

## **Written evidence from University of Warwick. (SFF0016)**

The following are the key points that we would recommend form the focus of recommendations:

- **Tripartite System** – the formation of a tripartite system between employers, providers, and Government, that focuses all the activities across all Government departments, where the activities of employers and providers are prime. This would enable better direction of skills provision and funding while still enabling oversight.
- **Employer investment** – further incentivise employer investment in skills activities. This could be through further tax incentives or wider application of the existing apprenticeship levy to become an apprenticeship and skills levy. Encouraging large employers to share unspent levy with their direct supply chain via a 100% transfer would be effective.
- **A simplified skills funding system** – Existing funding is too complex and create areas where types of provision are funded multiple times over leaving significant gaps. Funding must also be decolonised to enable unspent funds in one area of education to be re-directed to support others.

### **What kinds of skills do you think will be needed for the future of the UK economy? Is the UK's skills and training system capable of equipping increasing numbers of people with these skills?**

The skills that will be required for the future of the UK economy will have a mixture of cross-cutting and industry specific applications. Quantifying this is a challenge, but our research suggests that a nascent battery manufacturing sector will employ up to 100,000 people in manufacturing and across the supply chain, up to 90% of automotive roles need additional skills and 50% of all utility roles will need replacing or re-skilling over the next 10 years.

There is no doubt that skills related to digital capabilities, robotics, managerial and sustainability will cut across a wide range of the UK economy. In engineering there are a set of transcendent technologies that are driving change e.g. batteries, electronics, robotics, and software engineering. Supporting core skills in these areas will enable a range of traditional sectors. Overall, it is easier to analyse need with a non-sectoral approach and focus on these "enabling skills", as mentioned above. This approach has been successfully used by the National Electrification Skills Framework and Forum (Now ESN) which specifically identified the

Government Battery Strategy as the key delivery mechanism for capability in that area.

Delivery of this will be hugely challenging for the UK skills system from a structural, funding and workforce perspectives. Structurally, the delivery of the skills shift needed for the UK must be driven by the FE sector which is underfunded and forced to compete in a way that is not conducive to meeting industry needs. The funding system also puts the least into the area. 80% of the workforce of 2035 is already in work and of those about 85% are in roles that will require upskilling via the FE system, a clear demonstration of its importance.

A focus on non-credit bearing short upskill courses is also needed to ensure that the existing workforce can be transitioned successfully, and that the UK is able to retain key employment for those coming through the education system now. Relying on Universities and Schools will not provide the immediate action needed to address existing gaps. For example, the Lifelong Learning Entitlement (LLE) creates a gap in funding for Level 3 qualifications (useful in upskilling of the workforce). Consideration should be given to the creation of a system which would allow industry to fund upskilling of the workforce through existing FE institutions or expand lifelong learning entitlement to cover vital level 3 qualifications.

In terms of the workforce employed to provide skills interventions, there is a huge challenge due to the lack of pay parity with industry. The FE Lecturer reserve model could be used to address this. Recently mentioned in the House of Commons by Luke Hall, this scheme has the support of providers and industry to help close niche gaps in provision. However, it is not a wholesale replacement for appropriate funding for the sector for operational activities, such as training and salaries, as opposed to capital funding.

### **Key Points –**

- Gaps in skills provision, particular at Level 3, could pose challenges for those wishing to reskill and upskill.
- Identification of skills needs should focus on what is enabling innovation and growth in specific sectors.
- Lack of pay parity between skills provision and industry means that the system is not fit for purpose and does not have the capability of fulfilling our skills needs. The FE Lecturer Reserve model could help to alleviate this pressure.

## **Is it clear to everyone involved in the skills system what the respective roles of the Government, employers, individuals, and institutions are within that system?**

No, the current roles are not clear, and it is not always straightforward for individuals and employers to know where to get the guidance and provision they need. This enquiry is a good example of a parliament group asking the same questions that have been asked numerous times elsewhere by Government departments and others.

A lack of internal consistency means that the skills landscape is extremely challenging to navigate at a Government level which spills over into the actual delivery, which also frequently contains overlapping funding. For example, Apprenticeships, the core schools' budget, the Adult Education Budget, and Government programmes such as Multiply, all supply provisions for Maths and English Level 2 and Digital Skills Level 1.

Employers do not have access to a clear, single version of the truth, in a space that is constantly changing with initiatives that have varying degrees of merit. Funding routes are often confusing and restrictive with the vast majority tailored towards "core" skills. Funding in other circumstances can be complicated, particularly for those over the age of 24, or in work, wishing to develop their capability. There is a need to make funding available for non-credit bearing, short course, activities that will have demonstrable impact in industry. At present, for most adults, the only method to change specialism is to pay out of pocket which is not going to encourage workers to take up new opportunities in emerging sectors.

Negative rhetoric around the shortages faced is also not helpful, leading many individuals to feel that it would be simpler to recruit already skilled workers from abroad rather than invest in the UK population to take on emerging roles.

### **Key Points –**

- The system frequently overlaps, leading to confusion, and provides limited options for those over the age of 24 or in work.
- It is not clear who holds ultimate responsibility over skills in the UK, and how that responsibility is exercised.
- Roles need to be clarified so a system of critiquing and evaluation of skills funding and delivery can be established.

## **What is the appropriate level of Government intervention in the development of skills policies? How can Government best add value in this area?**

The skills system must operate in a tripartite way with employers, providers, and Government. In that relationship Government is the junior partner, facilitating policy and funding to meet the needs of the others. Where Government is prime it leads to a top-down approach which is not delivering appropriate outcomes. Government must become a facilitator to the skills system rather than laying down arbitrary targets and requiring a qualification-based measure of success. A tripartite relationship, as described above, would ensure that implementation of a skills strategy meets the needs of industry directly and efficiently.

If employers and providers were given the space to meaningfully discuss what is needed now and in the future, and how to achieve that in a structured way, it would then inform Government on how to allocate funding to have meaningful impact. Funding regimes need to be more flexible and open to evolution to take in the shifting nature of the skills landscape. Funding “pots” should be removed and greater mobility of funds between initiatives encouraged. Of the c£120m worth of funding returning to treasury from the Levy and T-level schemes over the past year none of it has been re-allocated to high impact interventions.

### **Key Points –**

- Government should take on the role of facilitator and overseer. This will enable industry and providers to better reflect on skills needs and formulate a set of requirements for Government to consider more rapidly and efficiently. The use of multiple inquiries and engagement sessions to elicit the same information is much slower.
- Industry and education specialists should have greater say in where funding is directed. This does need to be balanced against ensuring that a broad and balanced curriculum can be studied but there should be sections of the skills budget that can be directed in a much more agile way with value added metrics used to assess impact.

### **Are current Government policies on skills, particularly apprenticeships and training, sufficiently clear? Have policies and the institutional set-up been sufficiently consistent over time? If not, what changes or reforms would you recommend?**

No, policies are not clear and are too subject to arbitrary changes without sufficient evidence or buy in from providers, individuals, and employers. The announcement of the Advanced British Standard, a policy which will not take effect for 10 years, served only to muddy the waters and confuse stakeholders further when considering an already messy system. Clear and consistent messages from Government are vital for the successful implementation of an improved skills system in the UK. Without this,

discontent within the sector is likely to grow, and implementation of effective policy become more difficult.

Government focuses too hard on school level activities and does not give enough attention to those in work who are at risk due to the changing industrial landscape. As a result, those very sources of employment for future generations are significantly at risk.

Policies appear to change with little thought on the impact in many places. Tweaks to existing policies that have little impact but sound good also appear to have replaced much of the meaningful work that could be done to support the skills sector. Policy is often not joined up effectively, for example, making changes to increase the number of young people accessing apprenticeships is a policy doomed to fail without other changes, as outlined in further responses below. One of the key reasons for uptakes dropping is that these lower-level apprenticeships are impacted more by industry and technological shifts and so become less able to meet the needs of employers. Providers also have a reduced appetite to provide them as they require additional unfunded activity to close the gap.

There are also limited numbers of lower level, new workforce entry, apprentices that employers can accept. Broadening the range of employers providing a good experience to apprentices is necessary. This is just one example of where policy must become more connected to reality and the absence of industry and education experts' perspectives has had a clear impact.

### **The three key areas that Government must focus on are:**

- Providers – there needs to be greater investment in our core of FE provision to ensure that we can meet in work demands for training. A greater respect for the profession reflected in remuneration is required and providers need to be unshackled to have a meaningful impact that is not reflected purely in numbers reported to a Government department.
- Funding – funding must become more flexible and responsive to actual need rather than being predicated on arbitrary numbers.
- Unit of capability – qualifications are not the best unit of capability measure, we need to move towards recognising what people are able to do, rather than the piece of paper that they have, enabling currency of capability.

### **Additional Points -**

- The most significant shift over time has been the introduction of the Apprenticeship Levy - the evidence clearly suggests that this has led to a decrease in the number of apprenticeships taken. This affected

those under the age of 25 most significantly and coincided with a sharp drop in Beginner and Intermediate level apprenticeships.

- Consistency over time would be valued, as would the freeing up of levy funding for a wider range of training.
  - Increasing levels of support should also be allocated to support young people (under 25) and SMEs getting involved in apprenticeships.
  - Unclear policies have also resulted in confusion for students and providers as they seek to understand the support available to them – sometimes resulting in this support not being accessed.
- Continuing lack of consistency (upcoming changes to funding routes especially) only perpetuates this lack of clarity.

### **Are the right institutions in place to ensure an effective skills system for the future? Should co-ordinating institutions be national, regional or sectoral, or a mixture of each?**

At Government level they do not exist. There are too many departments that are not internally consistent meaning that there is a significant waste. A body to sit over this and remove some of that complexity in decision-making responsibility is needed to ensure greater internal consistency and that employer and provider input is received and acted on effectively.

The actual providers are pivotal in achieving this, but they need to be facilitated to do their work more effectively. Over the next 10 years schools and Universities will only affect about 20% of the existing workforce by providing new entrants and those will require additional training in the mid-term future as well. The sectors best placed to do this are Further Education and Private Training. These sectors are much maligned with FE, colloquially known as Forgotten Education. These are the engines to effect change.

All initiatives need to be “nationally conceived, regionally contextualised and locally delivered”. Priorities derived from employers and providers need to be collated nationally to ensure consistency across the country. One of the biggest failings of the skills sector is the use of sectoral specific qualifications that closely duplicate what is used in other sectors without enabling the workforce to move from one to the other due to having the wrong piece of paper. These more flexible capability –based qualifications then need to be administered and funded at a regional level. Beyond 16, no education and skills funding activities should sit at a central Government level as it cannot appreciate the complexities and nuances experienced across the country. Sectors no longer have a place in the way we think about core skills training in the UK as this has created

duplication and a workforce that is not mobile enough to meet future needs.

A tripartite system, as mentioned previously, is what is needed. This would include an arm's length Government body to oversee skills provision in the UK as required, and greater freedom for regional powers to direct funding and materials to the areas where it will be most beneficial.

**Concerns have been raised over the operation of the Apprenticeship Levy, particularly in relation to the decline in young people taking on apprenticeships. Is there a case for reforming the levy, for example by ring-fencing more levy funding for training for younger apprentices.**

Yes, it needs reforming, but it isn't about the ringfencing of funding for young people. Lower-level apprenticeships tend to be more specific and therefore impacted more by technological and workforce shifts, and therefore can more rapidly lose appeal with employers and providers. There are also a finite number of lower-level apprentices that employers can take on and SMEs do not always provide the best environment. Limits on the use of apprenticeships for questionable purposes e.g. providing senior managers with Masters level qualifications, may be useful but widening the scope of what the levy can be used for would be more appropriate.

The levy should be opened up to enable employers, who actually pay it, to use it in ways that create meaningful impact for their businesses. The recommendation to use 50% of the levy for activities other than apprenticeships would provide greater flexibility for employers and ensure that they can survive to provide employment in the future. It may also be beneficial to allow employers to use the levy to cover costs related to apprenticeships, which can act as a barrier in their provision. This cannot be unchecked but rather than tying it to qualifications, measures should be based on impact and value.

**What should the role of business be in encouraging the development of skills in the UK? Should business be a consumer, funder, trainer or co-designer of skills provision?**

Business needs to be a trusted partner with providers to help shape what training is delivered, where, and when. However, businesses do not always understand what will be required in the future and tend to focus on immediate concerns. Whilst this focus is needed, it results in a reactive

system rather than one that takes a longer view to create capacity in the future. Businesses should not be the gatekeepers of public funding for training, or it will be dominated by larger companies. Public funding must be used in a prudent way to support businesses that will struggle more to meet future changes such as SMEs and microbusinesses.

A way of considering how the relationship should work is for businesses to look at skills as a core part of their supply chain. When a new component is required, a manufacturer will engage with their supply chain, commission prototypes, refine them and move to purchase. A similar approach should be taken with skills. The more this happens, the greater the level of consistency will become as businesses will find solutions already in existence that meet their needs. Smaller businesses may need some investment in order to make this "purchase" which is where responsible use of public funding is required.

**In a more mobile, flexible labour market, what incentives do employers have to provide training for their employees? Why do you think that employer investment in training has declined in recent decades?**

Employer investment in training has become a "nice to have" that is subject to cuts when budgets are tight. The increased burden in mandatory training activities has also put pressure on businesses. There also appears to be a reliance on Government to fund everything even when training is critical for business drive purposes.

Businesses need to view the investment in skills as more critical than any other part of their infrastructure and that they can no longer expect to be able to recruit to fill gaps, there is a need to "grow your own". Again, this could be supported by introducing greater flexibility to the Apprenticeship Levy where funds could be used to re-train current employees. Enabling employers to use existing levy accounts to pay for impactful training should be a focus. For this to be successful, there will need to be a measure of the added value to the workforce to ensure that funding is spent effectively. It would also be beneficial if all levy paying organisations could transfer up to 100% of their unspent levy to support their supply chain.

A "flexible and open" worker should not be viewed as a bad thing. Providing the workforce with greater mobility is good for all involved. Individuals can progress as they wish and where vacancies open, the workforce is mobile enough to help close them again.



## **Should further incentives be put in place to reverse the decline in employer investment in training, and if so, what form should these incentives take?**

The Government needs to decide on a national industrial strategy with the help of industrial and manufacturing experts. When this has happened, the Government can focus funds on specific industrial strengths in the UK, supporting the existing and upcoming workforce. For example, the development of batteries is likely to shape a future dominated by electric vehicles and clean energy initiatives.

The Government should set out a plan to incentivise work in this area, and objectives for employers to follow when upskilling and reskilling the workforce. This would be supported by greater flexibility of the Apprenticeship Levy and tax relief on investment in impactful training activities. It is important that these activities are not judged solely on their ability to produce accredited qualifications.

## **What incentives do individuals have to involve themselves in apprenticeships and training? Is the system available and attractive enough to encourage individuals to seek training, and if not, what can be done to improve this?**

The public needs a better understanding of the advantages of the apprenticeships system as there is still a stigma around them being less prestigious than a traditional qualification or degree which is simply not the case. Better knowledge for school aged children and adults wishing to retrain would help take-up numbers. It may also be unclear how the different levels of apprenticeship compare to other qualifications (especially when they bridge several levels), which can affect the perceived value of an apprenticeship.

Confusion surrounding the Apprenticeship Levy may also discourage individuals from starting apprenticeships, even when this relates more to the business' side of apprenticeships. The levy also may result in businesses providing apprenticeships to their own employees rather than from outside.

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