

MINUTES

APPG on Apprenticeships

The Government's vision for apprenticeships

16 December 2024

Room C, 1 Parliament Street

Chair: Andrew Pakes MP (Chair of the APPG)

Parliamentarians in attendance or represented:

1. Paul Davies MP
2. Alistair Strathern MP
3. Jack Abbott MP
4. Kevin McKenna MP
5. Ian Sollom MP
6. Damien Hinds MP
7. Lola McEvoy MP
8. Caroline Voaden MP (*staffer attended on behalf*)
9. Lord Hampton
10. Lord Aberdare
11. Lord Vaizey
12. Baroness Wolf
13. Lord Layard

Speakers:

- Rt Hon Baroness Smith of Malvern, Minister of State for Skills in the Department for Education

Andrew Pakes opened the session, noting apprenticeships have always and continue to be his priority – both for young people and those seeking a career change. He set out his professional background prior to election as the member of Parliament for Peterborough, as a trade union official representing engineers and working for Unionlearn. He then introduced the speaker for the session, the Skills Ministers Baroness Smith and asked her to set some parameters for the topics under discussion.

Baroness Smith thanked the Chair of the APPG for the speaker invitation and opened her remarks by reiterating the importance of a properly functioning skills system to delivering the Government's missions. She said apprenticeships offer opportunities, enable us to rebuild the NHS and reach our clean energy targets – all of which enable the Government to grow the economy. The sad truth is that the skills systems is presently letting down too many people. Since 2015-16, there has been a nearly a 40% drop in people taking on apprenticeships, with only 4% of people in England taking on a level 4 or 5 apprenticeship.

The UK is far behind European and Canadian counterparts, for example, where the figure is 34%. She also stated that the UK has 7.5 million working age adults who lack basic digital skills

One of the Minister's objectives is the creation of a culture of businesses where employers support apprenticeships and break down the barriers to growth. There needs to be coordination between what DfE are doing regarding skills and also the industrial council, who are drafting a nationwide industrial strategy with priority growth areas. In a similar vein, the Migration Advisory Committee is well placed to identify in which sectors we need an improved domestic skills pipeline

The government will achieve this by setting up Skills England. Skills England will be authoritative voice on skills gaps, and knowing what training needs to be funded and how best to address them. Skills England will use key statistics from industry, unions and training providers to fully understand the skills landscape. Through doing this, the government can ensure there is a full suite of apprenticeships and technical qualifications aligned with the skills gaps and needs of employers.

Whilst Skills England is in shadow form, the House of Lords are currently debating the IfATE Bill (awaiting report stage in the new year) which will transfer the functions of the Institute for Apprenticeships and Technical Education to the Education Secretary. To alleviate Members' concerns around independence, the Minister highlighted the recruitment process for the chair and board members of Skills England, with significant interest already shown by candidates who have great experience and credibility.

Since its first report was published in September, Skills England has been working with business around the skills gap and using this as a focus point moving forward with the Growth and Skills Levy. This will allow for a better focus and flexibility. The Minister also signposted the success of the engagement programme carried out by Skills England.

The Minister also commented that the DfE has introduced flexy job apprentices, which has a particular benefit for the creative sectors, and is supporting businesses to take on young apprenticeships (up to the age of 25) with exemptions for national insurance contributions.

The Minister has also listened to concerns around English and Maths GCSE exit requirements preventing apprenticeship completion. The DfE needs to amend this so that it supports people instead of acting as an artificial barrier to people gaining an apprenticeship.

She confirmed that the new Growth and Skills Levy funding will deliver greater flexibility and routes into new industries and help the Government to break down barriers to opportunity – especially given their transformational impact.

She asked employers to step forward and fund more of level 7 apprenticeships themselves as part of the Government's objective to balance objectives. The DfE will make a final decision on the affected apprenticeships in the new year.

She added that the high turnout and interest in today's session highlights how critical apprenticeships are and the importance of ensuring Skills England and DfE gets this right by developing the right framework.

Andrew thanked the Minister for her contribution and said it is important that apprentices work for both the learners and the Government's industrial strategy.

Lola McEvoy MP, Chair of the Labour Growth Group and Industrial Strategy APPG, asked the Minister to outline plans around localism and investment in upskilling employees, and ensure local services are ready to serve their people, but also that new industries can develop.

Lord Vaizey asked about offshoring, and how many industries offshore their skills, noting the tech industry in particular. He asked if Skills England would calculate the costing of offshoring skills. Is it a conscious business decision?

Baroness Wolf asked whether government has concrete ideas about how to increase construction apprenticeships given the acute shortage. She noted that even though there are training hubs, it is important that learners are out in industry learning the skills they need.

Baroness Smith thanked Lola for her work on the industrial strategy and the APPG for Industrial Strategy. She said the new white paper on devolution makes important developments for devolved regions to have greater influence and involvement with employers to create the opportunities they need to upskill locally. She noted looking to the future, it will be important to look not just at current skills gaps, but also where future needs might be.

Regarding Lord Vaizey's question, she said one of the things we need to do is around employers investment in skills, and make necessary skills for employers to see the business benefit of investing in their people. She said she will take his point to Skills England to consider.

Talking about construction, she said building the governments goals of building 1.5 million homes will not be possible without the necessary construction skills. Skills hub have been created and invested in where these homes are being built- this is a welcome progression, but agrees more needs to be done. She added that while skills and apprenticeships are important, also need a granular sector approach. This will play a big role in the spending review taking place now and publicised in 2025. Government will be looking at the skills needs in each of the government 6 missions and priority areas identified in the industrial strategy. In addition, 32 skills hubs have been funded to increase skills in certain geographic areas.

The Chair noted the variety of questions, current and future etc, and the potential

Lord Layard said 1 in 3 18–21-year-olds have no education or training; they're in jobs but no continual learning. We need to make sure while we meet skills shortage, we also bring along young people to ensure we do not lose a whole cohort. He asked what the refreshed levy will be doing to reorientate this to young people, how ring fencing could be used and what the timeframe for reform is likely to be.

Alistair Strathern MP asked how DfE is working to make sure foundational apprenticeships continue to serve as a route into work in some of the difficult to reach areas. He expressed concern about the rigidity of the current system.

Lord Aberdare said the requirements of employers are often out of sync with the current educational system. He also asked how SMEs will be supported and provided with the incentives to get them to employ apprenticeships.

Baroness Smith said the other problems include how to encourage more employers to take on young apprentices, and this also links to the SME question. She said there is a misunderstanding on what it takes to employ a young apprentice. They often think training is all-encompassing, when in fact they have an enthusiastic employee. She said with the youth employment scheme, it is not just about getting people into work, but also work with relevant training.

Responding to Alistair's question, Baroness Smith noted the importance of talking to both young people and employers around what flexibility is needed to make this work. She also questioned if young people are given the information on what is available to them post-16.

She said the current pathway to what it is they may want to do is not clear – T Levels, apprenticeships, university. The Government needs to make the curriculum more relevant through a focus on the numeracy and literacy required by many employers.

Andrew said he has met over 100 businesses since being elected, and not a single apprentice said they were advised by their school careers counsellor. He said there is an important piece around a cultural shift, where it is not just 'where do you want to go to university and what do you want to study' but instead make apprenticeships more attractive.

Lord Hampton asked about the problem of school leavers entering the workforce without employable skills. They need to be taught the right subjects from primary age.

Sharon Blyfield OBE from Coca Cola asked the Minister whether she could expand on the English and Maths GCSC requirements for an apprenticeship.

Ellie Daniel from Multiverse asked what metrics will be used to measure the success of the Growth and Skills Levy.

Baroness Smith said we will need to upskill continually throughout peoples working lives, there is a constant need to upgrade – through skills bootcamps and shorter duration apprenticeships. She added that we need to bring together Skills England, training providers, industry and money (greater transparency) and set metric on the basis of these things. On Sharon's question, she demurred from responding in full but acknowledged the importance of this issue.

Alison Scowen (Co-op) what pleased to hear about further transparency around the apprenticeships levy, but it is important as an employer that funds are spent well. 5% levy for employers with a wage bill over £3 million; under the new levy, how will the new levy take shape?

Hazel Grove from Toyota asked about flexibility on what the new levy can be used for: more training onsite, life skills, functional skills and more with schools.

James Gordon from Engineering UK asked about Skills England's role in boosting diversity in apprenticeships and their likely remit in this area.

Jack Abbot MP said locally apprenticeships are quite fragmented, and asked how we can make sure these are sustainable, flexible and not a travelling circus. He also noted the importance of transport for young people.

Baroness Smith said this round of questions highlights issues for the Skills and Growth Levy. There is a desire to keep everything currently plus greater flexibility. She says there should be a shift in funding towards provision for young people, (industrial strategy priority areas, construction, health and social care), in areas where there is a market failure which makes it difficult for employers to fund what should be their responsibility. She noted that a lot of employers will have to fulfil their training responsibilities in ways that are not reliant on levy funding. Stakeholders will have to await the comprehensive spending review for further clarity,

Discussing diversity in apprenticeships, the Minister said in the awards DfE runs, they celebrate employees that champion diversity and inclusion in apprenticeships. She has been impressed by the dynamism of apprenticeship providers nationwide.

Gwyneth March from IPA sought clarity that the NI raise of 2% does not apply to apprenticeships, and no NI contributions for those under the age of 25. She also asked around flexibility with the new levy: can be used to subsidise staff salaries.

Lucy Wakeley from Bolt Burdon Kemp was concerned about the withdrawal of funding from level 7 apprenticeships, and the concomitant impact on social mobility in the legal profession.

Jane Wickett from Plymouth Marjon University also asked about level 7 apprenticeships. She also sought the benefits of working with Skills England instead of IfATE.

Baroness Smith confirmed that the NI raise of 2% does not apply to apprenticeships, and no NI contributions under the age of 25. Regarding the levy, she said subsidising salary is not the most beneficial use of levy funding. Apprenticeships are work programmes with training, which places responsibility on the employer.

She said level 7, by definition, is post-graduation. She said level 6 apprenticeships are still being funded, and people can still go to university with level 6.

The benefit of Skills England over IfATE is that Skills England will continue its work but also look into the current skills gap and future skills gap. This ultimately means the new body has a wider remit.

Andrew Pakes once again thanked the Minister for her contribution and all those who attended the session – both in-person and virtually – before ending the meeting.