

Business, Energy and Industrial Strategy Committee

Oral evidence: Industrial Strategy, HC 616

Tuesday 8 November 2016

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Watch the meeting

Members present: Mr Iain Wright (Chair); Richard Fuller; Peter Kyle; Amanda Milling; Albert Owen; Michelle Thomson; Craig Tracey; Anna Turley; Chris White

Questions 224-294

Witnesses

I: Kevin Baughan, Chief Development Officer, Innovate UK, Dr Celia Caulcott, Vice-Provost (Enterprise), University College London, Professor John Latham, Chair of University Alliance & Vice-Chancellor of Coventry University, Dr Sarah Main, Director, Campaign for Science & Engineering

II: Stephen Ibbotson, Director of Business, Institute of Chartered Accountants in England and Wales, Stephen Tarr, Managing Director (Projects), Balfour Beatty, Ben Wilmott, Head of Public Policy, Chartered Institute of Personnel and Development

Written evidence from witnesses:

– [Add names of witnesses and hyperlink to submissions]

Examination of witnesses

Kevin Baughan, Dr Celia Caulcott, Professor John Latham and Dr Sarah Main gave evidence.

Q224 **Chair:** Good morning, ladies and gentlemen. Welcome to the Business, Energy and Industrial Strategy Select Committee. We are delighted that you are here to give evidence on industrial strategy. To begin with, for the purposes of the record, could you each introduce yourself and tell us which organisation you are representing?

Dr Caulcott: My name is Celia Caulcott. I am the Vice-Provost (Enterprise) at University College London. Vice-Provost essentially means I am a pro-Vice-Chancellor.

Dr Main: Hello, my name is Sarah Main. I am the Executive Director of the Campaign for Science & Engineering.

Kevin Baughan: Hello, I am Kevin Baughan. I am the Chief Development Officer at Innovate UK.

Professor Latham: Hello, I am John Latham. I am Chair of the University Alliance & Vice-Chancellor of Coventry University. I should also say that I am a board member of Innovate UK, a board member of Coventry University Local Enterprise Partnership and also on the Midlands Engine board.

Q225 **Chair:** Thank you. We are carrying out an inquiry into industrial strategy. What does industrial strategy mean?

Dr Caulcott: I should add that I am also an ex-chief executive of the Biotechnology and Biological Sciences Research Council, looking at innovation.

From my perspective, an industrial strategy is a framework within which a country can think about how it supports those aspects of industry for which either it has great opportunity or great need. We can talk separately about how it chooses those aspects. Because I come from the university and research sector, I regard a huge benefit of that as being that one thinks about how you drive excellent research out of the research base into those industrial areas. I am interested, for example, in new technologies where we are excessively good, and there are quite a lot in this country, and the benefits of driving those technology developments and research discoveries out of the university and into the industrial system.

As far as I am concerned, industrial strategy provides a framework for a nation and a Government, and Governments both national and regional, to think about what aspects of industry they wish to drive and support, either because we are very good or we have national need.



HOUSE OF COMMONS

Dr Main: Good morning. Thank you for inviting me, and thank you to the Committee for your support for science and engineering and research and development over recent years. It is not quite clear yet what the Government mean by industrial strategy. We believe that any industrial strategy should be long term, ambitious and built on the cornerstone of science and innovation. Although today we are not talking about Brexit per se, the industrial strategy has an opportunity to be a powerful counterpoint to Brexit, providing a really strong framework, as Celia was saying, for our domestic environment for doing science and engineering, in the context of international relationships that are yet to be developed. There is a great opportunity in developing an industrial strategy to send a signal of intent and to establish the UK's intention about its place in the world as a player in science and engineering. There is a big opportunity for the industrial strategy to form that signal of intent over the medium to long term.

The Campaign for Science and Engineering is a membership organisation. We have about 100 members, ranging from universities and learned and professional societies through to industry, large and small. Importantly, our members tell us that any industrial strategy must be cross-government in a true sense—something that is developed not just between the Department for Business, Energy and Industrial Strategy and No. 10 or the Treasury but that involves all the Departments and each of their own strategies, which are already under development, e.g. in digital science, digital strategy, energy and so on. It needs to buy in the co-operation and commitment of government and industry.

I would summarise by saying that the message we are hearing loud and clear is that industry has spent a long time in negotiation with Government already, not least based on the coalition industrial strategy of 2012. Looking at what has worked well and building on that will help harness the good will of industry and government working together, rather than starting from a blank sheet of paper and starting again.

Kevin Baughan: Building on those comments, I would like to think of industrial strategy as a plan of action so that we can achieve the long-term ambitions of our industries. In Innovate UK, we think about that in three dimensions. First of all, the ambitions we have for our industries are often thought about in terms of vertical industrial sectors. It is also very helpful to think about them in terms of industrial challenges, because that places the focus on the future opportunity and less on the current industrial structure. That makes way for both evolutionary and revolutionary ideas to tackle those ambitions.

We then have the big, horizontal cross-cutting activities that are so important: innovation, skills, infrastructure. They are there to enable those ambitions to be achieved. The third dimension, which is equally important, is the geographic one, because we really need to understand where these ambitions are going to be realised, and where in the regions



and nations it is going to happen, because a strategy without execution on the ground is of no use at all.

Professor Latham: Just to echo a number of the previous speakers, for me it really is around a national framework that gives a direction of travel that we wish to take as a country. There is obviously a national framework we can put together, but there are regional implications of what has been successful and not successful, and where we need to underpin the development of our industries.

One of the things that is also key is to recognise that there are existing industries that need to be supported and new and emerging industries. There has to be a balance between science and innovation or, as I would call it, creation and innovation. A lot of industrial strategies that have been in place for a long time in other countries have been successful in terms of really supporting the science base but also supporting the innovation that takes place to ensure that the country stays at the forefront of any activity it is engaged with.

The other thing that is important for an industrial strategy is it needs to meet the needs of industry and individual organisations, enabling them to see the framework that will support them as they move forward, as they wish to be competitive on a world stage. As one of my co-presenters mentioned earlier, an industrial strategy is both an external view of the UK that can be understood by other countries that wish to engage with us, but also an internal tool—a framework that allows us to take forward the developments. We cannot support everything—no country ever can—and where true industrial strategies have been very successful in other countries there is a need to perhaps focus on where we can make the biggest bang as a country. Overall the importance is to have a framework that everybody understands and is there for the long term and can be followed.

Q226 **Chair:** I want to pick up on that, because that gets to the heart of what the parameters of an industrial strategy would be. We cannot do everything, and there needs to be some degree of target and focus. Where should that focus be? I have been very interested in some of your comments. Celia, you talked about new technologies that were excessively good; John mentioned existing industries that require support but also new industries. What should Government be doing, and how is that process of targeting and focus carried out? Should we pick winners, or winning sectors or technologies, or should we, as Kevin said, just ask the right questions?

Kevin Baughan: Perhaps I could explain a little bit about how Innovate UK approaches the investment strategies we develop. We start with the markets, and by understanding where the big global market opportunities of the future lie. Then we look at where the core strengths of the United Kingdom are, and what structural advantages we have that mean if we pursue those markets we should land economic growth here in the UK.



Then it is timing. Is the UK industry ready to step up and work with us on those challenges? Finally, it is additionality, because if at the end of the day it is a great market and we have a strong industry, why is there a gap? Why does the public sector need to build confidence for the private sector to invest? That is the core set of questions that has really steered a lot of the investment strategies of Innovate UK.

Dr Caulcott: That is a tremendous framework, and Innovate UK has demonstrated very effectively the way in which that has been operated. But perhaps we should put that in the bigger context that Sarah referred to—the way in which the industrial strategy worked out under the coalition Government. I was very involved within the research councils at that point. At any time, you can think of four ways of looking at how you might develop an industrial strategy. They include by sector, by challenge, by geography and by technology. What happened in the development of the industrial strategy was that, rather than having any one of those, which tends to lead to picking winners, at least two, if not all four, came together in one go. You developed this concept of a framework, as John referred to, that was driven by a mixture of what sectors we believed we needed that are either beneficial nationally or could be, technologies we are very good at or are on a trajectory to be very good at, what geographies matter and what challenges there were.

Q227 **Chair:** In that regard, do you think that the coalition industrial strategy was good and we should continue to use that framework?

Dr Caulcott: Nothing is perfect but it is a good starting point.

Q228 **Chair:** But the Prime Minister says we need a “proper” industrial strategy, which rather implies that she is not impressed with what went before.

Kevin Baughan: I participated in quite a few of those activities under the coalition government, and different aspects really came to the fore. Take the auto sector, which is held up as a very strong example. What worked really well there was bringing research, innovation and industry together in one plan. What made it really take on a powerful dimension was the fact that we set a challenge to go after low-carbon vehicles eight years ago. We did not go after a strategy to reinforce and defend the existing industry. The challenge on the table across the whole sector was on low-carbon vehicles. That worked really well.

If you take other industries, like construction or agriculture, these are more fragmented. We were able to start to bring them together to focus on topics. Again, the topics for construction were focusing on the future: building information modelling, allowing digital construction of buildings and precision farming, not agritech. These worked to differing degrees, to Celia’s point, but there is certainly a lot of room for improvement.

Professor Latham: Previous industrial strategies we have gone through have had slightly different focuses. Celia is quite correct in that there are



a number of legs to a true industrial strategy. Some of it needs to focus. As Kevin has highlighted, it is not about automotive; it is about an element of automotive. It is about elements of technology, elements of service development or elements of key strengths of development where we as a nation can take a leading role. As I keep saying, we cannot do everything, so we have to focus. Some of that will be on existing industries. Some of it will be on new and emerging industries. The level of support you give will be different depending on where you are in the life cycle of those industries.

Dr Caulcott: To pick up on that specific piece of focusing, a very good example is the Biomedical Catalyst, a big fund of money across the Medical Research Council and Innovate UK. That has focused on what we are very good at: very good research in universities in a very early clinical context, and the driving of that into small companies. That has been really effective. You will notice that the current Government has refilled that catalyst.

Q229 **Chris White:** Before I come on to my main question, we started off talking about industrial strategy and you very quickly started using the word “framework”. Is that because we collectively in this room do not understand what an industrial strategy is, or we do not understand what a strategy is, or are we already looking to replace it with something else before we have even got off the page? What are your thoughts?

Professor Latham: There are two things for me. First, overall strategy at the top level is going to focus on the outcomes and achievements we want to make: what endgame we want to get to. To harness the nation, our companies, our universities, our research base and bring everybody together, there has to be some kind of understanding from a framework of how that will move forward and how you will achieve the end goal of the strategy.

A strategy is a strategy, if it is a strategy, in terms of where we are. There will be an end goal of what we want to achieve and what would be our outcomes. What we then need to put in place is a framework to enable that strategy to be delivered. I go back to some of the work that was done in Lord Mandelson’s time or under Vince Cable. What you are finding from individuals who have been quite heavily involved in delivery of previous strategies is that one of the failings we have had previously is that strategies have been developed, and what was produced was a strategy but no framework that sat underneath that brought everyone together, either at a national level or particularly at a regional level.

If I look at some of the stuff that has come out from the science and innovation audits that have taken place recently, there is a willingness for people to come together under some guidance and some direction of travel in terms of what we would see as a national strategy. We will need to see a key framework to enable that to be enacted. One of the concerns a lot of people have is if the framework does not go with the strategy, we will not move forward.



Q230 **Chris White:** You see the framework as what delivers the strategy.

Professor Latham: It is the framework within which the strategy will be delivered. One of the dangers you might have with a strategy is people take it too wide. One of the things we have got to be very careful about is it is not written in a way that it means all things to all people.

Q231 **Chris White:** Last week we went to visit Manufacturing Technology Centre, which is just down the road from you. I would like everybody to answer this question, but specifically, John, you are involved in a lot of issues in terms of the LEP, the Midlands Engine, the university and all those things. One of the things I am concerned about in terms of the MTC is how we commercialise R and D. It would be fair to say you are all on the academic side of the box. Do we have a good track record? What is the public perception of commercialising R and D?

Kevin Baughan: I represent business and I come from business. Innovate UK is largely staffed from business. One of the most important things we have learnt is to focus on business-led innovation. If we want to land this world-class science base in the economy in the UK, it needs to be business led to make that happen. Our programmes are business led, and we have business reaching into the research base to find the solutions they need for the challenges that they face.

I have two quick examples of that. The Catapult network, of which MTC is an example, is there to bring together the resources and expertise needed for businesses to pioneer the markets of the future. They need to be one step ahead. They need to be able to build confidence in businesses so that they can go on to invest for themselves. In terms of alternatives, Celia mentioned the Biomedical Catalyst, which is a good example of collaborative R and D, bringing together different parties. They do not need a centre in these circumstances; research and business just need to come together. The catalyst works because those proposals, funded by the MRC and Innovate UK, allow the very best proposals to be selected for the commercialisation of science.

What we are very proud of is the follow on private sector investment that comes in behind that. If you look at the results from the Biomedical Catalyst, four times the level of public sector investment has now gone from the private sector into the ventures that were selected. That is exactly the role of Innovate UK: to trigger confidence so that the private sector can move forward.

Q232 **Chris White:** How do you think you are getting on?

Kevin Baughan: We are getting on extremely well. If you look at that one example, it is very high. The momentum is there. One of the challenges we have is we can find more high-quality proposals than we can fund. One of the real opportunities is to scale up what we do. If we look at some of the real weaknesses in our economy, they include the level of R and D that is invested, which is too low as a percentage and has stayed flat.



Q233 **Chris White:** Invested by whom?

Kevin Baughan: The public and the private sector together. It is 1.7% of GDP and it has been pretty flat for a decade, whereas our competitor countries have moved ahead. The CBI itself has set a target that it should be nearer to 3%. If you look at it, it is very concentrated in great industries such as aero, auto and pharma. They understand the power of R and D, and one of the challenges we have got is to spread that across the economy and across different sectors.

Q234 **Chris White:** What do you think is the return on public investment from that R and D?

Kevin Baughan: Overall, I am not so clear, but I know for Innovate UK that the investment we do delivers about £7.30 on GVA for every pound spent. If you put that in jobs terms, we put on average seven more jobs in the organisations we work with.

Q235 **Chris White:** If that is the rate of return, why do we not invest more public money?

Kevin Baughan: We need to do it to a level that the economy can absorb. We think there is a lot of capacity to absorb more, so we would like to see it increased.

Q236 **Chris White:** Thank you. John?

Professor Latham: We have seen a change within the way research is looked at. If we look at the last REF exercise, impact was starting to be seen as a much more important part of the outcome of research that takes place. If I look at my own university, we have now built something in some ways very similar to the MTC, involving activities around advanced manufacturing at a Unipart factory. We have got science taking place in a university engineering research centre literally connected to industry, where the research does not take place unless there is an impact that will come out of it. What we are seeing there is the speed of impact.

One research project involved light-weighting materials, where we effectively halved the weight of an Aston Martin exhaust in six months. Very proudly, that was then in the Bond movie—as the Aston Martin flipped, that was the exhaust on the bottom. But that is about how you get the opportunity to take very basic science and get it into the marketplace very quickly. How do you enable that to happen?

Part of an industrial strategy will be around how we connect the work that has been going on in Innovate UK even more deeply, and expand it so we have got actual innovation and exploitation of research taking place. But it is not just about research. A lot of innovation that takes place globally is about innovating something that already exists, making it better and moving it forward. Many countries that have had a very successful industrial strategy understand the two pillars. It is not just



HOUSE OF COMMONS

about science and exploitation; it is about true innovation, which is about taking a lot of activity that exists and making it better, more efficient and increasing productivity.

Q237 **Chair:** Who does it better than the UK? You said other countries recognise this.

Professor Latham: In terms of taking that forward, good examples are Finland, where Tekes, which is very similar to Innovate UK, has been very successful for a number of years and where they co-ordinate their industrial strategy very strongly. Germany, where I was yesterday giving a presentation to representatives of 40-odd universities and large industries, has very strong infrastructure in terms of the way they support the innovation process to add productivity. They already have the framework in place that people understand and has been there for a long time. Some other countries are emerging quite well, particularly if you look in the innovation space. For example, almost all of Singapore's success is around innovation. Hardly any creativity takes place there, but they have got a good framework for their environment.

Chair: Thank you very much.

Q238 **Chris White:** Sarah, do you want to say something?

Dr Main: Yes, thank you very much. Your question was how we get industry involved and make sure it is not just the academic minds being put to this. Again, at the Campaign for Science and Engineering, we are not an academic representative body. Many of our members are from industry. They tell us loud and clear when we ask them why they are in the UK and nowhere else that the reason industry comes here is to be where the great science is done and where the great people are. Those are two major factors to consider when thinking about industrial strategy. We need the great science and the great people.

You also talked about SMEs and how we get all of industry involved, both big and small. There is a recognised issue in terms of what is called the mid-cap gap, moving into the £1 billion-plus sized companies. I would like to propose to the Committee that there are a number of tools that have been discussed already. The Chair asked earlier about what Government can do to support this. There are mechanisms in place, such as the SBRI and place-based competitive funds such as the Regional Growth Fund. You were talking earlier about whether we should be picking winners and playing to our strengths. We have got the science and innovation audits. We do know a bit about our strengths. But what Government can do is put in the tools to underpin competitive processes whereby the ideas or industries or companies will come to the top through a competitive process. There are competitive processes that already exist. They could do with being reviewed or maybe amplified, but we do have those tools there.

Q239 **Chris White:** Can you be more explicit about what these tools are?



Dr Main: The SBRI is an initiative that specifically helps small and medium-sized enterprises to get government contracts. It is about creating a market for SMEs, for them to have some buyers. It puts down an agreement for Government to use a certain number of SMEs in their procurement processes. The uptake of this across government is rather patchy, but a statement of intent could be made to make this initiative more widespread across all government departments. That is one example.

There are a number of examples where again you use the buying power of the Government as a customer to support or transition part of the science economy from academia into larger scale industry. We have some of this in our submission. I am happy to provide more information.

Chris White: Thank you.

Dr Caulcott: Rather than repeating things, I will add a couple of points. I am also from industry, although I represent the university system. We do have a public perception, if the public thinks about it—and certainly in the leadership of the UK—that universities are not good at getting their research outputs out to application. That has changed enormously in the last five or 10 years; the REF's focus has put impact high on that agenda. But you have to recognise the way in which funding for research has been managed in this country. We have far less than many other countries, but university research funding has held up comparatively well next to some other countries, which means that we have a vast array of very good ideas coming out of universities. We have a tendency—we have this better under control now—to think that those should come out in the form of spinouts. That is not appropriate in many cases.

Chair: I am keen to move on, if I may. Anna has to go, and needs to ask a question.

Q240 **Anna Turley:** I wanted to ask particularly about catapults. Obviously, in the context of a strategic approach to industry, they provide a lot of stability, certainty and clarity. Particularly Innovate UK and you, Kevin, how do you make your decisions on what sectors become catapults, and what value do they add over and above, say, annual funding and competition-based support? Would you like to just say a bit more about how the process itself works?

Kevin Baughan: Certainly. The catapults are developed in the same broad guidelines that I outlined before, in the sense of: is there a really big market opportunity, is there core strength in the UK, is the timing right for industry, and is there a need for public money to be invested? But there is an additional point, which is: do we need to bring this together in one place?

The really big alternative is collaborative R and D projects, of which we do a lot—and are highly successful too. We really have got to understand whether there is a need to bring all that together so that the researchers, business, regulatory experience and the facilities and equipment are in



HOUSE OF COMMONS

one place. If you take cell and gene therapy at Guy's Hospital, offshore renewable energy up in Scotland or high-value manufacturing, these are opportunities to bring all of those together because industry needs that. There is not an opportunity for them to just partner to achieve this level of innovation.

They are long-term investments. We are on a journey where we are just coming up to the five-year renewals for the first group. If we look to Germany, they are decades into the Fraunhofers. What is important, however, is they stay one step ahead and on the leading edge, so that businesses can use them to pilot and get confidence to move forward and ahead. Therefore, the important thing is they continually refresh their portfolio.

New opportunities do come along, and the most recent one that we have done is the compound semiconductor applications in Wales. It is interesting that it is the applications of the compound semiconductors. There is enough industry and foundries to create the compound semiconductors, but they are a small part of the value. If you look inside your electronic equipment, the cost of the chips is relatively small. It is the applications where so much value is captured. We do have a pipeline process that we review with our board and with BEIS and the Treasury as to when a new one should be introduced. It is done in a very well-considered, progressive way. There is a pipeline process, and we receive a lot of submissions all the time to that process. But we go back to those really hard tests of the global markets, the additionality, why the UK and does it really need to come together in one organisation, or is it better served by collaborative R and D?

Professor Latham: It is really important to understand what we are putting in place with the catapults, which I am very big supporter of, and not just because I am on the board of Innovate UK. Fundamentally what is important around underpinning an industrial strategy, or underpinning the ability for a country to react, particularly around particular sectors, is whether you have got enough innovation assets available to organisations to make them work.

One of the things that is quite key for me is that if you look at universities, particularly the group of universities I work with, yes we do science, research and skills development, but we are also quite often big innovation hubs that companies all around our region will come to as anchor institutions. We as institutions are not always the world experts in everything. What you also need is a national capability around those key areas to move forward. What we have been doing over the last few years, as the science and innovation audit is starting to recognise, is putting in the innovation asset or science asset infrastructure that will enable the country to deliver an industrial strategy—if it has one. It is very important for us to have that asset framework in place to be able to have companies accessing the expertise, as well as the overall framework of our direction of travel.



HOUSE OF COMMONS

Dr Caulcott: The catapult that I am most familiar with is the bioscience one, the CPI, up in Wilton. That provides facilities that are too costly and complex for an individual university to invest in them. The parallel is the investment at Harwell and Daresbury in major science things of which you would not have multiplicities. The catapults give us exactly that opportunity to put in place the innovation strategy and structure. The catalysts, the blocks of collaborative R and D funding, work so well because some of those are applied to catapult facilities. Many of them are applied to contexts where you do not need a very expensive individual piece of equipment or a suite or whatever. You have got those two running together very effectively. You need the catalysts alongside the catapults for a number of reasons.

Dr Main: There is an opportunity here. Leading up to the general election, and in the spending review just after it, industry voices speaking to us, and I am sure to you, were quite clear that they did not want the budget on innovation to be increased at the expense of the budget on basic science. There was this tension about whether we should increase innovation spending, and there was a message back: "Yes, but not if it is to take away from basic science."

We are now moving into a different conversation. The industrial strategy gives us this opportunity, particularly in the context of establishing our new place in the world, to move the baseline and send a signal of intent to the world. It is no longer an either/or, and there is willingness and enthusiasm across the board for backing the successes of innovation funding. That cannot be at the expense of basic science, but that is not the conversation we are having anymore. An industrial strategy that allows Government and industry side by side to shift that baseline upwards, taking into account losses that will result from our new relationship outside the EU, and putting money into the success story. Someone mentioned earlier that there is a lot of capacity for investment in both basic science and innovation to deliver more and more. We are not yet at the ceiling. I think this Committee has already set out an ambition to go to 3% of gross domestic expenditure on research and development. This is all part of being able to do that.

Q241 **Richard Fuller:** Just to synthesise what you said, Sarah, there is an opportunity to spend more money, rather than spend the same amount of money and move it round to where it may be more effective.

Dr Main: Absolutely.

Professor Latham: One of the things which is important for me as well is some of the activity that is going on around Brexit. In terms of some of the funds that currently flow into the UK, one benefit of Brexit would be that we have more control about what we do with our funding. But the funding and its approach have been very important for driving and supporting innovation in the UK from a structural funds point of view; it is not just the science budget we are talking about here but the way in which we look at growth and support funds to enable that to happen.



HOUSE OF COMMONS

A good industrial strategy will enable us to decide not only what we want to back and go forward with but also what not to do, as has happened in countries where having an industrial strategy has been very effective. That then enables you to repackage and focus funding. The outcome of whatever we do will not only decide what we back but what we do not back.

Q242 Chair: Is that not the key point? Is an industrial strategy not sometimes a combination of defending the incumbents and giving most to whomever shouts the loudest? It is about successful lobbying. How do we have that objectivity in terms of where we need to be?

Dr Caulcott: As an example, synthetic biology is an emerging technology area. The UK is very good at bioscience and life science research. There is a major effort put in to discern Kevin's questions about whether this is a technology that is ripe for exploitation—whether there is a market for it and so on. We worked from both the drive from industry and the drive from the research base to identify that this was an area that could provide huge benefit to the UK and globally.

In the process of doing that, various government interventions happened. There was the synthetic biology roadmap and funding put in other places, for example through the catalysts and the catapults. A direct consequence was we were attracting international attention for a very strategic approach to an excellent area of technology where we had leadership and could see real market advantage. It was not driven by lobbying. It was driven by the kind of analysis that Kevin has described, supported by the kind of analysis that you get from some of the research councils looking at the quality of what we did in the research base. You need to have analytical tools and a framework.

Q243 Craig Tracey: To move on to skills, what should we be doing to ensure that people are getting skills for work? I particularly want to start with you, John. You mentioned the Institute for Advanced Manufacturing and Engineering, which I have been to have a look round. It is a fantastic facility. Could you explain to the Committee how that works: the live environment it has given as well as the fact that you are delivering industry-read graduates?

Professor Latham: One of the things around the AME is the relationship with Unipart. We have built an engineering facility at a Unipart factory. Unipart are subsidising some of the fees of the students who go through that process. That is very clever, because Unipart as a company basically subsidise a third of the fees, and at the end they expect to employ a third of the students. Fundamentally they will have paid for their employees' education. Two-thirds of the students will probably go off into their supply chain, which is important for them as an engineering company.

Fundamentally, they wanted to have students who live and work within a live environment. The students go to Unipart. They go to work every day. A bus picks them up from the university and they go to Unipart, and they



HOUSE OF COMMONS

effectively do their learning and education processes at Unipart. At the same time, there are four university research teams doing fundamental research at Unipart, which is a benefit for the whole sector. Unipart have some live projects these individuals are working on, which benefits the company.

I think Unipart would agree that what we have managed to do by having this very strong relationship has moved up both their productivity and where they exist within the supply chain. Previously they were making product to other people's specification, but they are now creating their own product that they are selling back out into the market place. There is a whole skills agenda here, which is not just about the fact we have got undergraduates and postgraduates studying at Unipart and with Unipart, and becoming extremely employable straight into the marketplace when they finish; we are also upskilling Unipart as an organisation. There is a big agenda to take place in the UK about how we provide the skills within our universities to ensure we have graduates who are ready for those new sectors and keep the workforce that exists up to date and skilled, and ready to react to any strategy we put in place. That workforce is far bigger than the number of students going through this process.

Craig Tracey: Thank you.

Kevin Baughan: From Innovate UK's perspective, we are here to find new capabilities and build ambition. We tend to focus on capability rather than capacity. We do have some very important aspects of skills, together with the university system, in that space. These are things like the knowledge transfer partnerships take leading-edge research expertise and place it in a business in order to achieve a new opportunity for that business. These are pioneering capabilities; they do not add the capacity.

That comes back to the dilemma of the industrial strategy: it really has to bring these different dimensions together. There are ambitions, and the pioneering the way to the future, but we also need the big horizontal capacity-building areas that grow that to really deliver the economic benefits.

The other thing, just to finish on that, is Innovate UK, like a lot of STEM ambassadors, can very usefully inspire people to come into these industries and show them how exciting a role is in biotechnology or in aerospace or in different areas, to set that ambition among our school children so they really want to go off down those routes.

Q244 **Craig Tracey:** Do you have outreach to schools at the moment?

Kevin Baughan: We do in the sense that a large number of Innovate UK employees are STEM ambassadors. But, again, an industrial strategy might give that a little more structure and a little more emphasis, because we really need to build this capacity into the country.



HOUSE OF COMMONS

Professor Latham: One thing the industrial strategy could do, which would be very impactful, is enable skills development to be ahead of the curve rather than behind it. That is one of our biggest issues at the moment: we are always trying to put the skills in after the event as opposed to before the event.

Dr Main: We are in no doubt that a key part of the industrial strategy will be skilled people. I said earlier that industry tell us the reason they are here is we do great science and we have great people. The great people must not be forgotten in the industrial strategy. It does require truly working across government. A lot of this is held under the Department for Education. For example, this week is Tomorrow's Engineers week. We have just had the Minister for Skills and the Department for Transport talking about how infrastructure investments in transport can help support skills development through apprenticeships.

This issue is both a domestic and an international one. We have to look at and grow and support our own domestic skills through a wide range of investments in science education, apprenticeships, lifelong learning and so on. But it is also absolutely clear that any research intensive or innovative company will want to recruit their skills from anywhere in the world, not just within our own borders. We need to put on the record that the public support an increasing number of skilled researchers and scientists coming to the UK. Researchers and scientists are the most supported of all groups by the public for increased immigration to the UK in public attitude surveys. Similarly, in terms of students coming to the UK, a large proportion of the public, about 25%, do not even think of students as being immigrants at all.

Taking into account those two bits of evidence, we know that skilled workers coming here is good for our economy, because it attracts foreign direct investment. It encourages companies to come here. We also know that the public supports it. On both counts it is neither the public's wish nor in the public interest to reduce immigration of skilled scientists and researchers into this country. An industrial strategy needs to address skills across that piece.

Q245 **Richard Fuller:** Picking up what you are saying, Sarah, do you think the Government should maintain freedom of movement? Do you think the Government should take university students out of immigration statistics? Can you give me a yes or no answer to those two questions?

Professor Latham: The answer for me is yes to both of those in terms of freedom of movement.

Kevin Baughan: Clearly there are political decisions that have to be made, but we need the capacity in our workforce to deliver the economy.

Q246 **Richard Fuller:** Is that a yes or a no?

Peter Kyle: I assume that is a yes.



HOUSE OF COMMONS

Richard Fuller: Kevin, be precise: is that a yes and a yes?

Kevin Baughan: We need the movement of labour.

Q247 **Richard Fuller:** We are the politicians. Should the Government maintain freedom of movement? Should the Government take university students out of immigration statistics?

Kevin Baughan: It is your decision.

Dr Main: There is a technical issue. We have been advised by migration law companies that there is a legal definition of what a migrant is: someone who is in this country for more than a year. A student who is here for three years for an undergraduate degree is technically, by a worldwide convention I cannot remember the name of, a migrant.

Richard Fuller: The US do not follow it.

Dr Main: Maybe coming out of the EU would give us an opportunity to define our own migration system. At the moment we are bound by that definition, but what I would ask for is a political conversation with the public that clearly distinguishes between these groups that we are talking about.

Q248 **Richard Fuller:** Should we maintain freedom of movement?

Dr Main: Absolutely.

Dr Caulcott: I would end up being where Sarah is. From the perspective of a university, yes, but clearly there are constraints that have to be worked with.

Q249 **Amanda Milling:** Can I just pick up on this education piece? We have a subcommittee, which has been looking at careers advice, work experience and apprenticeships. If you had one ask in terms of what the education system needs to do, at any point from primary school upwards, what would it be in terms of being able to meet the needs of business and innovation?

Dr Main: My absolute No. 1 would be a request that every primary school, by the end of this Parliament, has a nominated lead for science and innovation. It does not have to be a science teacher. They do not need any qualification. They just need to be a point of contact. That would enable the business community and the industrial and academic community around that school to more easily engage with that school. If you increase the experience of young people's access to people that can tell them about the real world of science and engineering, you transform attitudes of young people for the rest of their lives. You also transform the opportunities of business within that local community to engage directly with people.

I can give you lots of reasons why that is a good idea, but there is clear evidence that young people's access to real impressions of science and engineering is limited. The number of primary school teachers that have



HOUSE OF COMMONS

any sort of science qualification is less than 5%. We are told by businesses that creating a point of contact helps them do what they want to do and find the door into education systems. That would be my one ask.

Kevin Baughan: Can I just strongly support that? It is this inspiration that is really needed more than anything so that people have a passion to go out and pursue their interests. I see it when I go into a school, because I am able to talk about all kinds of exciting things. It is unfair to expect schools to have all that knowledge bottled up inside; you need a contact point that can reach out and bring businesses in. I think businesses are keen to do this. They know they need that inspiration to flow. That would be extremely powerful.

Dr Caulcott: That is a really great idea, and one I had not thought of; that is excellent. That is doable. I would suggest, which is probably not doable, moving education out from being a political thing and to get some kind of agreement and stabilise the changes. The changes are happening so frequently in our primary and secondary school education system that there is a lack of constancy.

Professor Latham: For me, we used to be very good at doing some of this previously, but we have stopped doing it. One of the elements is that if you look at an individual child's pathway through the education system, be it primary into middle school, comprehensive school, and out into university, they do not get exposure to what these things are about.

We used to run a programme in this country where schoolchildren were taken into industry on a regular basis. It was supported by the DTI a number of years ago. The problem is that children when they get to different points in their education do not know what they want to do, because they have got no experience. Going into the school and telling people is not the same as getting kids out to look at what is going on in industry and experience it.

If we get individuals to come to our university for an open day, the conversion rate for coming to our university is significant, because they know it, they have seen it and they understand it. If we have practice days in the university, people understand it. You could do that at school level into industry. Other countries that do that are extremely successful in terms of getting individuals to make the first right career choice to get themselves into work. We do none of that as a country.

Q250 **Amanda Milling:** You have talked about the national framework in terms of industrial strategy, and the regions were mentioned briefly early in our discussion. Moving on to the regions, to what extent should priorities be set at a national level in terms of innovation, and to what extent should it be regional?

Dr Main: I mentioned earlier the competitive tools. For us that is what we hear is useful. Rather than directing regions to do this that and the



HOUSE OF COMMONS

other, you underpin the existing competitive processes by which people can flourish and succeed. The Regional Growth Fund is an example of how this can be done. But there are a number of initiatives that might enable regional strengths to flourish, but through competition rather than through top-down direction.

I wanted to mention an idea that we put forward that has been mentioned in the Dowling review. It is to allow an exemption on VAT for industries for the purposes of R and D. The reason why that is a good example of a tool that Government can use is because it allows local collaboration to work much better between universities, charities and companies in any sector. They do not have a financial disincentive. The block to this was always something to do with European rulings, so we now have an opportunity to move forward with it.

Dr Caulcott: The point is about the competition and excellence. A regional strategy that allows individual regions to say, "They have got one so I must have one," is not effective. We have had that in the past. We need one that recognises the right region in which to do something and uses competitive tools to drive for excellence. That is one of the great strengths of the UK research innovation networking system.

Kevin Baughan: If all local agencies work in isolation, there is a real risk of fragmentation, duplication and a focus on local success, not global success. If central agencies take too much control and work in isolation, there is a risk that we do not scale, we do not achieve momentum, and we do not engage the whole economy. There is a real opportunity to bring the two together.

To give an example from Scotland, right now we work with Scottish Enterprises on one competition. We run the competition across the whole of the UK. We find the projects with independent assessors that are above the quality line. Innovate UK then invests in them based on a UK strategy, and Scottish Enterprise invests in them on their own strategy that focuses on the Scottish economy. Some really powerful things come out of that. More high-quality projects get funded, and at the same time both sides start to see how their strategies are working together. Therefore you are starting to build a picture of how in a competitive structure you can bring together regional priorities and UK priorities, and try to sort that out.

Professor Latham: Innovation is local. That is all I have to say.

Q251 **Peter Kyle:** That is exactly the point I want to carry on from. I am going to return to skills, but I have one follow-up question. The Secretary of State has said any successful industrial strategy has to be local. He also says that each bit of it needs to have a sense of place. If we are going to centralise and localise the response to the industrial strategy, what worries me is that SMEs are going to struggle to access it. Kevin, could you talk about how you balance the needs of local catapult centres, or centralised responses to the industrial strategy, and then meet the needs



nationwide of a sectoral approach?

Kevin Baughan: Certainly. If you look at the way that Innovate UK's money has been spent over the last eight or nine years, there is a pretty good geographical distribution. It is not perfect, but you might be interested to know that on average London sits below the average per capita compared with the rest of the investments across the UK. Scotland gets the same investment per capita as the South East. It is interesting to note that innovation is local and is happening everywhere. It is finding that match between the two.

Q252 **Peter Kyle:** Research shows that SMEs will not travel beyond a commutable distance to get access to government support or innovation or investment and all the rest of it. How do we get SMEs that are outside of a metropolitan area and are further away from a local and specialised centre to access all the services that they should be getting access to?

Kevin Baughan: That is a really good point. Firstly, they do not have to travel anywhere to do the applications for the competitions, so that is all done digitally. In fact, Innovate UK is setting up regional presences now. We have regional managers present across the regions and nations of the United Kingdom. We are starting to roll out regional events. We recognise a small business does not have much time. It cannot move very far. But by reaching out from Innovate UK, either through centres that extend the catapults—most of the catapults now have extensions across the UK—or by placing Innovate UK managers closer to the businesses, we can bridge that gap.

Q253 **Peter Kyle:** We have run out of time, so I am going to ask a couple of skills questions before the Chair shuts me up. John, we have a massive skills challenge in our country. Every business that comes before this Committee and with which I have contact talks about it. To what proportion are universities responsible for filling that challenge?

Professor Latham: An increasing part of the skills challenge can be raised by universities engaging more in the requirements. Degree apprenticeship programmes, for example, are a very important initiative. Universities, particularly my type of university, will heavily engage in that. The universities also have an opportunity to develop new programmes in new areas that they can focus on. The real challenge is that if you put a degree programme on in a university, it is going to run for nine years. A really good industrial strategy will put in place a really good understanding of the needs for the next few generations. There are two types of skills needs. There is the new and emerging skills needs of those coming through schools and going into university, but there is a huge requirement around reskilling the existing workforce. Again that is a big area where universities could help.

Q254 **Peter Kyle:** Lifelong learning is also something we talk about. Celia, in UCL how do you specifically understand what the skills need is out in the business community?



Dr Caulcott: We have a whole variety of different ways in which we talk or work with industry. Not surprisingly we tend to work with industries that are to hand, so that includes a large chunk of the business and services sectors, but also the pharmaceutical industry and so on. We have a lot of engagement, which tells us a great deal about what is needed. We also do a lot on widening participation. We go into schools to understand the demands and challenges there. The UCL faculty has a very strong engineering activity, and when we deal with engineering we have conversations with industries and schools.

UCL has another piece that other universities are also doing that is highly relevant. When I went through university, I expected to go out and get a job for life. Most students now know they will not. One of the skill sets we need to equip our students with at any kind of university is the flexibility to learn a new thing and change. That comes under being enterprising and entrepreneurial. There is a major piece there.

Q255 **Peter Kyle:** At UCL, do you see your responsibility to the local London economy or to the nationwide economy?

Dr Caulcott: We see our responsibility to the local London economy, and nationally, and internationally. But obviously in terms of our engagement with the SME sector, that tends to be London. In terms of our engagement with students, we tend to draw students from London and the South East, and then internationally. You can see the shaping of UCL. We have utterly committed ourselves to supporting the entrepreneurial body of students at UCL. We generate quite a large number of student enterprises every year.

Q256 **Peter Kyle:** UCL sees its responsibility as a skills challenge for the whole globe.

Dr Caulcott: No.

Q257 **Peter Kyle:** We are talking about how we do industrial strategy. John said earlier that we need to focus on what we do not do, rather than what we do. You started off very specifically, and you ended globally. It is very difficult for me to now see exactly what you do.

Dr Caulcott: From a UCL perspective, we have students from all over the world. About 40% of our students are international, 30% not European and 10% European. We recognise that those people come to UCL to receive the kind of world-class research-driven education that UCL offers. The UK is privileged to have a collection of universities like UCL. In that context, we are responsible for making sure that the education we deliver is world class and research driven.

But inevitably when you come to think about our business engagement, it is much more about the local. SMEs are much more focused on London, and we have strong engagement with many SMEs in London. More widely one would see a role in the UK. That recognises that there is a framework



HOUSE OF COMMONS

we are operating in. UCL is good at some things, biomedicine in particular, but perhaps not so engaged in offshore wind.

Q258 Richard Fuller: Just to go back to freedom of movement, the Prime Minister says she does not want to do it, but she has also said she wants a proper industrial strategy. To clarify, do any of you think an industrial strategy can be delivered without freedom of movement?

Professor Latham: Quite simply, no.

Dr Main: I would like to make a point. We talk about science as though it is something special or particular, but the needs of science are very much the same as the needs of all of business. If the financial services sector or agriculture or tourism or whatever are coming to your Committee and saying, "We need to be able to recruit people into the city," their business needs are reflected and equivalent in much of the large-scale business needs of science and engineering. In the same way as you would expect an international law firm in the City or the headquarters of an international bank to insist on being able to recruit the best from round the world, science and engineering companies and universities would expect and want the same.

Dr Caulcott: It would be difficult to conceive of an industrial strategy that did not have exporting as a strong component of it. That inevitably needs to have an understanding of the world and global interactions and communities.

Richard Fuller: But specifically freedom of movement is the question, not exporting.

Dr Caulcott: That is the benefit there from Sarah's perspective—that science innovation and industrial strategy is not local.

Q259 Richard Fuller: Sorry to do this, but you have thrown a massive spanner in the works. You have talked a lot about industrial strategy, and now you have said we cannot have it if we do not have freedom of movement. Well, we are not going to have freedom of movement. It is not going to happen, so why are we sitting here?

Dr Main: We will have a new migration policy. As we have established, you guys are on the negotiating political side, and whatever is decided there will have to be some system of immigration and emigration that this country establishes.

Q260 Richard Fuller: But you are saying you want it to be quite permissive.

Dr Main: We just want it to support the strengths of the UK. I might argue that science is a strength of the UK and I would like to see that supported. You might argue that the banking sector is a strength of the UK and that needs to be supported. Whatever your view is about the future of the UK and where its strengths lie, underpinning that strength will require a migration system that supports those business sectors. I



HOUSE OF COMMONS

am just arguing that science is one of our great strengths and could do with being supported in the same way.

- Q261 **Chair:** Thank you. I have a final question. Looking at public expenditure on research and innovation per head of population, research councils spend £73.70 in London per head. Innovate UK, for London, spends £7 per head. In terms of getting more bang for our buck, and using research and innovation to commercialise and improve our prosperity, should we not slice the pie a bit differently?

Kevin Baughan: I do not know if you need to slice it differently, but you do need to increase the amount that goes into innovation. It is innovation that lands that world-class science in the economy of the UK. The science might be done in London, but it might be landed elsewhere in the regions and nations of the UK. Innovation is the process that does that. We have the capability to do much more. There is a lot of unfunded high-quality work that we have.

- Q262 **Chair:** In an industrial strategy, when we are looking at how we identify our strengths and address challenges, the focus should be more on innovation than on research.

Kevin Baughan: You need both. You need an ecosystem that works, but you need an innovation-driven strategy if you are going to live and compete in an innovation marketplace.

Dr Main: John Kingman wrote in the *Financial Times* not that long ago about industrial strategy being based on the strength of our knowledge base and knowledge exchange. Celia would probably agree that the type of innovation that happens in this country is very much research driven. We are a country whose characteristics are that we have a fantastic, innovative and creative world-leading research base. That is why we get multinational companies coming here. An industrial strategy that recognises that we do not just want industries that are born and bred in the UK but want to attract industries from overseas to locate here is one that is going to need to build on the strength of the research base to ensure there is excellent research and an ecosystem growing and developing it.

There has been some conversation about the regional and the local, which Peter Kyle was talking about. It is important to remember the UK's ecosystem is one that encompasses the large, the small and the academic together. The ecosystem is of venture capital, SMEs and large industry. Large industry is not a purely local issue. That is an issue of a headquarters that might be Pennsylvania asking where their next new building will be: location A, B or C. Those locations do not have country names on them; those are strategic decisions, and we need to make sure the UK's characteristics make it top of that list.

- Q263 **Chair:** I do have to move on. Thank you very much for your evidence; the Committee has received it very gratefully.

Dr Main: Thank you for having us.

Examination of witnesses

Stephen Ibbotson, Stephen Tarr and Ben Wilmott gave evidence.

Q264 **Chair:** Gentlemen, good morning. Welcome to the Select Committee. For the purposes of the record, could you say who you are and which organisation you represent?

Ben Wilmott: I am Ben Wilmott. I head up the public policy team at the Chartered Institute of Personnel and Development. CIPD is the professional body for HR and people development in the UK. We have about 140,000 members, who are responsible for recruiting, managing and developing a large proportion of the UK workforce.

Stephen Ibbotson: I am Stephen Ibbotson from the Institute of Chartered Accountants in England and Wales. We have about 147,000 chartered accountants across the world.

Chair: I should mention that I am a member of the Institute of Chartered Accountants. I nearly wore that tie today.

Stephen Tarr: Good morning. I work for Balfour Beatty. I run their major projects business in the UK, and also look after the operations in the Far East. We are a business that spans a number of continents; we work in the US, UK, Middle East and Far East.

Q265 **Chair:** I have asked all panels this in terms of the definition of industrial strategy. What does the term industrial strategy mean to you?

Stephen Tarr: I would imagine it is to drive economic activity and GDP growth.

Q266 **Chair:** How would you think that would happen? Does that have to be vertically, in terms of sectors? Does it mean picking winners, whatever that means? Or is it a case of Government providing the horizontals of a firm industrial and economic strategy, providing the skills, putting the infrastructure into place, and then the free market can decide? What is the best approach to getting what you have just said?

Stephen Tarr: Inevitably it will come down to sector areas and how individual sectors respond. What businesses will look for is some consistency in the way policy is administered and a framework where the needs of business are recognised. We would see, for example, infrastructure investment as being at the heart of any industrial strategy. I have been listening to the discussions around skills. We see skills as being absolutely core to developing an infrastructure that provides productive growth in the economy.



HOUSE OF COMMONS

Q267 **Chair:** Stephen, it seems to me that sometimes industrial strategy is shorthand for rebalancing towards manufacturing. But in terms of Britain's strengths, the professional services firms are huge. Where does the institute fit into calls for an industrial strategy?

Stephen Ibbotson: Absolutely. The professional business services sector is huge. It is £153 billion in sales, and employs almost 4 million people. The ICAEW, as I said myself, is 147,000 strong. We believe that skills are critical in that, and skills have been the heritage of the Institute of Chartered Accountants. I agree with Stephen that infrastructure is terribly important. We also believe that balance across regions and sectors is important. We would suggest that supporting comparative advantage ought to be a keystone of an industrial strategy in the UK.

Ben Wilmott: For the CIPD, the purpose of industrial strategy is to improve both the structure and performance of certain aspects of the economy. That means Government working in partnership with business, professional bodies, unions and other key stakeholders at a national, sectoral and local level. We also think that horizontal policies, and particularly skills, are absolutely critical to the success of any industrial strategy.

One thing that we called out in our submission that we think has been consistently overlooked historically and recently has been any focus on improving workplace practices. If you just look at boosting the supply of skills into the economy, it overlooks how skills are utilised in the workplace: how people are managed and how people are led. It ignores issues such as flexible working and job design, and how we improve job quality and progression. If you look at data from the UKCES skills survey, it finds that while certain sectors have skills shortages, overall only 6% of employers reported a skills shortage vacancy. If you look at skill underutilisation, about 30% of businesses said they had issues with skills not being utilised effectively.

That analysis is shared by the OECD. It says that the bigger part of the skills challenge faced by the UK is on the demand side. The supply side is of course crucial. We have to have world-class supply skills and qualifications going into the labour market. But it is what happens in workplaces that is fundamentally overlooked.

Q268 **Chair:** That is the key question that I really want to ask all of you, if I can. How do skills requirements for business, and for the new industries needed to maintain and enhance our prosperity, fit in with an industrial strategy?

Ben Wilmott: We need a real join up between what those skills priorities are at a national level including on the demand side, a sectoral element making sure there is consistency, and a local element—making sure that local enterprise partnerships and business growth hubs also have an alignment. They should be able to adapt to a local labour market and economic challenges, but there needs to be a golden thread that connects



national, sectoral and local policies underlying those key areas of weakness in the economy.

Stephen Ibbotson: I have a couple of points on that. Firstly, the development of skills is clearly important. We would say that, certainly between my qualifying as a chartered accountant and today, the qualification has adapted to meet employer needs. It has proved successful. 15% of our members live abroad, and an enormous number work abroad. I worked in the US for 10 years. The qualification is useful.

I agree with Ben, although I am not sure in the same context, on how we utilise the skills that exist in the current economy. We try to work very closely with growth hubs to make sure that our members, who are advisers to 2 million businesses in the UK, can apply their skills to help start-ups and entrepreneurs in that environment, because it does not happen that often. It probably used to happen more in growth accelerators, but those have been taken away. There seems to be a gap there, which we are attempting to fill. But it is not that easy to fill, because all the growth hubs seem to work independently. They do not follow any central direction. We are trying, but it is proving quite difficult.

Q269 **Chair:** Stephen, yours is a big company in an important sector, trying to carry out major projects, and it needs the skills to do that. Where does an industrial strategy fit into all that? How would it help your business?

Stephen Tarr: You start with the demand. I have been in the industry for 35 years. I joined as an engineer. I have seen a lot of cycles in my time. One of the things that has impacted the jobs market and skills investment has been the stop-start nature of investment in infrastructure. To make a step change, there does need to be more confidence around the certainty of a pipeline of work. As a word, infrastructure has come into the lexicon far more. People are starting to talk about the importance of investing in infrastructure. There are programmes such as Crossrail, Crossrail 2, High-Speed 2, nuclear investment and investment in highways.

We need Government, which is funding a lot of those programmes, to recognise that it has an enabling role. It needs to say it wants business to invest, and it has to be able to provide that confidence that the investment will pay dividends in the near term. There is a particular issue in the construction sector with demographics. We have got an ageing workforce and their needs are rising.

Q270 **Chair:** To what extent do you need Government to intervene or interfere—whatever you want to call it—in that in order to address the structural issues facing the construction industry?

Stephen Tarr: The question was posed earlier around the free movement of people. We are obviously investing at the front end to support emerging talent and apprentices. But that is no substitute for experience as well. We need to invest in the front end to develop the



HOUSE OF COMMONS

talent of tomorrow, but at the same time we need oven-ready skills today. Over the coming few years there is a shortage of those skilled workers.

For example in the last 12 months we have been out to Portugal and Greece and brought in 78 managerial and technical staff. We could not source them within the UK. It is really important to industry that it has the ability to bring people into this country on as efficient and streamlined a basis as possible.

Chair: On the subject of immigration, I want to bring in Richard.

Q271 **Richard Fuller:** How do you reconcile the conundrum that we and other countries wrestle with that what may be in the interests of the efficiency of the country is not necessarily what the people of the country want? Yes, it makes sense to bring in people from other countries, but if you get used to that, you do not develop talent and skills here and wages stay suppressed.

Stephen Tarr: It is not either/or though. We have to invest in developing our talent. But if ultimately we effectively put a ceiling on the size of the workforce, we are not going to deliver the growth plans and there is a danger that you effectively promote wage inflation.

Q272 **Richard Fuller:** Do we not want some wage inflation?

Stephen Tarr: If you go to Hong Kong, for example, where they have a strong presumption in favour of engaging the local workforce first and foremost, there are quite a number of hoops to go through to bring skilled people into the country. Wage inflation in the construction sector in Hong Kong runs at about 10%. That is twice the level of inflation in the general economy, and it does create bubbles. That is an imperfect model if you do want to invest and promote growth.

Q273 **Chris White:** This brings me on to my question. You have just talked about developing talent or oven-ready skills. Do you think we should go much further than that? Lord Heseltine was sitting in front of this Committee a couple of weeks ago and he was telling us that an industrial strategy needs to begin at primary school. What are your thoughts on that?

Ben Wilmott: Certainly, we need to ensure that young people are given very good-quality advice, guidance and support around what type of careers might be open to them at a much earlier age than happens currently. We know that the quality of careers advice and guidance in the UK currently is not good enough. We think that the Careers & Enterprise Company is a great initiative. The CIPD is supporting that in terms of helping to recruit enterprise advisers, but we do not think that is enough. It does not substitute the need for systemic, good-quality careers advice and guidance delivered within schools. There are different ways that you can do that these days.



The other thing is that, yes, we do need greater emphasis on making sure that young people do have employability skills, so we do need businesses working closely with education. For example, the CIPD has its Steps Ahead Mentoring programme, where our mentors help young people. We have about 3,000 mentors working with young people to help them build their employability skills that help them into jobs—young people who are struggling to get into work. We do need those strategic partnerships at a local level, which brings this together at a local level. For example, universities are working very closely with businesses and other education providers so that there is a greater link between education and the workplace and careers at a much earlier stage than currently happens.

Stephen Ibbotson: We would definitely agree that careers advice in schools ought to be prioritised more. We also believe that, as the previous panel said, there ought to be some form of work experience in schools. I do not have surveys to back it up, but we get lots of anecdotal evidence from our members that school-leavers are often not ready for the workplace in terms of the attitude, not necessarily the skills and ability.

Q274 **Chair:** Do your members help do that, though, Stephen? Possibly the big four can provide work-experience schemes, but what if you are a two-person accountancy practice in Hartlepool?

Stephen Ibbotson: Quite a lot still do that and try to bring in school-leavers. We do a lower level of qualification below the ACA, which is our main qualification, to make that available, and we have been pushing quite strongly to broaden the access to the profession. When I joined EY, it was pretty much a graduate intake; now, it is about 80% graduate, with almost 20% coming from either apprenticeships or other forms of entry.

Could I just make one point to Richard's earlier question about skills? We firmly believe in the free movement of skilled labour. One of the reasons for that is, as I said before, 15% of our members live and work overseas, and a high proportion of our members work overseas. This thing goes both ways too. One of the reasons that the professional and business services segment in the UK is so strong is that ability to do that enabling or to make the ecosystem of business work. That has to be international.

Q275 **Chris White:** Can I come back on my question? Both of you have snapped back very quickly to careers advice, work experience and mentoring. My original question was about primary school and whether that is where the industrial strategy starts. Shrubland Street School has a thing called Phiz Lab, which is incredibly popular with the youngsters. More young people are joining than there are places. To have that careers advice and that work experience, you need the exposure. Again, do you think this is where industrial strategy starts—by our youngest people being attracted and informed by a whole range of things that we may not expect that they would be interested in?



Ben Wilmott: Yes, I do, but I suppose it is a question of where you invest your resource. In an ideal world, yes, you would have more of that type of activity. My son goes to a local primary school that has a scheme where employers will come in and talk to seven-, eight-, nine- and 10-year-olds about their jobs and what they are doing. That sort of thing is great and, of course, we need more of it, but we also need to make sure that, when children are entering secondary school, when their minds are probably slightly more focused around where their learning might take them—

Q276 **Chris White:** Focused or formed?

Ben Wilmott: Both, I think. They are still forming, but I suppose it is a balance, isn't it? We need that, and it is about making sure that there is a balance so that young people can have their eyes opened as early as practically possible, in different ways.

Stephen Tarr: I suppose I know where you are coming from, but I am not sure, to be honest, that it necessarily starts right at that stage. It is heaping more pressure potentially on young kids. I do agree with colleagues here that careers advice, in our experience, has declined considerably in schools. A lot of our graduates go into schools to sell the industry. A lot of kids do not know what engineering or working in construction entails. It has a poor image. We have a lot of work to do to try to create a more positive image, so that people do want to go into it. I would put it at the cusp of primary and secondary; giving them an understanding of potential career choices at a sensible age would be a good thing to do.

Ben Wilmott: There are some great interactive resources now like Plotr. I do not know if you have tried it. It is an interactive website where you go on and do an audit of what your skills are and what your interests are. You can do it at any age. There is a whole range and breadth of careers. When I was starting out, I did one of the early ones and it came back with one suggestion, which was zookeeper. There is a real chance to use technology to help young people to get a realistic idea of the sorts of careers and opportunities out there much earlier.

Stephen Ibbotson: We run almost 1,000 business games across schools. These are for 16- to 17-year-olds, so not for primary school, but we find them to be very helpful in making young people aware of, firstly, what business is and, second, what being a chartered accountant is. When you compare chartered accountants to Premier League footballers, we do not quite make the cut, but we do our best. Those take an enormous amount of time and effort, and we get support from many of our member firms to do that. But I have been to several and they are enormously rewarding.

Q277 **Peter Kyle:** I could not help but laugh to myself when you said that careers advice has declined so much. If you thought about the careers advice that I got in my comprehensive school in Bognor Regis in the



HOUSE OF COMMONS

1980s, if I had taken it as read, I would not be sitting here today, although I do accept, probably as an observation, that it is just very fractured and patchy at the moment. The academy school of which I am Chair of Governors is remarkable because of its links to local business and the exposure that young people get to skills.

The challenge that I would throw back to you is that it is very easy to criticise Government for not supplying the right skills, but I am increasingly frustrated as to why we have an economy that is as powerful as ours, yet individual businesses and sectors seem incapable of incentivising or attracting young people to gain the skills to go into their sectors in the first place. Would you like to comment?

Stephen Ibbotson: I was going to say that our sector does not have that problem. We have lots of people trying to get into our sector and we can set our standards relatively highly. To the point that Ben made, we survey our members in business every quarter and we find that skills shortages are very high on their list of worries. Fortunately and, I suppose, being parochial, they are not in the professional and business services sector.

My point was about the skills. As I said before, our qualification has adapted to meet business needs but, before that, I do go back to the point that we do not believe that, in schools, there is enough emphasis on what business wants and how careers advice should be given.

Ben Wilmott: There are lots of things that employers are doing to help bridge that gap. There is the Inspiring the Future initiative, which we are getting involved in, where our members go into schools and provide CV clinics in terms of how to present yourself at interview and talk about employability skills. These types of initiatives are absolutely happening. But I agree with you: my experience of careers advice and guidance back in the 1980s was terrible, so I am not saying that there ever was a golden era, but if we are looking to improve the system, I do think that there are opportunities now, given that we have fantastic technology that can support efforts to improve careers advice and guidance. We should make more of that, and there should be mandatory standards around the provision of careers advice and guidance, overseen by Ofsted; otherwise, we will not see an improvement.

Stephen Tarr: We take on about 120 graduates a year and just a bit over that in terms of apprentices. The real opportunity that we see is around some of the degree apprenticeships, because we think we can more effectively influence the curricula on a consortium basis. We think that what we get at the end of the pipeline is more useful to our skills.

Peter Kyle: It is interesting that both of you represent very longstanding sectors in our economy. There is a lot of institutional awareness within families and the education system of what your businesses do and how they operate and the need for them, although I know that has changed in construction in the last decade or so and migration has played a big role



HOUSE OF COMMONS

in that. The school that I am a governor of is setting up a construction academy as we speak, which will teach a vocational pathway into your industry, alongside prestige sports, so that vocational and academic are mixed in a way that I think is quite exciting. That kind of stuff is happening. Chair, is it okay if I go into the apprenticeship levy now?

Chair: Yes, please, very quickly.

Q278 **Peter Kyle:** The apprenticeship levy is going to come in in six months. Are you ready for it? Is the economy ready for it?

Ben Wilmott: We were one of the organisations that did call for a delay, just because we do not think that businesses are ready for it. We also believe that the levy needs to be much more flexible. If it was a broader training/skills levy, it would have a better opportunity to address one of the reasons why it was addressed, which was to stop the fall in investment in training overall.

We do think that the levy has some potentially damaging unintended consequences. For example, a significant proportion of employers say that they will divert funding away from existing training and development, because they will have to invest in apprenticeships in order to claim their money back. Also, there was a significant risk, according to our research, around rebadging existing training just to tick the box. We do not think that is productive activity.

Finally, helping small businesses to invest in levy funding is really important. If we are going to get a step change in the proportion of businesses that invest in apprenticeships, we have to look at some of the things that stop small businesses doing that.

Q279 **Peter Kyle:** Before I bring the two Stephens in, could we just go a bit more deeply into that? Do you think the problem is that the Government is rolling this out too fast, in a universal way, on day one—a kind of big bang? I too have spoken to industries in the technology sector in particular, where your skills need might be in programming and the kind of creativity that goes into that very modern, hyper-changeable sector on the cutting edge of technology. They have said to me quite specifically that they need to start engaging with the skills agenda from primary school and, sometimes, nursery school to get the creativity and freedom of thinking in. They are doing that in quite a big way within the country. If they are forced to pay the apprenticeship levy, of course they will do it and they will take apprentices, but they will move their investment into pre-16 abroad.

Ben Wilmott: There are lots of potential unintended consequences in different sectors. We felt that there was not enough proper consultation before the levy was introduced. I do not think that employers, from our research, are against the principle behind the levy. They recognise that something needs to be done in the training space and they are not



HOUSE OF COMMONS

against the principle of investing in skills, but the investment has to be flexible so that it can be used in a way that meets business needs.

Q280 Peter Kyle: As a Committee that wants to be constructive with the Government and to find ways through these problems, is the solution that they should be piloting this or doing it on a sectoral approach? What is the way forward that the Government should be doing?

Ben Wilmott: We would still say that there should be a delay, from an ideal perspective, looking at the design of the levy and, over time, trying to make it more flexible so that different forms of training might fall within its remit. There does need to be a bit of a fundamental rethink.

The other concern that we have— again, this is backed up by research—is that the levy will encourage employers to invest more in lower quality, shorter, high-volume apprenticeships, so more Level 2. We know already that two-thirds of all apprenticeships are typically created at Level 2; we do not have nearly enough at advanced and higher level. The push to hit the 3-million target ahead of quality could reinforce the problem that we put numbers ahead of quality. That is a real concern.

Q281 Peter Kyle: This Committee has already heard that only 8% of young people going through apprenticeships come out with a higher level qualification than they went in with, but I understand about reskilling and so forth. Mr Tarr, forgive me if I am wrong, but one would assume that your industry is well suited to the apprenticeship levy.

Stephen Tarr: Yes. As I said, we bring in about 150 apprentices a year, so the levy is not really going to change our approach fundamentally. There is a finite limit to how many apprenticeships you can really handle within the organisation. With organisations like ours, which are at the larger end of the sector, we think that, ultimately, the levy is a good thing, inasmuch as it is supporting young people and their development. We cannot complain at one end that there is no action and then complain at the other when action is taken.

When you look at the specifics of how the levy works, I agree with Ben. It would be nice if there were greater flexibility. At the moment, only the fees are covered. We are, effectively, a net contributor, so we are not going to consume the full 0.5% on our payroll bill. That then gets disbursed throughout the sector. It would be more helpful to us if the funding catchment was slightly broader than it is at the minute.

Stephen Ibbotson: I am going to agree in general with my colleagues. As I said earlier, we are a strong supporter of apprenticeships, but we would worry a lot about quantity over quality and about the lack of flexibility. We also recognise that the Government is in a difficult place. There are some people who have not been investing as much as they should in skills and education, and perhaps this is a blunt instrument but at least it is trying to address that problem. You need to monitor it and adjust it as you go along.



HOUSE OF COMMONS

The one area where I have had some experience is in the SMEs that you mentioned, and a lot of SMEs say, "I cannot manage this process because I am running my business". It is the same issue that you heard about before from the previous panel about SMEs spending their time running their businesses, and that doing other things is difficult.

Peter Kyle: Some local authorities are doing great work on this. Nottingham is doing some good work. Brighton has now set a target of doing 1,000 apprenticeships in 1,000 days through an employer-led taskforce. Brighton is dominated by micro-businesses, and the council is making sure that, if any business takes on one or more apprenticeships, they will go out to the business and do the paperwork for them. It will find out what the barrier is and break down that barrier, whether it is administrative or financial or whatever, and offer that kind of support. Involving employers in that does seem to provide some of the way forward.

Q282 **Amanda Milling:** That is a brilliant lead-in, Peter. Thank you. I was going to come on to local authorities and LEPs. It was mentioned right at the beginning but I would like to come back to it and explore it in a bit more detail. What is the role of local authorities and LEPs in setting skills policy? Ben, it would probably be worth you starting, because I think you raised it in the first place.

Ben Wilmott: Yes. The point that I made was around having some sort of golden thread that connects national, sectoral and local skills agendas. One concern that we have is that the local enterprise partnerships do not always have a very strategic skills agenda. We probably need to review the LEPs to see which are really adding value, whether they make sense economically and what sort of material support they provide.

Q283 **Amanda Milling:** You have got this as a hypothesis. What has brought this about? Can you give us some more evidence for why you are saying this?

Ben Wilmott: It is a bit out of date, but we did some research back in 2011, where we looked at about eight different local enterprise partnerships. We analysed their skills priorities and what their skills agenda was. From our perspective, we see building leadership and management capability and improving workplace practices as being a critical part of the jigsaw of any skills agenda.

Typically, the skills agendas were very fragmented, looking at key skills like improving sales skills. Apprenticeships were quite often used, but they were not looked at in terms of, "Apprenticeships are important but how can you encourage and hand-hold small businesses to think more strategically about skills? How can you help them work with providers to develop programmes?" That part of the agenda is typically missing.

We have been doing some work over the last year where we have had some significant funding from the JPMorgan Chase Foundation. We have



HOUSE OF COMMONS

been providing high-quality, low-cost and no-cost HR support to small businesses. For example, in Stoke, we have done this through the local Chamber of Commerce with the local enterprise partnership and through the Business Growth Hub. The programme has proved very successful. They are now looking to extend that beyond the life of the funding. We did a similar programme in Glasgow, where our HR-consultant members are providing that type of handholding support to small businesses to help them invest more strategically in skills and improve their leadership and management capability. Again, Glasgow City Council has decided to fund that beyond the life of the grant that we received, because it is really adding value.

We do think that there are ways that local enterprise partnerships can help small businesses, working with them to raise their ambition levels and to help them think more strategically about skills and how they manage and develop people. We are not saying that model is always going to be the right one, but we think there are ways that can be done systemically.

Q284 Amanda Milling: Regarding further devolution, my constituency is in the Midlands and we have the West Midlands Combined Authority. You have already talked about quite a lot of different organisations that are involved in the skills agenda. Where will combined authorities come into this? Ultimately, who is going to be accountable? There are a lot of people around the table here. What are the benefits of that and also what are the risks of that?

Ben Wilmott: I will just answer that quickly. There needs to be some sort of overall conduit. The Business Growth Hub is bringing that agenda together and providing a one-stop-shop point of access to small businesses, where they can be referred to different parts of the skills agenda. That would mean local authorities and city councils working together within that type of infrastructure, so that there is clarity for small businesses around where to go and what support is available, and making sure that there is not a proliferation of initiatives that confuse businesses.

Stephen Ibbotson: There is clearly an awareness issue. We run a similar scheme to the one that Ben described, called Business Advice Service, where nearly 5,000 of our member firms will offer a free consultation to any SME or entrepreneur. It is, frankly, disappointingly taken up. Part of the initiative I mentioned earlier, where we have been trying to work with growth hubs, is to promote that service and to give this free advice.

Secondly, we have been working with IPPR in the north—not the Midlands, I am afraid—

Amanda Milling: We can talk about the north as well.



HOUSE OF COMMONS

Stephen Ibbotson: In the North West, in fact, we have been working with IPPR on what can be done to co-ordinate exactly the point that you have raised. One of the suggestions that we are going to make in the report that is due imminently is that there should be a professional and business services council in that region to promote the different elements, one being skills, that are necessary to make that ecosystem in the North West work more effectively.

Stephen Tarr: We support the devolution agenda. Clearly, if centres like the Northern Powerhouse and the Midlands Engine are to capture the growth opportunity, having a say in and driving the local skills agenda would seem to be the right thing to do. Just going further north to Sellafield, for example, there is a major programme to clean up some of the legacy nuclear assets. They are very committed to developing a genuine legacy and a local economy.

Amanda Milling: Sorry, can I ask a tiny question?

Chair: Tiny, tiny.

Q285 **Amanda Milling:** You have a group of people getting skills in that area, but you might need those skills somewhere else. What do we do to address the mobility of skills?

Stephen Tarr: Then you are into a trade-off in terms of where you invest. Do you invest in the North West or in the North East? I would not see an interventionist policy like that as part of an industrial strategy. It would be more around market driving.

Q286 **Michelle Thomson:** Just to pull some of the final themes together, we touched earlier on the free movement of people but we did not bottom it out completely. Can I assume that you are all in favour, based on the submissions that you have made so far, of free movement of people?

Stephen Tarr: I am not trying to split hairs, but it is recognising that there is a skills shortage, being able to bring people who will help fill that skills gap into the country, where there are jobs for them to do, and making sure that there are no unnecessary barriers to doing that. That could be free movement or some streamlined process that recognises that there is a need and how that need is best serviced. It is an important part of supporting the growth agenda.

Q287 **Michelle Thomson:** You must have realised my thinking, because some of the talk at the moment, of course, is around sector-specific, rather than wholesale, free movement of people. I wanted to also explore with both the Stephens in particular whether you could live with a sector-specific approach to allowing free movement in certain skills? What would that look like and what might be the potential unintended consequences of it? I suspect you have already touched on this.

Stephen Tarr: I would not be averse to going down that route, if there was concern about just opening up everything on a free-for-all. The tricky



bit then is making sure that there is an agreement on where the gaps are that need to be filled, and probably not constraining it too tightly. This is not a case of bringing in people who do not have jobs to do; this is about bringing people in to do work that we have already identified for them. We recognise that there may need to be some sort of regulatory control around that. In construction over the next five to 10 years, we see significant growth; other sectors may see less. Therefore, it is something that has to flex with the economic cycle.

Stephen Ibbotson: As I said earlier, we do believe in the free movement of skilled labour. It has been important for the development of our sector and, we believe, for continued growth. In terms of how you would do it sectorally, one of our submissions to the Committee was that we need to do things in a fair and equitable way and to make sure that no one is disadvantaged. How would that be done and how would it make sure that there are no unintended consequences? I do not know. That would be quite difficult.

Ben Wilmott: When looking at the immigration system, you need to look at three principles. One is around flexibility. If employers cannot find the skills that they need to grow locally, can they bring in the skills that they need? The second bit is around transparency. If Government is saying, "We are going to bring in overseas workers in these sectors" or "for these reasons," they need to be completely transparent around it, so that UK-born workers understand the reasons why there is a particular policy on immigration and the rationale behind it.

The final point is around fairness and making sure that young UK-born people do not feel disadvantaged in the labour market and that they are equipped with the skills that they need to be able to find jobs and progress and different stages of their working lives. That means better vocational education and training, more investment in lifelong learning, and making sure that, if people feel they are stuck in low-paid, poor jobs, there are opportunities for them to invest in their own learning and development.

One thing that the CIPD has always been interested in is the concept of individual learning accounts. We know that one of the reasons that they were shelved was not because of fraud, although there was an element of that; part of it was that there was a very high level of demand. We think that there is some potential for some sort of help-to-learn account to support the development of people at different stages of their working lives, so that they feel that they have the ability to invest in their own learning and development. Give the learner more skin in the game.

Q288 **Michelle Thomson:** In some respects, I suppose this issue that I am bringing out has similarities with industrial strategy. If you were going down a sector-specific approach, are you going to pick winners or do you want to pick leading sectors that will give the growth and innovation? That strikes me as starting to get quite tricky. Another area, just to get



HOUSE OF COMMONS

your final thoughts, is around upskilling, which I think you started to lead on. We recognise that that is going to give us the growth. I would appreciate your thoughts on those last two points.

Stephen Tarr: Upskilling people is an important part of the solution, and that might be from adjacent sectors that have the core skills that can be developed. We take people from the armed forces, providing opportunities for them. People like National Grid engage young offenders and give them opportunities. Where you have that seed-corn capability to expand that and make that more sector-specific, that would be a good way. Then it is about how Government can help with supporting the investment needed to realise that.

Stephen Ibbotson: Not picking winners, but we certainly believe that there should be a fair playing field and that the Government should make sure that sectors that are doing well in the UK are not disadvantaged. There are several, clearly, of those. In terms of upskilling, our profession is much more about continuous professional education and lifelong learning, which are critical and part of our expectations of our members in all areas.

Ben Wilmott: I would probably finish where I started on upskilling. Part of the skills agenda is about improving workplace practices. We know that there is a clear link between high-performance working practices, which include enhanced leadership and management capability, good-quality line management, flexible working, job design and investment in training and development, and more sophisticated product-market strategies. If we are going to move as an economy to a higher value, higher skill model, we have to increase the adoption of high-performance working practices, which is a people-management and workplace agenda. If we ignore that and just look at improving the supply of skills, we will never get there. In terms of building progression routes and opportunities for people to progress, we cannot ignore that part of the jigsaw.

The other point around picking winners is that, if we ignore some of the big employment sectors like retail, the care sector or the hospitality sector, the industrial strategy will not have a material impact on productivity and national economic performance. If it goes too narrow, it will not have the impact that it needs and create an economy that works for all, which I think we have heard recently.

Q289 **Richard Fuller:** I am still struggling to understand what industrial strategy means, but I accept that Government is an actor in the economy. Therefore, guiding it to do less harm and looking at ways in which it could be smarter and more helpful would be a good thing. I am a big believer in looking at experience. If you look at what the Government has done over the last 20 or 30 years, one of the most important economic outcomes has been that people on average or below-average wages have not done very well, and they certainly have not done very well relative to people who are on high wages. Do you think that there should be an explicit part of the industrial strategy that talks about that



HOUSE OF COMMONS

issue and comes up with recommendations about it? All the rest sounds to me either like special pleading—"We are good at this; give us more money"—or sticking-plaster, nice things to do while you go about doing something else: "Let us skill people up but we will have freedom of movement because we can always get someone on the cheap if we need to." You have about a minute.

Ben Wilmott: I would go back to the answer that I just gave, which is you are not going to shift the high proportion of people in low-skilled jobs unless—

Q290 **Richard Fuller:** Your submission does not say anything about the Government needing to prioritise increasing incomes for people on lower or average earnings.

Ben Wilmott: But that is the outcome. Government, in terms of its leadership role, its role in convening and partnerships, and its role in messaging, campaigns and targeted support, can make a difference. In terms of job quality, improving living standards and productivity is the outcome of investing more in improving workplace practices. That is why we were calling that out as a need to be included in any industrial strategy.

Q291 **Richard Fuller:** I know I only have another minute, Chair, but could I just ask you to consider that? It just strikes me that we talk about all these things about innovation and skills and all that, but we should be talking about what the problem is out of what the Government has done so far, and say, "That is what we are trying to aim to change". If that is the case, should it be this issue of growing income disparity?

Stephen Ibbotson: We are doing some work on inequality and, Richard, if you are interested, I could invite you to speak at one of our events.

Richard Fuller: I would love to, as long as the Chair allows me to, as he is a member of your organisation.

Stephen Ibbotson: He said no—sorry about that.

Q292 **Chair:** Could I just ask a final question to you, Stephen, if I may? It seems to me that the coalition's industrial strategy mentioned the aerospace industry and the automotive industry, and they are fantastic sectors. We do want to try to make sure that their comparative advantage is enhanced. Why did that not work quite so well with the construction sector? What lessons can we learn, or have I got that wrong? Was the construction industrial strategy considered a success?

Stephen Tarr: One of the issues is that construction is notoriously fragmented. It is highly fragmented and is less than the sum of its parts. That is partly the problem. There is the housebuilding part of it and private building. It is many sectors within a sector. Part of the challenge is being able to speak with one voice.

Q293 **Chair:** Would a proper industrial strategy help address the fragmentation



HOUSE OF COMMONS

and try to provide a more co-ordinated approach?

Stephen Tarr: It would be nice if it could.

Q294 **Chair:** Is that just an impossible dream?

Stephen Tarr: In my view, probably yes. It is more around enabling aspects. We were talking about apprenticeships earlier. There is a stigma in the UK still around apprentices being for people who were not smart enough to go to university. We have to change that, and that is where Government can play a huge role in recognising that, trying to ensure opportunity for all and giving routes for people with different skill sets and so forth. That is where it can make a big difference.

Chair: Gentlemen, thank you very much for your time. We are grateful. Thanks a lot.