

Written evidence from University Vocational Awards Council (UVAC) (SFF0018)

UVAC is the national not for profit representative organisation, for higher education institutions/universities, engaged in higher technical and professional learning, apprenticeships, and skills. There are 90 higher education institutions/universities in UVAC membership. UVAC focuses on supporting the higher education sector to deliver the apprenticeship and skills programmes the economy, employers and individuals' need. Our peer reviewed academic journal *Higher Education, Skills and Work-based Learning* is published 5 times a year and had 69,000 downloads in 2023. UVAC's members have considerable expertise in apprenticeship, work-based, work-integrated learning and in-work training.

Our comments, observations and answers to specific questions mainly relate to policies, programmes and practice in England.

Summary – we would highlight the following points:

- The skills and training system should primarily be focused on developing the skills needed to raise UK productivity, deliver public sector services and support the transition to the net zero economy.
- Too little attention is paid in skills policy to the fundamental importance of developing management skills and raising management performance.
- There is insufficient agreement on the role of government, employers, individuals and training providers in the skills and training system. Too often skills policy and skills provision are seen as synonymous with further education. It is not. Higher education also has a fundamental role to play if the higher-level skills the economy and society needs are to be developed. Government should be clearer regarding the aim, objectives, and scope of skills policy.
- Any future Government should consider making the ministerial skills brief a Treasury appointment. This would reflect the need to support and require employers to invest more in the training and development of their workforce and to determine the respective roles of the state, employers and individuals in funding training and professional development.

- Any recommendation involving *"ring-fencing more levy funding for training for younger apprentices"* would be flawed and very damaging to the role of apprenticeships in raising productivity, recruiting, and training individuals for key public sector roles and supporting social mobility. If the Industry and Regulators Committee is to propose such a recommendation, it must explain what restrictions on employer spend on apprenticeships it would propose to fund this policy. Through apprenticeships, employers can recruit the individuals needed to develop a high skill, high productivity, and high-income economy and to deliver the net zero agenda. The current all age and all level apprenticeship system enables the NHS to use apprenticeships to recruit and train new nurses and police forces to recruit new police constables. Apprenticeship should have a key role in supporting those aged over 50 who are absent from the workforce to return to, or upskill in, work. If apprenticeships are to have the optimum impact on productivity, social mobility, transition to the net zero economy and the delivery of public sector services, apprenticeship must remain an all age and all level programme.
- There is considerable evidence to demonstrate that the Apprenticeship Levy and associated apprenticeship reforms are a policy success. Before the introduction of the apprenticeship levy, apprenticeship delivery had little correlation with the skills needed in the economy. Today employers are using apprenticeship to train the individuals needed to improve business performance and productivity. Prior to the introduction of the levy in 2017, apprenticeship was a good programme for other people's children. Today apprenticeship is an aspirational programme
- While some employers invest substantially in training and development, government needs to work with employers as a whole to change what is currently a low or no train culture. Government needs to spearhead the development of a culture where employers champion and celebrate their investment in training. Employers need to see training as a long-term investment. Financial reporting regimes and the tax system need to better support and recognise training as an investment.
- Business must be a consumer and funder, on occasions a trainer and working with others (other employers, IfATE, training providers, awarding organisations, trade associations and PSRBs) a co-designer of skills provision.

Detailed Response to Questions

1. *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 UK's skills and training systems should primarily be focused on developing the skills employers and individuals need to raise performance and productivity. The ONS reported that **average output per worker for G7 nations (excluding the UK and Japan) was 16% above the UK level in 2021¹.** Higher productivity means that employers can pay their employees more and higher productivity through higher pay and profits results in a bigger tax take for government and more funds for public sector services. Higher productivity in the public sector means better public service delivery for the same government spend. The occupations needed to deliver a high skill, high productivity and high-income economy are typically at higher level, for example; engineers, scientists, digital specialists, managers, technical roles and other professions.

In coming years it is also critical that the skills and training system focuses on:

- **Supporting the recruitment and training of key public sector employees** e.g. registered nurses, teachers, police constables and social workers. Five of the top ten most used degree level apprenticeships recruit and train individuals for key public sector occupations. The importance of recruiting and training individuals for public sector roles is often underplayed in skills policy, yet **the registered nurse is arguably the most prominent skills shortage occupation in the UK**
- **Enabling the recruitment and training of the individuals needed to deliver the net zero economy**
- **Occupations in other key industries;** e.g. AI, advanced manufacturing, science, the creative and the digital sectors
- **Supporting social mobility** by enabling individuals who did not have, or who missed the opportunity at a young age, to

¹ International Comparisons of UK Productivity Final Estimates 2021, ONS

train for a technical, higher technical or professional occupation.

- **Supporting the entire workforce and individuals of all ages**, that is young people, adults in work, the unemployed and returners to work (including the over 50s and under 65s who have left the workforce since the pandemic).

In terms of the skills the wider economy needs, improvements in management skills would have the most impact on raising productivity. The World Management Survey² suggests that more than half of the productivity gap between the UK and America can be attributed to poor management practice. If apprenticeships are to play a major part in tackling poor UK productivity, a focus on management roles, including senior leaders is essential. Ironically many in the 'skills sector' have argued that employers should not be allowed to spend their apprenticeship levy payments on management apprenticeships.

The Industry and Regulators Committee could make a very important contribution to the skills debate by acknowledging the importance of management skills and training.

The above observations reveal a tension in the 'skills system' in England. Historically the skills system was mainly concerned with lower-level skills and programmes for individuals not going to university. If the 'skills system' is to have a substantial impact on increasing productivity it must focus on the high-level occupations the economy needs and on key public sector occupations. This is not to say that training individuals for level 2 (GCSE equivalent) roles is not important, it is. Arguably however in the past, too much emphasis in apprenticeship has been focused on lower level occupations (level 2) and too little on technician and professional occupations (level 4 to level 7).

A challenge for government and employers is of course, the number of individuals in the workforce without functional skills that should have been gained during compulsory education. Action must be taken to tackle such deficiencies. Employers should not however, be compelled to pay for functional skills programmes through a levy. Functional skills provision for adults should be funded through general taxation and provided by government and be seen as general education expenditure akin to school funding rather than expenditure on skills.

² John Van Reenen and Nicholas Bloom of the World Management Survey, quoted by the CMI

Through apprenticeship, England's skills and training system has a programme capable of making a massive contribution to equipping increasing numbers of people with the skills the country needs. A fundamental strength of apprenticeships in England is that it is an ALL age and ALL level programme. This reflects the fact that skills gaps and shortages exist and individuals need training and development for new occupations at all ages and all levels. The reforms to apprenticeship (the standards programme, in particular) and the apprenticeship levy have fundamentally changed apprenticeships. Prior to the apprenticeship reforms and levy, apprenticeship provision had very little correlation to the skills needed by employers and the economy. Today apprenticeship delivery in England reflects the occupations needed by employers and the economy.

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

No. Indeed, there is no consensus on the aim and objectives of the 'skills system' or its coverage.

Too often the 'skills system' is seen as synonymous with further education, yet some of the most prominent skills gaps and skills shortages exist at higher education level (level 4 equivalent to the first year of a bachelors degree to level 7 masters degree level.) Arguably, the most prominent occupational skills shortage apparent in the economy is the registered nurse (a level 6 degree/professional occupation). Most observers would agree that the UK has an over reliance on the recruitment of nurses trained overseas. Programmes such as higher and degree Apprenticeships help the NHS to recruit and train the employees it needs.

The UK's world-class university sector plays a fundamental role in the 'skills sector', yet this role is often underplayed in policies, in the press and by key agencies. **The Industry and Regulators Committee could support the skills system by emphasising the fundamental contribution universities, as well as further education, make to delivering the skills programmes that the economy, employers and individuals need.**

There is little agreement on the respective roles of government, employers and individuals in the 'skills system'. There is, for example, no agreement on the financial contribution government, employers and individuals should make to the cost of training and who should pay what and in what circumstances. **An understanding needs to be developed on the principles of a**

skills system and what training and skills provision government, employers and individuals are expected to fund/contribute towards.

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

Skills policy has a key role in raising productivity, arguably the UK's number one economic challenge. Although the significance and standing of the UK government's ministerial skills brief has risen in recent years, it still lacks prominence and authority. **Any future UK government should consider making the ministerial skills brief a Treasury appointment** with reporting links to the education and business departments. This would emphasise the government's commitment to the skills agenda. A key focus of the skills ministerial brief would be to increase individual and employer investment in skills that raised productivity. Skills policy involves fiscal matters, the levy and financial incentives and measures to increase employer and individual investment in skills, as well as productivity i.e. Treasury matters.

Key areas for government intervention include:

Increasing Employer Investment in Training – UK employers invest less in the training and development of their employees than their OECD counterparts. Training employees is a key way of increasing productivity. A core objective of any government must be to increase productivity and increase the prosperity of the country. Government should intervene to correct such a market failure and consider the introduction of measures that increase employer investment in training. Government should also prioritise and incentivise employer investment in training in key areas e.g. in the net zero economy, including through tax breaks.

Ensuring Appropriate Training Programmes/Qualifications and Training Providers Exist – Government has the key role in ensuring the effective operation of the skills system. This means ensuring appropriate training programmes and qualifications are available, levy and loans systems operate appropriately and quality assurance systems have the right focus. Government should also ensure, working with regional and local stakeholders that programmes are available that meet regional and local need.

Defining the Respective Role and Responsibility of Employers, Individuals and Government in Funding Training Programmes – Greater clarity is needed on what financial contribution employers,

individuals and government should make to training and development programmes.

Funding Particular Programmes and Providing Financial Incentives – Like employers and individuals, government should invest more in training. Priority should be given to funding programmes that deliver the greatest return in increasing productivity or delivering other key government policy objectives, e.g. public sector service delivery and the transition to the net zero economy.

4. *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?*

In its *Vision for Apprenticeship in 2020*³ government was very clear on the aim and objectives of apprenticeship. Apprenticeship is an attractive offer for young people and adults and available across all sectors and at all levels including degree level. **Any incoming government should make it clear that the primary purpose of apprenticeship and skills policy is to raise productivity and that apprenticeship is an ALL age and ALL level programme.** This does not mean that apprenticeship and skills programmes cannot address other policy objectives. Opening new progression routes to technical roles and the professions through apprenticeship will widen the talent pool for employers and support social mobility and improvements in productivity. Developing and delivering apprenticeships for the net zero economy will help the UK's transition to a high skills and net zero economy.

5. *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?*

England has the right range of institutions (universities, further education colleges and independent training providers, and employers) to deliver the skills provision the economy needs. There are however, undoubtedly local and sectoral 'cold-spots' where specific types of provision need to be developed.

Co-ordinating, funding and quality organisations (ESFA, Ofsted, Ofqual) have tended to be overly further education focused on their systems and OfS, the higher education regulator, has had a limited focus on skills. The newer Institute for Apprenticeships and Technical Education (IfATE) has built on good practice in both the further education and higher education sectors. Rightly, the current

³ English Apprenticeships: Our 2020 Vision, HM Government, 2015

apprenticeship system assumes that employers are best placed to decide on the training their organisations need. **What is missing is a national vision of the skills challenges and opportunities facing England and an annual report on the impact of apprenticeship and skills provision.** Such intelligence should inform the work of training providers of all types, the IfATE, ESFA, Ofsted and OfS. The IfATE or a new organisation could potentially perform such a role.

National, regional, sectoral and indeed local approaches to co-ordinating provision all have a place. Sector needs will differ and government will need to consider the needs of different types of employer e.g. SMEs and the public sector. A one-size fits all solution will not work.

6. *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?*

We are concerned with this question and the apparent emphasis on young people rather than other groups. If the Industry and Regulators Committee wants to recommend "*ring-fencing more levy funding for training for younger apprentices*" it must explain what restrictions on employer spend on other apprenticeships it would propose to fund this policy. Would for example, the NHS, the largest levy paying employer by far be stopped or restricted from using apprenticeship to train registered nurses (a level 6 degree programme), simply because applicants were aged over 24? It is surprising to see that no consideration has been given to ring-fencing public-sector levy contributions so that police forces can spend their levy on police constables or the NHS on training nurses. Neither has consideration been given to prioritising the apprenticeship levy for occupations that support the delivery of the net zero economy. Why?

An over focus on young people could also restrict the positive impact that apprenticeships can have on social mobility and the development of work-based progression routes to higher technical roles and the professions. Higher and degree apprenticeships provide opportunities for older people who missed or did not have opportunities at a young age. The NHS is using higher and degree apprenticeships to support healthcare assistants in their 20s, 30s and 40s to train as nursing associates and nursing associates as registered nurses. Surely, this is a development that should be celebrated.

One of the arguments made by those criticising the apprenticeship levy is that since its introduction the number of apprentices has fallen. This is true. In 2016/17 prior to the introduction of the levy there were 495,000 apprenticeship starts; in contrast in 2022/23 there were 337,000 apprenticeship starts. Apprenticeships have, however changed and comparing these figures across time is not comparing like with like. Since the introduction of the levy, employers have increasingly used higher level and more costly apprenticeships that are more inline with the skills needed by their organisations. This is illustrated when contrasting expenditure on apprenticeship. In 2010/11, the government's budget for apprenticeships was £1,200 million⁴. In the 2023/24 financial year the apprenticeship budget was £2,585 million. Inflation between 2011 and 2024 amounted to 41%⁵. Substantially more funding is available for apprenticeship in real terms.

There are undoubtedly improvements that could be made to the operation of the apprenticeship levy. Substantially more funds are raised in England through the apprenticeship levy than are spent on apprenticeships. Employers who pay the levy are right to feel 'short-changed'. But if the apprenticeship levy acts as a hypothecated tax used to fund apprenticeships, then levy-paying employers must appreciate that levy funds are also used to provide apprenticeships for SMEs that do not pay the levy. The system relies on levy paying employers not using all of their levy payments on apprenticeships for their employees.

Any future government must be transparent regarding the amount raised in England through the apprenticeship levy and the amount spent on apprenticeships. **All funds raised through the apprenticeship levy should be used to fund apprenticeships and if appropriate other approved training programmes.** The excess of levy funds raised over monies spent on apprenticeships means there is room to introduce more flexibilities into the system. If however, current levels of expenditure on apprenticeship are to be protected, funds available for spending on other training programmes will be limited.

Finally, we would contend that there is considerable evidence to conclude that the apprenticeship levy and associated apprenticeship reforms have been a policy success. Prior to the introduction of the apprenticeship levy in 2017, apprenticeship provision was dominated by low level and

⁴ Robert Halfon, Keep the Apprenticeship Levy for apprenticeships, The New Statesman, 6 February 2024

⁵ Based on Bank of England Inflation Calculator

often questionable programmes with limited correlation to the skills needs of the economy. Today almost 700 apprenticeship standards, developed by employers, are available and apprenticeships are being used to recruit and train individuals for the occupations needed by the economy. New degree apprenticeships are being used to tackle skills shortages and recruit and train for key public sector occupations, including registered nurses, police constables, social workers, and teachers. **Prior to the levy, apprenticeships were perceived as a good programme for other people's children. Today apprenticeships are regarded as a highly aspirational programme.**

7. *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 (large, SMEs and public sector organisations) must have a fundamental and lead role in encouraging (and organising and investing) in the development of skills. Training is a business investment. Business must be a consumer and funder, on occasions a trainer and, working with others (other employers, IfATE, training providers, awarding organisations, trade associations and PSRBs), a co-designer of skills provision. Particular attention should be given to how large employers work with smaller businesses in their sectors and through supply chains to develop and deliver skills programmes. Businesses should also be expected to consider how they support the training and development of all their employees, from senior leaders and managers to the most junior employee.

Prior to the apprenticeship reforms, apprenticeship was often seen as an intermediary and supplier driven programme, where the apprenticeships delivered were those a training provider wanted to deliver rather than those an employer needed. Giving the lead role to employers has ensured that apprenticeship development and provision focus on the skills and occupations employers need to invest in order to raise productivity.

The role of business should be to invest in and support the development of training and skills programmes that raise business performance. Businesses may wish to support individuals to develop functional skills as part of their corporate social responsibility activities. It should not, however be the responsibility of business to fund the development of functional skills that individuals should have acquired through compulsory education. Functional skills provision should be provided by government and funded through general taxation.

8. *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?*

Too often training is seen as a short-term cost rather than a long-term investment. Business and organisational performance is frequently measured on a short-term basis, whereas the benefits of training accrue over the long-term as well as the short-term. **Government needs to work with employers to change this low train culture to a culture where employers invest and celebrate their investment in training.** This may involve changes to how business reports financial performance to shareholders, how training expenditure is treated in terms of tax and in company accounts. Again, this is an argument as to why the ministerial skills brief should be a Treasury appointment.

SMEs need special consideration. Training is a significant investment for an SME, and they risk a newly trained employee leaving their business. Industry training levies, such as the apprenticeship levy can help. As SMEs are often considered an engine of growth, government subsidies for training in SMEs may be appropriate in some circumstances. Government must, however, ensure that any training it financially supports focuses on tackling the skills needs of the economy and other government policies e.g. net zero, levelling-up.

9. *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?*

Further incentives should be considered, **as should appropriate measures that compel employers to invest in training.** Government should however be fair and transparent. Since the introduction of the apprenticeship levy in 2017, government has raised substantially more in levy receipts than has been spent on apprenticeships. To ensure confidence in the levy system, any incoming government should make a commitment that all funds raised through the apprenticeship levy will be spent on apprenticeships or, if appropriate, approved training programmes.

Government or more accurately the taxpayer does not have limitless funds to incentivise employers to invest in training. Training should be activity employers already undertake.

Government should seek to promote and establish the conditions for the development of a 'training culture'. This could include training targets defined in terms of the percentage of turnover spent on training with comparisons made between sectors and with European and OECD countries.

If government was to provide incentives, we would suggest these were limited to where there was a very strong economic or green case. Examples would include:

- Management training – incentives and new programmes specifically aimed at SMEs
- Net zero economy – financial contributions from government
- Other key occupational areas where skills gaps and shortages were apparent in the economy.

10. *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?*

Observations on apprenticeships:

Incentives for individuals to undertake apprenticeship should not be needed. A good apprenticeship should offer a high-quality training programme, a salary, and the prospect of a good job (measured in terms of remuneration and conditions, recognition, and progression). The completion certificate awarded on successfully passing an end point assessment ensures the apprenticeship has transferability value to other employers and supports further learning. These characteristics are not incentives, but key features of the programme. In return, an individual apprentice needs to work hard at their job and study.

Since the introduction of the apprenticeship levy in 2017 and the associated apprenticeship reforms, the perception of apprenticeship has changed radically. Apprenticeship is emerging as an aspiration programme and is shedding its image as a good choice for other people's children. In 2024, entry to many apprenticeships is highly competitive. There are two key reasons for this change. Firstly, the apprenticeship reforms placed the employer in the driving seat. Through the *Trailblazer* process groups of employers have developed apprenticeships that develop and assess the knowledge, skills and competencies employers have defined as

needed for a specific occupation. Employers then choose to use the apprenticeship standards their organisations need. Secondly, apprenticeships are now an all-level programme (level 2 – GCSE equivalent, to level 7 – master’s degree equivalent). ***Apprenticeship is not an alternative to university, but at the highest levels, can incorporate a bachelor’s or master’s degree.*** Degree apprenticeships are and will increasingly be used to recruit and train individuals for key aspirational public sector occupations, registered nurse, midwife, police constable, doctor, teacher and social worker being good examples.

Unfortunately, the past perception and image of apprenticeship still colours thinking in certain quarters. While schools in the independent sector have seized on the benefits and opportunities of higher and degree apprenticeships, state schools have often been behind the curve. **The Industry and Regulators Committee would serve young people well if it recommended better IAG in schools on the opportunities and benefits offered by apprenticeships and in particular degree apprenticeships in 2024.**

While IAG for young people needs to be improved, the key problem is not individual demand for apprenticeship, but the supply of apprenticeship places by employers. **An incoming government should consider how it can support and ensure employers offer more apprenticeships in occupations needed by the economy and by individuals of all ages.**

Observations on Training

Our observations relate to training at higher education level (level 4 to level 7) where substantial skills gaps and shortages are apparent.

The Lifelong Learning Entitlement (LLE) in England – The LLE that involves government-backed loans, is designed to support individuals to gain new skills at a time that is right for them. The LLE focuses on gaining new qualifications, degrees, Higher Technical Qualifications, and individual modules. The LLE has broad political support and has massive potential in supporting individuals to upskill and reskill. The implementation of the LLE is however, likely to prove problematic. The policy is hampered by the fact that during its formulation insufficient consideration was given to how employers could and should contribute financially (and in-kind) to LLE provision. A larger problem however concerns whether education providers will offer individual modules and be able to support the implementation of the LLE in respect of modular programmes and credit transfer. The implementation of the LLE will

also require a massive awareness-raising programme with employers and individuals, particularly those in work.

Management training – Supporting the provision of, and encouraging the use of, more management training should be a priority of any government committed to raising UK productivity. The Industry and Regulators Committee will want to consider and recommend how the skills system can support individuals in and entering management positions to undertake management training.

11. *How does the UK's approach to skills and training compare to those of other countries? Are there examples of good practice that the UK should be learning from?*

Too often there is a presumption that approaches to skills and training in other countries are superior to those adopted in the UK. Our international competitors are, however showing an increasing interest in the apprenticeship levy, apprenticeship standards and degree apprenticeships. The Industry and Regulators Committee should not assume that international practice and policies are always necessarily better than those in England and the UK.

There are however, specific areas where the UK needs to learn from international approaches to skills and training. We would suggest that the Industry and Regulators Committee should focus on key aspects of international practice that relate to skills areas of critical importance to the UK economy, particularly:

Management skills – why management performance is better in other countries and what the UK could learn from international management education and training provision

Skills needed in the net zero economy – how our international competitors are using training programmes to support the transition to the net zero economy

Additionally, the Industry and Regulators Committee should consider:

Employer investment in skills – why employers in other countries typically invest more in skills and training than UK employers.

24 May 2024