

Business and Trade Select Committee: Industrial Strategy

1. The Industrial Strategy (2017) paper related to the coordination of a wide range of interconnected policies to higher economic growth and productivity. Whilst the 2017 white paper was abandoned, the real strength of the strategy was its strategic alignment of all sectors of the economy, referred to as the **'five foundations'**. These were *Ideas* (investment in R&D and innovation), *People* (skills and education), *Infrastructure* (broadband, energy, and transport), *Business environment* (support for specific sectors and SMEs) and *Places* (emphasis on local industrial strategies and growth). With the subject of a future Industrial Strategy once again a key political talking point, it is important to recognise where the previous plan could play into this discussion.

2. A revised Industrial Strategy is a key ask for the [Recruitment and Employment Confederation \(REC\)](#). In our [Overcoming Shortages report \(2022\)](#), our economic forecasting found that if action is not taken to tackle labour and skills shortages, the UK economy will lose up to £39bn a year from 2024. We also reiterated the need for an Industrial Strategy, and the content of this, in our 2024 manifesto "[Dynamic Labour Markets for growth](#)". We have set out our recommendations around this in more detail below.

Baseline economic growth to 2027

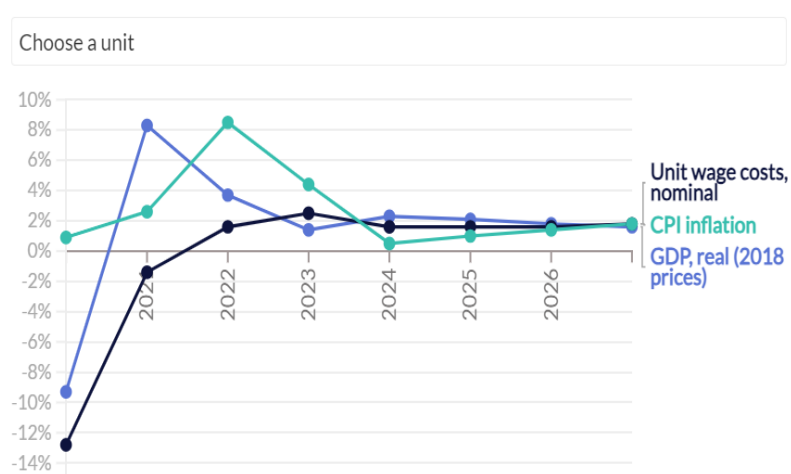


Figure 1: Economic modelling from the [Overcoming Shortages Report \(2022\)](#) showing GDP falling from 2022 to 2024. Trend then shows that GDP and inflation flatlines from 2024-2027.

- Recommendation One: Implement a meaningful industrial strategy in collaboration with industry and trade union expertise.**
- The REC believes that while businesses are responsible for investing in and boosting skills, the government should collaborate more with industry to align needs and implement skills solutions. Our recruitment industry, which contributed **£41.3bn to the UK economy in 2022**, is critical in making good work happen and ensuring people are in the right jobs. Our industry's expertise would ensure that any future industrial strategy is joined-up and geared towards our workforce's needs. The remit of the strategy should span across many sectors of the UK economy, including skills and technical education, a responsive immigration system to labour market demand, and empowering local economies and regions to build a domestic talent pipeline for generations to come. The focus of these will be specified in the below recommendations.
- Recommendation Two: Re-instating the Industrial Strategy Council, with independent powers to scrutinise and report on progress**
- Any industrial strategy's implementation should be accompanied by a robust intervention to ensure its success. In 2017, the formation of an independent council made up of industry experts from across the UK economy, accompanied the publication of the industrial strategy. The council

was independent from the government and provided evidence-based recommendations on progress made and how to maximise productivity and GDP best. However, since the Industrial Strategy Council was disbanded in 2021, there has yet to be an independent body in place - and there is a real need to have this to boost GDP and productivity rates, alongside fostering more vital private-public sector collaboration. The REC strongly supports the revival of such a council of independent experts (spanning across industry, academia, and trade unions), who should be assessing progress made alongside any published workforce plan.

7. **Recommendation Three: Flexibility within the Apprenticeship Levy system, to build a more responsive system to employer needs to tackle acute labour shortages and tackle economic inactivity**
8. We agree with the 2017 Industrial Strategy's ambition to align technical education with the labour market and ensure a domestic talent pipeline that will last generations. Flagship policies like the £400 million investment in maths, digital and technical education were an excellent signal to strengthen the essential foundations to ensure everyone can progress in employment.
9. Part of this was introducing the Apprenticeship Levy system to give more ownership to employers within skills development. Despite the Industrial Strategy's initial plan that by 2020, levy contributions in England were expected to double what was spent in 2010, the system needs to be fixed for the recruitment industry. Of the 1 million temporary workers working in the UK daily, around 960,000 are ineligible for Apprenticeship Levy funding. This is because just 2% of temporary assignments last 12 months or more - the minimum duration required for an apprenticeship. We accept that all employers should pay a tax for work-based training, but we know this has to happen to incentivise greater investment in skills if we are to address labour and skills shortages. A REC member from Nottinghamshire stated they had paid £161,000 in levy money since its introduction in 2017 but could not access more than £112,000. This is because of the inability to use the funding to support most temporary workers.
10. **Recommendation Four: Strengthening infrastructure to enhance economic growth.**
11. Infrastructure is a crucial component to enabling work and building regional prosperity across the UK. The previous industrial strategy's awareness that infrastructure is the essential underpinning of our lives and work, and having modern and accessible infrastructure throughout the country is essential to our future growth and prosperity. This will require investment in key infrastructure, like reliable public transport, including local rail and bus links. These help people get to work, particularly in rural communities. We already know that physically getting to the workplace is a barrier for too many young people. That's why we need public transport that actually takes people to where the jobs are.
12. Additionally, infrastructure is about more than just transport; it includes childcare. Any industrial strategy should commit to sufficient childcare support and provision to enable people to work. Firstly, the government should expand the eligibility for 30-hour childcare entitlement to parents or carers in training or education. This change will help both parents and carers in training or education. This will help people looking to return to work after a period of absence. Secondly, as part of its ambitions to increase the childcare workforce, the government should commit to a consultation on growing it. This should be developed in partnership with childcare providers.

Written evidence submitted by Recruitment & Employment Confederation (IPO0074)

Increased funding for provision alone only works with enough childcare professionals to deliver services.