship—they come into work, realise where they want to have their passion and to build their career and then access a higher-level apprenticeship. It will be critical and key to be able to do that.

The second point is that there was another change on the apprenticeship levy. Employers used to have 24 months to be able to spend it. That has



been reduced to 12 months. That means that, in order to use it, employers will go for the easier options that you can spend your apprenticeship levy on. That deters them from the investment where you have the workers who need the greater investment in support and training, it tends to take it away from entry level and it tends to move it towards higher-level management apprenticeships.

There is no disrespect to management apprenticeships at all, but if we are talking about the young people in this inquiry, we need the focus to be there, and having that longer time to be able to assess where you put your funds might help.

Tim Balcon: There are some key things in construction, which I am not quite sure how to reconcile, in a sense. We have been talking about a skills gap for a long time. There are about 50,000 shortages, broadly speaking, over the last 10 years, and yet the apprenticeship is underspent, so there is something there.

I mentioned earlier that it counts for only 10% of new entrants, so it is not just about apprentices—it is about different routes of entry into the industry that gives the same level of competence—it might be over a longer period—and it is giving employers those choices. We have what we call a new entrance support team, and it is individuals who knock on an employer's door and say, "Can I help with the apprentice?" Very often they will say, "Yes, please, but I don't know how to do it". The CITB teamwork with the individual, it works with the employer and the training provider to provide that triage, in a sense, to bring them all together. That resulted last year in 4,500 new apprenticeship starts. It is a labour-intensive model, but it is that support to the employers that very often, despite the fact that they want to, they do not know how to get started.

Q28 Amanda Hack: I want to come straight back to you, Tim. I worked at the Learning and Skills Council in the back end of the 1990s. Construction trades were in shortage two decades ago and we are still in a skills shortage. I had a quick look last night at how many apprenticeships were available in my local area. Thankfully, lots of them were in construction, so clearly that support is working. How do you think that supply-led model and thinking about supply-led can change the way we look at apprenticeships and thinking about training young people long term? What lessons could you give to other industries about how you have done that?

Tim Balcon: It is something that I mentioned earlier. The apprentices, without doubt, are probably more—I say, "without doubt". Apprentices often will stay in the industry longer; they will reach a level of competence and are more than likely productive. I am hedging my bets against that one, but it makes that point. However, very often they will say that the apprenticeship framework is a little bit too rigid. For somebody who is just doing small extensions, to send an individual through a whole raft of skills that they will never use is off-putting and they will choose an alternative route.



Therefore, can we separate, can have a unit-based approach to developing those skills? That will give those employees who want a whole range the opportunity, and those employers who want a different range. The other thing is that different sectors have different requirements. I point to the Skills Alliance there, which is bringing different sectors and different requirements. It is the place where you can go for that expertise. I have been in skills a long time. I was also in skills at LSE. One size fits all never does. It is being agile enough to respond to hospitality, construction, engineering and so on.

Q29 Joy Morrissey: You have answered most of my questions, but on the skills system versus skills needed, what would you like to see from Skills England to improve opportunities for young people and has Skills England interfaced with your sectors to help improve its outputs? Do you have a close working relationship? I liked all the things that you said about—you mentioned the skills levy reform and all these things, but I would love to hear more.

Tim Balcon: Skills England has a policy direction, which is right, which is about making the training more efficient and quicker so that you get an individual up to that level of competence in as soon an amount of time possible so that they are more productive on site. That policy is right. The implementation of that has caused some hiccups, particularly in construction.

I am using the Building Safety Act that is derived from Grenfell, and the determination of competence now is very clear. What we need is those apprentices to reflect what employers need in terms of skills. There is a bit of learning to do for Skills England. It is doing that, by the way. It has put a separate issue to one side. To be fair to it, it is a new body. It is working at pace and trying to find its feet. A lot is being thrown at it. We as an industry need to help it with that. I would advise Skills England to just engage more with the sectors and to learn specifically from the expertise and experience that we have.

Kate Nicholls: I agree with everything that Tim has just said. Particularly if you are a sector that is not one of the eight industrial sectors, Skills England and the top-down policy approach has been to prioritise those eight industrial sectors, but 80% of employment in this country is outside of those industrial sectors. Particularly if we are looking at the ones that are furthest away from the jobs market or needing help, it is the sectors that you have in front of you who are the biggest contributors.

I think that there has been a problem with Skills England prioritising engagement in those eight industrial sectors that are not ready to go with foundational standards or entry-level standards, and less engagement with sectors like hospitality and retail could provide a big help. It is getting better, and I think the move to DWP has been immeasurably helpful in making sure that we are not just focusing on aspirational educational standards for a segment of the economy or workforce that might not be in that educational academic headspace.



Q30 **Joy Morrissey:** Kate, you mentioned the challenges of not being in the industrial strategy and this effect. Is there anything else that you would like to add on that as the final comment?

Kate Nicholls: I think that I have said it all. While the Ministers in DWP are quite clear—and senior civil servants are also very clear—that this is a prioritisation and a focus on productivity, it has become slightly more exclusionary when it gets down to lower levels, and you are talking about implementation of policy. As I say, 80% of employment is outside of those industrial strategy sectors. Half of the country is not included in the placemaking areas that are in that industrial strategy. The industrial strategy is right; it is great, it is focused on productivity and exports, but it needs the everyday economy to be brought in if we are to address some of the social and moral challenges of finding employment for people. I think that access to work and moving from welfare into work is a social and moral imperative.

Chair: Thank you very much. That concludes our session with the first panel for this inquiry. Thank you so much, everyone. I am sorry that we have to rush off, but we are very, very grateful.

Examination of witnesses

Witnesses: David Gaughan, Jan Feeney and Dave McCallum.

Q31 **Chair:** Welcome to the second panel for this first session of the youth employment, education and training inquiry. It is a pleasure to welcome in the room David Gaughan from the West Midlands Combined Authority, Jan Feeney who is from Norfolk County Council, online, and David McCallum, also online, from Skills Development Scotland. Good morning to all of you and thank you so much for joining us today.

I will start with the questions. What barriers do young people face in your areas and what might impact their employment, education and training opportunities? David, would you like to start?

David Gaughan: Thanks for inviting me for this important work. The West Midlands has its challenges with youth unemployment. We are one of the youngest, most diverse populations in Europe, yet we have 29,900 young people currently in that youth count who are seeking work. That number has risen by 53% since March 2020. So we have a stubborn and persistent challenge, which is growing within our region. Our evidence in this space to understand the drivers of youth unemployment focus on four key areas of youth unemployment.

First, it is attainment: what young people leave school with and where they are at and their work readiness in that space. Secondly are the labour market conditions—we know that entry-level jobs are becoming fewer. We know that even our graduates are struggling to find work in what would be graduate vacancies, which are in decline. Those labour market conditions are impacting our young people being able to find



work, and good work. Thirdly, health barriers and the challenges our young people have in terms of mental health.

One in four of our young people have some form of mental health challenge that is a barrier to work. We have also high levels of those young people who have an EHCP, currently over 19,000 within the West Midlands. The fourth challenge is around policy and the work of policy and the churning policy that impacts on young people being able to access work. The policy landscape is changing at a rapid pace. The improvements are there and I can see the intent behind those policies, but that takes time to bite. Those policy decisions taken many years ago are also biting and impacting youth unemployment.

The raise in participation age, while the intent was strong there in terms of ensuring that young people could progress and transition into employment, sadly has meant that some structures are not there to support those young people at those key transition points, especially at post-16. Those are the four drivers that we have seen in the West Midlands.

Jan Feeney: Good morning, everyone. I hope you can hear me okay. Thank you for inviting me. My apologies that I was not able to join you in person this morning.

Building on David's comments, first, as you are probably aware, Norfolk is a large shire county. It spans 80 miles across and 40 miles north to south, 2,000 square miles in total. All of the factors that David mentioned—the challenges that you face in the West Midlands with young people's ability to move into EET—are replicated in Norfolk.

Because of the nature of the county, we also have a population density that is low and spread across a diverse range and mix of rural and coastal communities, market towns, and urban centres, often with sparse access to public transport and/or reliable broadband connectivity, making it challenging for young people in particular to access education and training. So accessibility is another major issue for us—accessibility of provision, travel times to get to provision if it exists in terms of what a young person's interests are, and accessibility in terms of accessing the workplace.

Dave McCallum: Thank you, Chair. Scotland is slightly different. I would say with the rest of the colleagues, mental health and access can be a challenge across Scotland. But in Scotland we are looking at over 32 local authorities—it is the rurality versus the urban and making sure that young people have the same opportunities and to stay within the local areas as well. We do have robust systems in place to allow that to happen and support that across the partnership. I would convey that it is the same as other colleagues mentioned about mental health, skills, building their confidence to seize those opportunities and to have opportunities within the local areas.

Q32 **Chair:** What is being done about the different issues that you identified there? What work is going on? I will go in reverse order this time. Could



you build into your answer whether the devolution settlements—this might not apply to you, Dave—have helped or not?

Dave McCallum: I cannot comment on devolution, but in Scotland we have deliberately designed our intervention around strong early engagement at school and post-school transitions. The key is key partnerships. We have partnerships across—and not just us, I am talking about third sector, local authority partnerships, private sector partnerships that all operate together to identify skills opportunities within those local authority areas, informing our careers advisers, our developing workforce, and how those partners come together to support those transitions.

What that is underpinned by, and what is critical, is our 16-plus participation portal, where we track every single young person from the age of 16 right up to the age of 24. We have safeguards in there where we can tell what their preferred destination and preferred occupation is, so that we can put things in place to support.

However, if they were to drop out of a positive destination or not transition to a positive destination—be it FE, HE or employment—the partners step in to work together to support that young person to make sure that they get back on track to achieve a destination that is right for them so that they can sustain it. It is not any destination; we make sure the destination is right for them. We have 32 local employability partnerships across Scotland that work very closely together to pick that up as they transition from school and how the partners work together. We build on it year on year.

Jan Feeney: Recognising this issue, in 2021 we developed a project called Boost, which we were able to pilot in King's Lynn as part of the town deal funding for two years. We ran that with less than £450,000 over that two-year period, supporting young people who were NEET to move towards and into EET, offering that bespoke support that young people need, that handholding support.

It is very much a convening mechanism, bringing together all of the agencies that work in the area to support young people, bringing them together, working with the young person and finding that right pathway that works for that individual young person, together with a bit of a fund within that project that enabled us to put on some provision that helped young people to move to the place that they wanted to be in terms of a career path, short-term interventions that were unable to be offered through an FE institution. It acts as a bridge; it is not a destination.

The project helps young people to navigate the confusing system. It is flexible, so it adapts to their needs and helps them to move forward, and it enables young people to feel in control. It feels that they are not being controlled, that they can set their own destinations and be able to work with us to help them to move to where they need and want to be. It gives them agency. They feel that they are being involved in those decisions, which is really, really important for them. One young person said, "There's an actual goal to look forward to now. There's a lot more

hope. They always try to move me forward. It's not like I am stuck in one place forever". It does help young people to move into employment.

We have funded it since through UKSPF in King's Lynn and also extended it to Breckland, another district within Norfolk, which has been fantastic. That has now come to an end, and we need to fund it ourselves, with a little bit of support from districts over the next year. After that, we do not have the funding to continue. So the issue is very much about how we create the opportunity, and how we access some external funding to be able to continue this work, because it really provides that glue that supports young people who are further from the labour market to move closer to and into it.

This year we are pivoting the project to move young people into Connect to Work, recognising the policy change and the fact that Connect to Work will do that work supporting young people. At the point that they are ready to start job searching, we will move young people into Connect to Work. For those young people who are not eligible, we will retain that job search facility so that we can help young people on their destination.

David Gaughan: The West Midlands Combined Authority has devolved powers through a multi-year settlement for skills, housing, transport and economy. Through that devolved role, we have been able to establish an integrated employment skills system to help bring together aspects of employment support and skills, to ensure that we have more of a blended offer at a place level, which is important in terms of how we bring partners together and use our convening power and drive collaboration, because for youth unemployment there is no silver bullet.

There are multiple activities that need to be taken to address what is a very complex challenge for us. Our mayor has made youth unemployment his No. 1 priority for the region. Within that, he established a mayor's youth plan, which has a series of actions within that. One of those actions was creating 20,000 work experience placements, recognising that you are six times more likely to be in work if you have had well-structured work experience placements. We are now at about 83% of that target, 17,500 hitting that number, and our youth trailblazer has been able to help us along the way with that.

Within the mayor's youth plan, there is also a focus on pre-apprenticeship pathways, and we are doing that through our programme called path 2 apprenticeship. We recognise that a lot of our young people are not apprenticeship ready, but with a bridge can move into good work through a good apprenticeship. That path 2 pre-apprenticeship programme is focused on eight key sectors.

Earlier today we talked about hospitality. We are working very closely with Compass Group, which has established an academy at Edgbaston cricket ground, where young people are going through the path 2 programme to train for job roles in the hospitality sector, with a view that apprenticeship job will be at the national minimum wage, not the apprenticeship minimum wage. So we are very much focused on that as an initiative to bridge that gap to apprenticeships. That is why the

development of foundation apprenticeships is positive, but again it is not a silver bullet to the challenge.

We need to think about those bridging programmes. Path 2 is one of our key responses to youth unemployment. The third area that I want to focus on—it came out a little bit earlier from CITB and Tim Balcon's focus—is that we have been looking at how we build progression pathways and entry pathways, such as path 2 apprenticeship, based on what employers see as entry-level job roles and preparing young people for jobs in those roles.

A good example is construction. We have worked with construction-based employers and the CITB to identify points of entry into certain occupations, such as in groundworks. At the moment we have training provision that is following our housing investment and infrastructure investment in the region, where we are establishing pop-up construction hubs to support young people into those jobs on those sites. Last week it was Women in Construction Week, and there was a group of 12 young women who were participating on that construction training at one of our sites at Smithfield, behind New Street station, to train and prepare those young women to move into jobs in construction. That is the element of activity we need to do on the ground and a range of initiatives, but it is a broad church, and we have to do a lot of activities and bring those together.

Q33 Amanda Hack: Thank you for joining us. I have three questions, one for each of you, so I will ask them individually. How do we ensure the success of the youth guarantee? David, you obviously explained the work that you have been able to do being within a combined authority, which is useful. But how easy do you think some of this will be to be replicated in those areas without a devolution deal? What are the best elements of that you could share with us?

David Gaughan: The replication of this model is understanding points of entry into employment for young people and how we can replicate those models. Large employers have a role to play in this space as well, where they can support those areas where there is not necessarily a devolution deal to show the way. If I look at construction as a classic example there, we have tier 1 construction-based employers who have a national footprint, and they can work with the local systems in terms of points of entries.

We lean on employers a lot, and I appreciate that a lot of the evidence we have heard already today has been about how employers can support the system. We also have to ask questions of employers a little bit more, like, "What do you see as the entry-level piece? How can you replicate what you are doing in West Midlands and how can you do that elsewhere and support those local areas?" There is a role there for large employers in that space, in social value and what they can do nationally.

There is also the learning we can do through our work with DWP. The jobs guarantee is a good example. My own lived experience is that I did a YTS to get into work. I left school with nothing. I see jobs guarantee as a



perfect opportunity for a young person, who is not quite yet apprenticeship-ready, to develop their employability skills and for them to be able to move into work in the longer term. We have not had that for many years. If we need to have a trade-off in this current situation where we have high levels of youth employment, the trade-off should be there, in the sense of how we can expand the youth guarantee so that those young people, who potentially are not in that category of being unemployed, to provide an alternative pathway into work for them, based on their individual circumstances.

I do see an opportunity there where we can work closely with DWP in terms of the national framework approach, and then from a regional perspective in terms of our own accountabilities, how we work together collectively in that space so that the DWP can take that learning into other local areas. We do have acute needs in the West Midlands and in other areas such as West Yorkshire, South Yorkshire, Greater Manchester—the larger city regions that have significant acute challenges with youth unemployment. We need to think about how we work with those areas to tackle this youth unemployment challenge and then spread that further beyond to other areas.

Q34 Amanda Hack: Dave, the young person's guarantee has been in place in Scotland for five years. What has worked well, what has been challenging and how can we replicate the learning in Scotland to those areas that might be able to use your experience?

Dave McCallum: The young person's guarantee has evolved, by looking at No One Left Behind in Scotland. That has evolved in that we have employer networks that work in schools to raise those opportunities. They are very different across all our local authorities across Scotland, as opportunities are different. That is through Developing the Young Workforce.

The key thing for us also is how our local employability partnerships work locally together within those 32 local authorities. It gives those partnerships agency with the funding that they get to identify the need of that local area and the opportunities to make sure they are putting programmes in place to support people to seize opportunities. They might want to go into apprenticeships or might want to take up other training. Going forward, the key thing has been how not one partner can do it alone. It is how the partnership all works together, and we work more collegiately, collaboratively, and say, "It's not for careers to take forward; this might be for our third-sector colleague to take forward or for some local authority employability partners". It is a collegiate approach as well as being underpinned by the participation portal and our data is key to that.

Q35 Amanda Hack: Jan, like you, I am in a non-devolution area—a shire county with very similar experiences to what you explained in your opening statement. What would you like to see from central Government for areas like the one I represent and where you are working to see that benefit of the trailblazers reaching areas like ours?



Jan Feeney: There is a lot of good practice that goes on in local authorities. I have mentioned Boost; there are other good examples across the country where local authorities have moved to fill that gap in terms of supporting young people. If there is a way in which the opportunity that the youth guarantee creates can be expanded to local authorities to give them that opportunity to be able to build on what they have done well and to be able to grow what they have locally so that they can actually build on existing opportunity, learning partnerships. All of those things exist locally; we just need the opportunity to build on it.

Of course, we would need to be accountable for it. When we look at Boost, while we are not getting young people into jobs now because we have to Connect to Work, we need to think about what we could be accountable for. There are some UKSPF accountabilities that we could still meet in supporting young people to be job ready, so we could still be accountable in the same way.

There are also good examples where in the past we have up joined up initiative. So we had Kickstart, which was successful. We joined it up with Progression to Apprenticeships, an initiative that we developed locally, which gave people the opportunity to move into an apprenticeship and we would be able to support a wage subsidy for employers who could do that. Being able to join things up would be easier if we had the opportunity locally to have that pot of funding that would enable us to move forward with the youth guarantee.

As a non-devolved area at the moment, we do feel that we are missing out. We are not at that table, we do not have those opportunities, and we do not want our young people to be disadvantaged even further. Anything that we can do in that space with the Government to bring that forward—particularly because we are on the DPP programme, so we are very hopeful of moving to a devolved place fairly soon—would give an opportunity to try some of that.

Q36 **Steve Darling:** I will go to Jan first, David and then Dave, so that you are aware what order were coming in. Reflecting on the DWP and the opportunities, we have already started unpacking some of this, so a further dive into this a little bit would be really helpful. Reflecting on the DWP and how it could help with transition from education to employment for young people, what else could it be doing?

Jan Feeney: Thank you very much for the question. In terms of 16 to 18-year-olds, that is not my area of responsibility. I need to say that. I would be able to provide you with a fuller statement about the support that it could offer for that age group. For 19-plus, we absolutely welcome the move of skills to DWP. That is really positive and aligns that work and health agenda and the need to support young people and older adults as well more closely into work and joined-up policy, which is important.

That also opens up the opportunity to pivot adult skills funding, when it is devolved or where you have devolved areas already, and move towards activity that supports a return or access to the labour market, which could mean that there are fewer opportunities for employers to upskill. If

apprenticeships are moving more towards a policy that supports young people, which is perhaps what we are seeing early stages of at the moment, we need to think of how we support those who are 25-plus.

On local relationships with DWP, we have a very, very good relationship and it is very prominent in terms of referrals to the projects that I have mentioned so far. It was also incredibly supportive of the Kickstart initiative locally and moving on to progression to apprenticeships. Therefore, we have good local inroads into the organisation. It is also very supportive of Connect to Work. It has been incredibly supportive of Working Well Norfolk, which was an IPSPC pilot previously, so there is that opportunity locally.

As the jobs and careers service comes online and gets developed over the next few years, we would want to work closely with it on supporting that development too, and make sure that it highlights those opportunities that are local and are accessible to young people. That is part of the issue.

Q37 Steve Darling: Jan, from a local authority perspective, if you could put a challenge into the DWP and say, "You're working really well but, above and beyond, this is where I would put a challenge in", is there anything that leaps to mind in that area?

Jan Feeney: That is an interesting question. I don't think that there is anything that leaps to mind at the moment. We have a good working relationship and that relationship will continue to build and expand as further opportunities come on board around co-design and co-commissioning of work placement and work support opportunities. The only thing we would look to do more collectively would be swaps. It probably tends to operate a little bit ad hoc rather than perhaps a more integrated approach that we could try to bring together. That would be my one challenge.

Q38 Steve Darling: David, any reflections? You have already started to dig into this a little bit.

David Gaughan: We have a very strong relationship with DWP within the region, and we have had that well established since devolution in that space. We have a range of national programmes that are continually coming on stream. That is where we create some of the challenges and some of the rubs, where young people live in places—they do not work nationally, they do not live nationally—and these are the challenges when we have national frameworks, national programmes that are developed and shaped and then applied at a regional or local level. That is where we see some disconnect.

That is one of the areas where, working with DWP, we want to work on what the interface is between national policy and national framework approach and how we can adopt that practice within the region so that we can achieve more value for money, integrate offers, employment skills offers, on the ground and link health into that space as well, because West Midlands has done its response to Get Britain Working White Paper



for its West Midlands works, which talks about establishing multidisciplinary hubs, which include employment support, skills and health support for young people and adults. How can we work with DWP actually to enable us to be able to do that on the ground? That is one of our asks.

I listened to Dave about his portal earlier. We would love to have that level of data sharing where we could actually create a portal so that we could track where young people are actually at, recognising DWP's role in terms of employment and skills. There is still some fragmentation because DfE will still retain some aspects of that skills role. Data sharing at a local and regional level would enable us to do a lot more on the ground. How can we how can we work with DWP as an active partner to be able to do that?

Q39 **Steve Darling:** Great, thank you—some good lines there. Dave, any reflections?

Dave McCallum: Employability skills is devolved in Scotland, but we have a strong relationship with DWP across all our local authority areas, not just us but also with wider partners. We do work closely when it comes to supporting young people. We might put in some additional support to support somebody who is working with DWP specifically. It has representation on the majority of our 32 local employability partnerships across Scotland. It is integrated into the system, and it does play a role, but mainly more from post-school into adult than from education.

Q40 **John Milne:** What actions might be most effective in preventing young people from becoming NEET in the first place? Do you have the tools and resources to identify them in advance? If not, what might you look to see?

David Gaughan: This is one of the one of the key challenges at the moment, because we are so focused on the challenge that is presenting to us right now in terms of those young people unemployed that we do not currently have structured approach to how we will prevent NEET and understand NEET at a younger age. We are focusing some of our efforts in thinking about NEET prevention upstream. What does upstream intervention look like at 14 to 18, before these young people become NEET and where other parts of the school system start to inherit that challenge? At 14 to 16, what are the indicators that those young people potentially will be NEET?

We already know potentially, through information presented through data sharing from DWP, where there is intergenerational worklessness within a household. We may know that parents may not be currently in work, so those individuals are currently at risk. We know that if a young person has a SEND need, they are 80% more likely to fall into NEET than those who do not have SEND need. So we start to identify a lot earlier what support measures we need to take for those young people.

Some of the interventions that were around 10 years ago were dismantled because of the raise in participation age. Many years ago,



there were place-based approaches around connections and a connection service to track young people. We have lost some of that and we have lost the ownership of NEET and young people. When we bring in new programmes, sometimes we are throwing programmes at a challenge, but it is not coherent, it is not planned.

That is where NEET prevention becomes important to think about what we are doing earlier to understand the challenge and the best routes for those young people for the longer term. Because it might be that the jobs guarantee might be the route for that young person alongside an apprenticeship, but we are not identifying that at that earlier point, and we need to start doing that more effectively.

Jan Feeney: As I mentioned in response to the previous question, the issue of 16 to 18-year-olds and NEETs particularly is the responsibility of another colleague within the local authority. That is the way that we are structured. I can provide a fuller written response next week on this. We do have a systemic use of a RONI tool that we have developed locally in Norfolk, which is used by most schools. We find that helpful for understanding the likelihood of individual young people becoming NEET and being able to work with them on that.

Picking up on David's point around what we have had previously, the increased flexibility programme, as I am sure many of you will remember, enabled young people to be able to take on some vocational activity in those last two years of school, that 14 to 16 age group when they were able to go to perhaps an FE institution and study a vocational subject for a couple of days a week and so on. That often supported young people who were at risk of disengaging from the educational system, per se. The opportunity to be able to have some of that activity back within the system would be immensely useful I know. I will provide a fuller response next week.

Dave McCallum: Our key thing that we cannot take away is how the partners work together and how our partners recognise that within careers, our team will support a young person or a young adult if they come up with any problems when transitioning to FE, HE or employment. It is also how the partners come into that as well and support, and realising that some young people might need a different intervention to support them in moving forward.

I know that I have mentioned it a few times, but the key thing is that we start to track people through legislation, every single young person in Scotland, when they go into high school. Within that process, we can identify different risk factors with those young people and make sure that the support is around them early as they transition from school and then right up to 24 or 25.

That information is not just information from us; that is information as they go through from school, from DWP, from FE, from HE and from colleges. There is a whole partnership that feeds in to make sure that we always have the right information on those young people to make sure that they are getting the right support. I am happy to follow up in writing

to provide some more information about how the participation portal works and how we report in participation across our young people in Scotland.

- Q41 **Mr Peter Bedford:** Turning to how local government can help the Government hit their target of getting two-thirds of young people into higher-level learning, Jan, you have some examples from initiatives that you were conducting in Norfolk. Can you touch on how local government can help support this and what more government can do to support you in delivering it?

Jan Feeney: Are these apprenticeships that you are referring to in terms of some of the examples that were mentioned?

Mr Peter Bedford: Yes.

Jan Feeney: We have done a lot in that space in terms of supporting young people. Recognising that currently we have far fewer young people participating in traditional higher education and progressing to traditional higher education, we see apprenticeships as an important part of the jigsaw in terms of post-16 and post-18 provision in Norfolk.

We have introduced over a period of time some successful initiatives that have helped to increase the number of young people in apprenticeships, including employer incentives, where we provided £1,000 to recognise the additional costs of onboarding. So a £1,000 employer incentive would help them to be able to take on a young apprentice and to provide mentoring support for them in order to create some sustainability around mentoring a young person going forward. Should they be able to take on another young apprentice, they have that mentoring ability within the organisation.

I have mentioned progression to apprenticeships where we joined up with Kickstart, and I think that that is key in joining up some of those initiatives across Government so that we end up with career paths and progression routes so that young people can see where that pathway will take them, they have a clear understanding of where that will be and where they will be able to get to. That was echoed in the first panel in terms of hospitality and also construction.

Also, we have provided financial support to apprentices through access to apprenticeships around perhaps buying a laptop or supporting travel. We are trying to address those key barriers to apprenticeships from each perspective, from an individual's perspective and from an employer's perspective, and trying to join up the system to enable young people to have clear progression routes that move from one to another.

We also have our own local broker service for Apprenticeships Norfolk. It was mentioned in the first panel that employers do not know where to start when it comes to an apprenticeship. We can hold your hand; we can help you through all of this and help you to move forwards and work out which apprenticeship is right for you, which standard would work for you, and so on. We can help you with recruitment. We can help SMEs to be in that place where they understand the system.



What we need is financial support to be able to continue to do all of those things. We absolutely know that they work. We can demonstrate that in our data in the numbers of young people who have been taken on as apprentices over the past few years. We know that employers see that financial incentive as a real touchpoint that is important to them in being able to encourage more apprenticeship opportunities, but we need to have financial support to help us to do that. We cannot continue to fund these initiatives, and many of them were short term because we did not get additional funding. That is where we want to be able to move to and to enhance that brokerage service if we get the opportunity.

Q42 Johanna Baxter: Dave, can you talk to us about what we can learn from the different approach taken in Scotland with apprenticeships?

Dave McCallum: With apprenticeships in Scotland, we do it in two fronts, working with our local employers and big employers also get to seize on those opportunities. For example, if I talk about Workforce North in the Highlands, we have a huge opportunity with huge investment coming into the Highlands and Islands and Moray for renewable energy. So we have been working with big employers to seize on apprenticeship opportunities, but not just apprenticeship opportunities in engineering, but in the supply chain also. We also engage with employers regularly.

We have an employer service team that goes out and works with employers, speaks to them and highlights the opportunity of bringing on an apprentice and how an apprentice can add value to the organisation, and the benefits to the employer and to the young person. We also continue to promote apprenticeships through Developing the Young Workforce, which is across the whole of Scotland. It is increasing the employer networks within secondary schools and within colleges. We try to promote apprenticeships as an opportunity for all young people across Scotland, and also for adults, because older workers can go into apprenticeships.

The key thing is seizing the opportunities and us being agile enough to respond to the demand of employers, especially when they need to bring in apprenticeships where they need specific skills, be it welding, wind farms, electricians, plumbers and so on. We work with the training providers and those industry providers to make sure that we have the most up-to-date information and that we are responding in the right time and the right place, and making sure that apprenticeships are delivered that are equitable from an urban location and in our rural and our island communities as well.

Apprenticeships are supported across the whole partnership and employers as well. We celebrate it every year. Last week was Apprenticeship Week in Scotland. We had a huge celebration. We had the apprenticeship of the year. It is promoting the benefits of an apprenticeship of a different route into employment.

Q43 Johanna Baxter: David, do you want to quickly mention apprenticeships in the West Midlands?



David Gaughan: Yes, three quick things. I talked earlier about the Path 2 apprenticeship programme, because we recognise the importance of apprenticeship as part of the skill system as a route way for young people into good jobs through a work-based learning route. We have also worked with large employers in terms of using their levy. We have worked with very large corporate businesses that have deployed £55 million of what would have been their unused apprenticeship levy passed to us to enable us to stimulate the apprenticeship market further.

Over 3,000 SMEs have been able to access that levy transfer from creating 6,000 apprenticeships within the West Midlands. That is important for us, but sadly with the changes of policy around levy transfer—it is not yet clear what the levy transfer policy will look like—those large employers cannot donate to that scheme because they might want to use it themselves.

From an apprenticeship perspective, one of the important policy changes—this is not just about the levy; this is about apprenticeship policy—is building more precision into the cohorts who we want to focus on to drive productivity and growth. One of those key drivers is getting young people into work. So more precision is very welcoming in terms of that policy and focusing on young people and apprenticeships, because it currently is, or has been, an all-age system. That precision is really welcome in the West Midlands.

Q44 **Damien Egan:** I want to ask a question that came up on the last panel, which was about the co-ordination of local demand with the supply of skills. Could you think about this in your respective areas, and with regard to how further education can help with that provision and what changes you may like to see within the further education sector?

David Gaughan: A place-based approach is really, really important, and thinking about those places and the labour market challenges within each of those places. That is why we work very closely with our local authority colleagues on what provisions we should work in partnership to commission at a local level, where we have the powers to be able to do that through adult skills, for instance, and through employment support. So there is very much a clear partnership role between us and our local authorities, which then work with their local partners within their local areas.

Understanding the local labour market need is also important, and that relationship between us and the local authorities, identifying where they are seeing those priorities in terms of those sectors and what they are seeing in the foundation economy, because we know that the high-growth sectors are well documented through the industrial strategy.

What about the foundation economy, hospitality on the ground, construction on the ground, health and care on the ground and how does that inform planning? That place-based approach includes the collaboration with FE and the colleges in terms of what their 16 to 19 programmes are, what they seek out to do, what they seek out to



achieve. How closely aligned are those 16 to 19 study programmes to labour market need?

Through our work in the West Midlands, we are developing a college compact with our colleges, focusing on what we invest with colleges and how they can support the local labour market in their skills, offers of support, transitions for young people into those jobs, so that there is clear alignment.

Dave McCallum: We have three different routes into apprenticeships in Scotland. We have foundation apprenticeships, which start in school, modern apprenticeships, and the graduate apprenticeship-level apprenticeships, which help bolster the important apprenticeships in Scotland. I just wanted to say that Chair—I do apologise.

In Scotland we work with our local economic skills planning leads. Within Skills Development Scotland, we have regional skills planning leads, who work with those local authorities and employers to identify the gaps and the opportunities across Scotland. They then feed it into what we call the skills planning model that feeds back into local employability partnerships, into schools, into the colleges, so that together as a system we can try to respond to those needs and try to respond at pace.

Our colleges feed into that, clearly, and our local colleges across Scotland try to alter their curriculum to support those opportunities that come up, whether it be in Forth Valley, down in Falkirk or up in Shetland. We try to give specific skills and economic information to try to support their planning for their provision.

Jan Feeney: Building on David's point on a place-based being important, we do not have devolution of the adult skills funding currently, but what we do is to work with our FE providers in particular to bring them together to try to begin to develop that systemic approach to delivering the adult skills funding within Norfolk.

We do not hold the purse strings, but if we can bring them together and we can create that start of a journey to take those colleges particularly on that journey with us to build a system whereby we are making the most use of the adult skills funding to support people to employment, that is a good starting point to build that relationship. That has been incredibly positive in terms of the response that we have had from our FE providers, so that we are working more together to make the best use of the funding that is available, and we will be able to translate that into commissioning activity when the adult skills funding comes to us.

On colleges flexing their curriculum, they are not unwilling to flex the curriculum if there are other demands. Part of the challenge will be facilities, and part of the challenge will be tutor recruitment and retention. That is a massive challenge in some sectors, particularly engineering, for example, particularly construction, where tutors can earn a great deal more being in industry than being in FE. We have worked with our colleges on that and developed some programmes whereby we have some perhaps joint recruitment activity going on.



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We have joint marketing that we have had in the past, whereby we are trying to attract a wider pool of talent into FE, regardless of which institution they end up teaching at. We were in the process of developing another project about supporting the pay differential between tutor salaries and those that they could receive in the open marketplace. We have not had the opportunity to take that forward at the moment because we do not have devolution and an investment fund.

Chair: I am ever so sorry, we are out of time. We have crashed the pips, as they say. The bell has gone for the start of business in the House, and I will conclude this session. It has been fascinating. Thank you so much to everyone for their contributions.