

SKILLS 2030

**BUILDING A
WORLD-CLASS
SKILLS SYSTEM**

May 2024

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The views in this report are those of the author and Policy Connect. Whilst these were informed by the contributors to our inquiry, they do not necessarily reflect the opinions of either individuals or organisations.

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Contents

Co-chair's Foreword	4
Executive Summary and Recommendations	6
A Vision for Skills in the next Parliament	10
1. Reshaping Skills Policy Decision-making	13
2. Investing in the Future of Further Education	20
3. Removing Barriers for Young Learners	25
4. Maximising Employer Investment in Skills	30
5. Making Lifelong Learning a Reality	37
Methodology and Contributions	47
Acknowledgements	51

Co-chair's Foreword

As co-chairs of the Skills Commission, we are pleased to present this report setting out an ambitious agenda for reforming the skills system in England over the next Parliament. With a general election fast approaching, all political parties should recognise the central role that a highly skilled workforce plays in driving economic growth, boosting productivity, and expanding opportunity for all.

Since we last co-chaired a Skills Commission inquiry on the skills system in 2020, the Government has made some welcome progress in implementing reforms to the skills system, many of which aligned with the recommendations in our previous report. The introduction of Local Skills Improvement Plans, the promotion of apprenticeships, and the announcement of the Lifelong Learning Entitlement are all positive steps forward. However, as this report makes clear, much more must be done to build the world-class skills system that our country needs.

The Skills 2030 inquiry has highlighted the significant challenges that the skills system continues to face—from challenges for further education to falling employer investment in skills to persistent barriers facing both young and adult learners. At the same time, we heard a wealth of ideas and proposals from stakeholders across the sector for addressing these challenges and putting the system on a stronger footing for the future.

The vision for reform set out in this report is holistic and wide-ranging, covering five key areas: improving skills policy decision-making structures, securing sustainable investment in further education, removing barriers for young learners, maximising employer investment in skills, and making lifelong learning a reality for all. Taken together, the recommendations have the potential to transform the skills system and ensure that it can adapt and respond to changing workforce needs in the years ahead.

Crucially, this agenda is not just a wishlist of disparate initiatives but a coherent blueprint for change that can command broad consensus. We believe that the core aims underpinning the Skills Commission's vision—increasing productivity, supporting social mobility, and empowering individuals to upskill and reskill throughout their lives—are ones that politicians of all stripes can and should support.

Of course, we recognise the challenging fiscal context in which any reforms must be delivered. However, what came through loud and clear in our inquiry is that investing in skills is not a luxury but an absolute necessity for our future economic success and social cohesion. The costs of inaction are simply too high.

As we look ahead to the next Parliament, it is vital that skills policy is not relegated to the back burner but instead becomes a top priority for whichever party or parties form the next government. This report provides a roadmap for delivering meaningful and lasting improvements in the skills system - all that is needed now is the political will to act.

We thank the many individuals and organisations who have contributed to this inquiry. In particular, we would like to thank Policy Connect for delivering this inquiry and our fellow commissioners for sharing their time and expertise.

It is now over to policymakers to heed the powerful case for change set out in these pages and to work in partnership with the sector to build the skills system that England needs to thrive in the years ahead. Come 2030, we should strive to have the fundamentals in place for our skills system to lead the world.



Rt. Hon Sir John Hayes MP

A handwritten signature in blue ink that reads "John Hayes".



Barry Sheerman MP

A handwritten signature in blue ink that reads "B Sheerman".

Executive Summary and Recommendations

This report sets out a vision for reforming the skills system in England over the next Parliament, with a goal of building a world-class skills system by 2030. It covers five key areas: reshaping skills policy decision-making, investing in further education and skills, removing barriers for young learners, maximising employer investment in skills, and making lifelong learning a reality.

Reshaping Skills Policy Decision-making

The inquiry found that the current skills decision-making apparatus faces several challenges, including a lack of long-term vision, insufficient coordination with wider economic policy, and limited devolution of power to local areas. To address these issues, the Skills Commission proposes two recommendations:

Recommendation 1: The Government should develop a national skills strategy that is embedded within a wider industrial strategy. It should create a Skills and Workforce Council, a non-departmental public body at arm's length from government, to oversee the delivery of the strategy's goals.

Recommendation 2: The Government should provide Mayoral Combined Authorities and other regional authorities with "no-strings-attached" funding settlements for adult skills and an enhanced set of powers to shape skills provision in their area.

A "no-strings-attached" funding settlement involves:

- A. A single consolidated budget for all 19+ adult skills funding.

Enhanced powers should include:

- B. A joint governance board with the Department for Education to co-design regional 16-18 education and careers guidance services.
- C. A statutory role in Local Skills Improvement Plans (LSIPs).
- D. A decision-making role in skills capital investment.

Investing in the Future of Further Education

Further Education (FE) colleges play a critical role in upskilling the workforce but face significant challenges, including long-term reductions in funding, inflexible budgets, and difficulties in recruiting, retaining, and training teaching staff. The Skills Commission proposes two recommendations to support FE colleges and their staff:

Recommendation 3: Further Education colleges should receive multi-year funding settlements of 2+ years from the Education and Skills Funding Agency or, where applicable, their regional authority.

Recommendation 4: The Department for Education should deliver a new Further Education Workforce Strategy.

The strategy should include:

- A. A plan to increase the attractiveness of pay, contracts, and workload in the sector.
- B. Introducing a Workload Reduction Taskforce for Further Education.
- C. Rolling out the Workforce Industry Exchange Programme announced in 2021.
- D. Increased support for staff training and CPD, with a particular focus on student mental health and digital skills.

Removing Barriers for Young Learners

Young learners from disadvantaged backgrounds face barriers in post-16 education. Financial affordability and educational requirements are barriers to starting and completing apprenticeships. There is a need for more funding support for high-needs students to progress from compulsory education into success in FE. The Skills Commission proposes two recommendations to address these barriers:

Recommendation 5: The Government should enact a multi-pronged strategy to address the financial and educational barriers that 16-19-year-olds face when seeking to take up and complete an apprenticeship.

The strategy to help young apprentices should involve:

- A. Encouraging and supporting all regional authorities to introduce free travel.
- B. The Department for Work and Pensions (DWP) exempting them from earnings-based reductions in Universal Credit and Child Benefit payments.
- C. Providing a VAT exemption for their equipment purchases.
- D. Providing them access to the maintenance loan system.
- E. The Department for Education developing an alternative to maths & English exit requirements.

Recommendation 6: The Department for Education should extend the Pupil Premium Plus to looked-after children and care leavers aged 16-19 in Further Education, building on the successful pilot programme.

Following the recommendations from the pilot's evaluation, premium funding should also be expanded to a wider group of 16-19 students who could benefit from additional support.

Maximising Employer Investment in Skills

The inquiry found that employer investment in skills training in England is lower than in neighbouring countries and has been declining. The Apprenticeship Levy has led to some positive developments but also faces challenges, including the Treasury retaining a large amount of the funds, a reduction in lower-level apprenticeships, and inflexibility leading to inefficient spending. The Skills Commission proposes two recommendations to address these challenges:

Recommendation 7: To increase investment in skills, all Apprenticeship Levy funding should be allocated to training and not be retained by the Treasury.

Underspend should be redirected to:

- A. Fully fund and incentivise level 2 and 3 apprenticeships at SMEs of all sizes.
- B. A government lifelong learning initiative (see recommendation 9).

Recommendation 8: The Government should reform the Apprenticeship Levy. Employers should have greater flexibility to use funds for a range of high-quality training. Part of the levy should be ringfenced to promote entry-level talent in the workforce.

Flexibility for employers involves:

- A. Increasing the time limit to spend levy funds to 5 years.
- B. The option to spend up to 50% of their levy funds on an approved list of training courses beyond apprenticeships, such as Higher Technical Qualifications.

Ringfencing involves:

- C. 50% of an employer's levy funds must be spent on apprenticeships at level 2 or 3.

Making Lifelong Learning a Reality

Adult learning participation and investment have declined significantly in England in recent decades. Adults face numerous barriers to learning, including cost, time constraints, and a need for flexible course options. Recent initiatives like the Lifelong Learning Entitlement hold promise. However, more needs to be done. The Skills Commission proposes three recommendations to help make lifelong learning more of a reality for adult learners:

Recommendation 9: The Government should launch a new lifelong learning initiative that supports the “right to retrain”. It should include:

- A. A right to 5 days a year to train, strengthening the existing legal entitlement to request time off to train.
- B. Expanding the free level 2 and 3 qualifications all adults are entitled to through the Lifetime Skills Guarantee.
- C. A refreshed lifelong approach to career guidance that prepares young people and adults for lifelong engagement with the skills system.

Recommendation 10: The Department for Education should develop the digital infrastructure to underpin life-long learning. Each learner should have access to a personalised digital environment including a skills account and passport.

- A. A Universal Skills Account for all post-18 education funding would build on the current development of the Lifelong Learning Entitlement.
- B. A Universal Skills Passport would enable individuals to keep a record of their skills and educational achievements across their lifetime, using the Unique Learner Number system.

Recommendation 11: The Higher Education Minister should lead a working group on cross-provider credit recognition within the higher education sector. The group should include senior figures from the sector and the Quality Assurance Agency (QAA).

The working group should first proceed to:

- A. Develop guidance on best practices for recognising prior learning.
- B. Promote credit transfer schemes to existing alliances and partnerships between higher education providers.

A Vision for Skills in the next Parliament

There is an increasing realisation of the central importance that a highly skilled workforce plays in the economy. Sectors across the economy share the challenge of skill shortages – lacking the workers with the necessary skills to fill their vacancies. For example, the automotive industry currently faces around 23,000 vacancies, and this threat is growing.¹ Political interest in skills is at the highest level in many years, with both major political parties paying growing attention to skills policy.

A major player in the overall skills profile of the country is the “skills system”: the wide range of education and training available in the post-16 landscape. It encompasses a wide range of educational pathways in the public and private sector post-16, including further education (FE), higher education (HE), workplace training (such as apprenticeships), continued professional development, and adult learning. Various educational providers work in this space, including colleges, independent training providers, universities, and adult community providers. Skills policy in the UK is devolved to the four nations. In England, it currently lies mainly under the remit of the Department for Education. However, certain decisions on skills policy are now under the control of regional authorities, such as several Mayoral Combined Authorities.

Between 2018 and 2020, Sir John Hayes MP and Barry Sheerman MP co-chaired the Skills Commission, working with Policy Connect to examine steps to be taken in that parliament to improve the skills system in England. This led to the publication of the report *England’s Skills Puzzle* in March 2020. Over this period, the Department for Education was crafting its *Skills for Jobs* white paper, setting out the skills agenda for the years to come. Eventually published in January 2021, the White Paper cited *England’s Skills Puzzle* several times and featured several of the report’s core ideas and recommendations.

Since then, the Government has made progress in implementing the reforms set out in the White Paper and other policy announcements. These advances include the introduction of Local Skills Improvement Plans (LSIPs), the continuing role out of T Levels, and the creation of a Lifelong Learning Entitlement (due to be in place in 2025). Reforms to Higher Technical Education – technical qualifications at levels 4 and 5 – have also progressed. The Skills Commission intervened in this reform programme, publishing the report *Higher Technical Qualifications* in December 2023. Most recently, plans for an Advanced British Standard have been announced to combine A Levels and T Levels into a single qualification framework.

This collective set of reforms forms the basis of the skills system that future governments can build on. Yet, the skills system continues to face a range of fundamental challenges. Despite a recent 5% uplift, funding for FE remains below 2010 levels in real terms.² Apprenticeship completion rates remain too low, with a 40% dropout rate between 2013 and 2018.³ There has been growth in spending on higher-level apprenticeships, but spending on entry-level apprenticeships by employers is down £200 million since 2017.⁴ Overall, employer investment in training in the UK has fallen since 2015 and is about half what employers spend in our European neighbours.⁵

¹ ‘Vacancies Remain Stubbornly High in Automotive Aftermarket at 23,000’, Institute of The Motor Industry (blog accessed 14 March 2024, <https://tide.theimi.org.uk/industry-latest/news/vacancies-remain-stubbornly-high-automotive-aftermarket-23000>).

² Institute for Fiscal Studies, ‘Annual Report on Education Spending in England: 2023’, 11 December 2023, <https://ifs.org.uk/publications/annual-report-education-spending-england-2023>.

³ James Hurley, ‘Four in Ten Apprentices Quit Their Course Early’, 24 August 2023, sec. business, <https://www.thetimes.co.uk/article/four-in-ten-apprentices-quit-their-course-early-hz006whjf>.

⁴ Billy Camden, ‘Level 2 Apprenticeship Spending down by £200m since the Levy’, FE Week, 23 June 2023, <https://feweek.co.uk/level-2-apprenticeship-spending-down-by-200m-since-the-levy/>.

⁵ Becci Newton, ‘Employer Investment in Training in England’, Institute for Employment Studies, Employer Investment in Training in England | Institute for Employment Studies (IES) (blog), 6 April 2023, <http://www.employment-studies.co.uk/news/employer-investment-training-england>.

More widely, the country faces challenging social and economic circumstances that the skills system needs to be mobilised to address. As mentioned, the UK faces a variety of skills shortages. For instance, the skills gap within UK manufacturing is significant and costs the economy around £8 billion annually in lost economic output.⁶ Low rates of economic growth and flatlining productivity are longstanding challenges. Disparities in access to quality education and training opportunities perpetuate economic inequalities and social immobility, leaving many individuals unable to fulfil their potential. We also face a multifaceted list of future challenges that will require reshaping the future of the UK workforce and amplify the urgency of reforms to the skills system. These include technological change that will redefine job profiles, an ageing workforce, and the need for the UK to undergo a green transition to net zero.

Against this background, Sir John Hayes and Barry Sheerman once again convened the Skills Commission to look holistically at the skills system and set forth a vision of the agenda for the next Parliament. The Skills 2030 inquiry was launched to investigate what the next government should have as top priorities for a programme of skills policy for the next Parliament, which will most likely come to a close just before 2030. A group of Commissioners, composed of leading figures from across the education and skill sector, were convened as a steering group for the inquiry.

Any agenda for reforming the skills system has to be shaped by a vision of the political and economic aims it should achieve. In the initial scoping for the inquiry, it became clear that the Commissioners had a core shared ambition: for England to be on the path to a world-class skills system by the end of the next Parliament in 2030. At a more fundamental level, they shared a vision of the goals such a system should achieve. As the inquiry progressed, it became clear that many other stakeholders involved in the inquiry shared a similar view. These goals for what the skills system should achieve include:

1. Enabling an increase in productivity and economic growth by developing the capabilities and competencies of the workforce.
2. Ensuring the system is dynamic and flexible to adapt proactively to changing workforce needs rather than reactively responding to short-term skills shortages.
3. Ensuring that individuals can adapt to changes in the economy and their personal lives by taking opportunities to skill, upskill, and reskill across their life course.
4. Supporting all individuals in their educational journey by addressing barriers to progression that can leave people with few prospects beyond low-paid and insecure employment.
5. Ensuring the quality and relevance of the training available to people in their local areas by enabling a collaborative relationship between government, education providers, and employers.

⁶ Policy Connect, 'Upskilling Industry: Manufacturing Productivity and Growth in England', 25 October 2023, <https://www.policyconnect.org.uk/research/upskilling-industry-manufacturing-productivity-and-growth-england>.

The Skills Commission went out to hear directly from a wide range of stakeholders involved in the skills system and skills policy. We had one overriding question: “What policy initiatives should the next government have as top priorities to help deliver a world-class skills system by the end of the next Parliament?”. Over ten months, we collected extensive written and oral evidence on the issues that stakeholders saw as top concerns to address and priority proposals to address them. Using the Chatham House rule in roundtable sessions, we could hear an honest appraisal of their views on where the skills system is and where it needs to go.

Throughout the inquiry, the challenges of the current context were made clear. Firstly, many existing skills initiatives are still bedding in, and time is needed to see them bear fruit. Constant reform and policy instability have arguably been a cause of problems in the past, so any reform agenda needs to be very conscious of the existing development of the system and try to build on it. Cross-party consensus for any reform is important to help aid policy stability. Secondly, inquiry contributors were very aware of the challenging fiscal situation, with both major political parties suggesting constraints on public spending. Any reform agenda needs to consider this, suggesting reforms that improve the system even under conditions of fiscal restraint and that can allow the system to flourish and be ready for increased investment when circumstances permit.

Despite these challenges, there was a lot of optimism for where the skills system could be by 2030 across the wide range of contributors to the inquiry and a positive vision for change. The findings from the inquiry have led to a holistic vision for the future of the skills system that can gain cross-party consensus. The rest of this report sets out our findings around five major areas of potential improvement for the skills system – improving policy decision-making, reshaping employer investment in skills, supporting further education, supporting lifelong learning, and reducing barriers to young learners. With an election this year, we hope it will help the next government develop reforms to unlock significant improvements in the skills system.

1. Reshaping Skills Policy Decision-making

The inquiry sought to understand attitudes around the existing government decision-making structures that shape the skills system. We heard views about the current approach to strategy and decision-making around issues of skills policy – including skills shortages, long-term workforce planning, and local skills needs. Many contributors to the inquiry mentioned that the current skills decision-making apparatus faces various challenges. It quickly became apparent that stakeholders across the skills system saw this as a priority for improvement. In fact, many stakeholders felt that it was the top priority: improving the decision-making structure is needed to maximise the positive impact of other reforms. Views were sought on what improvements could be made, and several proposals came up repeatedly throughout the evidence gathering. Consequently, the Skills Commission is proposing two recommendations that will reshape where decision-making power, funding, and accountability in the skills system lie.

1.1. National Challenges

At the national level, the primary challenge contributors raised was that the English skills system lacks an overarching vision that is long-term and stable. Contributors frequently mentioned the instability within skills policymaking, leading to constant policy churn and little time for reforms to bed in before they are replaced. A recent analysis by the Education Policy Institute identified more than 25 major reforms to the post-16 policy landscape in the past 15 years.⁷ Educators, employers, and skills policymakers all felt that this affected their ability to maximise the potential of positive reforms.

We would caution against ‘change’ always being the answer to a problem. Many recent reforms to the skills system – including T Levels, Higher Technical Qualifications and Institutes of Technology – will take time to bed down and deliver success.

West of England Institute of Technology

Another challenge many contributors raised is the lack of a robust coordination mechanism to fully align skills policy with the wider government policy that makes up the country’s economic growth strategy. This includes policy areas which shape the broader economic environment, including macroeconomic policy, employment policy, and research and development (R&D). In particular, alignment with industrial policy was mentioned as crucial by many inquiry participants. The macroeconomic climate ultimately shapes the demand for the skills that the skills system provides. We want to avoid skills gaps and skills underutilisation. Enhancing the supply of workforce skills can boost productivity, but only when the economic environment is such that employers are using the improved skills effectively. Employers are most likely to maximise workforce skills when they are making the requisite investments in other productivity-improving factors, such as improving job design, machinery, and R&D.⁸ Industrial policy can play a key role here, with growth sectors of the economy offering plenty of opportunity.

⁷ Education Policy Institute, ‘Comparing Policies, Participation and Inequalities across UK Post-16 Education and Training Landscapes’, 22 Feb 24, <https://epi.org.uk/publications-and-research/uk-nations-education-and-training/>.

⁸ Ewart Keep, ‘What Is the Role of Skills and the Skills System in Promoting Productivity Growth in Areas of the Country That Are Poorer Performing Economically?’ (Skills and Productivity Board, May 2022), 8–10, <https://www.gov.uk/government/publications/how-can-skills-promote-productivity-in-poorer-performing-areas>.

Contributors also suggested that cross-government coordination between different actors within national government is lacking on skills issues. There was felt to be disjointed decision-making, in large part because of the diverse set of government departments that are involved in shaping the skills system and the skills profile of the country. Since 2016, the remit for skills policy has sat mainly with the Department for Education, having moved from the then Department for Business, Innovation and Skills (now Business and Trade). However, participants in the inquiry pointed out that different skills and workforce initiatives require buy-in from the Treasury, the Department for Business and Trade, the Department for Work and Pensions, and the Department for Levelling up Housing and Communities. Coordination between them on skills initiatives can be difficult to come by. One example raised was the lack of cross-government coordination on workforce issues: in effect, each department and sector has its own task force to work out how to address workforce shortages.

1.2. Regional Challenges

Another challenge raised was the level of centralised decision-making over skills policy. A high level of centralised decision-making is a general feature of British (and English) policymaking. A recent report by the Centre for Cities and Resolution Foundation characterised Britain as having “internationally exceptional fiscal centralisation” with most of the country’s tax revenue under the control of Whitehall and Westminster despite recent waves of devolution.⁹ Skills policy has historically followed this centralised trend.

In recent years, we have seen the beginning of a move towards a more local and regionally devolved skills system. A government initiative now means that all 38 areas of England have 3-year Local Skills Improvement Plans (LSIPs). These are developed by local employer representative bodies (most often Chambers of Commerce) and set out current and future local skills needs and what local stakeholders need to do to fulfil them. Regarding devolution to local authorities, since 2019, a growing number of Mayoral Combined Authorities (MCAs) have taken responsibility for their area’s Adult Education Budget (AEB) – the funds for a wide range of education and training programmes for individuals who are 19+. Around 60% of the AEB is now devolved to MCAs and the Mayor of London.

In an evidence-gathering roundtable in Leeds, we heard from various MCAs with different levels of devolved powers about their experience of skills devolution. The overall experience had been positive. MCAs told the inquiry about how the changes have allowed them to better align skills spending with the opportunities and needs of local people, their communities, and their local economy and to deliver more value for money with their funds. Increased local alignment has delivered tangible benefits.

⁹ Centre for Cities and Resolution Foundation, ‘Centralisation Nation: Britain’s System of Local Government and Its Impact on the National Economy’, 2 September 2022, <https://www.centreforcities.org/publication/centralisation-nation/>.

Case Study: Devolution of the AEB to West Midland Combined Authority (WMCA)

Between 2019 and 2023, WMCA has:

- Improved the proportion of people qualified to level 4 from 31% to 36.9%.
- Reduced the number of people without qualifications from 13.4% to 9.6%.
- Overseen a 33% increase in the provision aligned to West Midlands priority sectors such as construction, manufacturing, and professional services.

Contributors to the inquiry suggested that several challenges prevent further unlocking the benefits of skills devolution. Firstly, devolution in England to local areas is currently uneven, with a considerable divergence in the powers that different regions have. Some places do not have control over AEB, while other trailblazer devolution deals give areas powers beyond this. Secondly, LSIPs need further development to deliver on their promise and ensure all local actors work together. Contributors were generally positive about LSIP developments but we heard examples where local government was not sufficiently consulted, and key growth sectors were left out of the plan. Currently, local government has no formal role in the process.

Case Study: Devolution of the AEB to West Yorkshire Combined Authority (WYCA)

In year 1 of gaining responsibility for its AEB (2021-2022), WYCA oversaw:

- 7% growth in the number of adult learners supported by AEB.
- A more strategic use of the budget:
 - A reduction in the number of providers delivering AEB in West Yorkshire from 260 to 38.
 - Reduced subcontracting and passed £1.4m on to learners in saved management fees.
- More support for adult learners, particularly those facing educational disadvantage:
 - Learners from the most acutely deprived neighbourhoods: 37% to 41%.
 - Learners who were out of work: 59% to 64%.
 - Learners with no qualifications or qualified at Entry level: 47% to 55%.
- A 78% growth in enrolment on digital skills courses.

Thirdly, the existing pockets of skills devolution are not sufficiently flexible to maximise spending efficiency and fully align skills policy with local needs. 16-18 education and career guidance is still centrally managed, so MCAs can only shape parts of the post-16 pipeline. Crucially, within the 19+ space, AEB only makes up one funding stream of many that touch on adult skills. For instance, West Yorkshire has five parallel adult skills funding streams – for AEB, skills boot camps, Free Courses for Jobs, Multiply, and Skills Connect. Therefore, funding for adult skills comes in highly ring-fenced packages. The provision areas offered are heavily shaped by what can be made to work within these ringfenced funding streams. This introduces inefficiency in the system through a complicated bureaucratic process and reduces the scope for local areas to shape the provision they offer based on local factors and demand. In a written submission to the inquiry, West Yorkshire Combined Authority summarised the effects this had:



Competitive bidding, duplicate programmes, cliff-edge and short-term funding creates unnecessary distraction from the vital work to deliver for our region. It is time-consuming with over-engineered processes diverting resource into project management and administration with little added value for communities.

West Yorkshire Combined Authority



1.3. Priorities for Reform and Recommendations

Overall, there was a clear consensus that improvements could be made to the skills system by reforming where decision-making power, funding, and accountability lie. In the short term, changes could lead to better local alignment of training for local people and more training funded from existing levels of skills spending. In the longer term, they could lay the foundation for a skills system that proactively reacts to changing workforce needs, reduces skills gaps, and helps to increase productivity.

A National Skills Strategy

Recommendation 1: The Government should develop a national skills strategy that is embedded within a wider industrial strategy. It should create a Skills and Workforce Council, a non-departmental public body at arm's length from government, to oversee the delivery of the strategy's goals.

At the national level, the inquiry heard universal calls for the Government to develop a national skills strategy to set a clearer vision for England's skills system in the next Parliament. This long-term framework should provide stability and predictability for the system and the employers, employees, trade unions, and local government that work with it. It should clearly set national priorities for skills and the functions of different pathways and actors within the skills system. It should restate and set out the national minimum entitlement for free qualifications that all individuals are required to have access to across the country and who is expected to deliver this minimum entitlement. It should clarify the roles and responsibilities of different

actors – the individual, employers, national government, and local government – in shaping, provisioning, and delivering the training and qualifications available to individuals beyond this minimum. Indeed, the trend toward devolution only increases the need to complement such efforts with a clear strategy at the national level that takes in the big picture, across locations, industries, and complex value and supply chains.

The national skills strategy should define the system’s core goals and set underlying medium-term (10-year) and long-term (20-year) targets to advance these goals. These could include specified targets around improving productivity, encouraging upskilling amongst the employed, increasing business investment in training, creating the skills base to attract inward investment, and reducing the number of young people who are not in education, employment, or training (NEET), and reduce economic activity.

The skills strategy should be tightly linked to the Government’s wider economic plans, including its industrial policy. The Government currently lacks a formal industrial strategy.¹⁰ However, we recommend that the skills strategy is embedded within a new industrial strategy, providing employers with a clear and stable plan of the Government’s industrial policy. This would allow employers with greater security to invest in employer skills by “de-risking” such investments. Consequently, this could help increase and optimise business investment in skills (covered in more detail in Chapter 3).

“ Businesses require a long-term industrial strategy to instil confidence in investing in skills. A clear and comprehensive plan from government for the industrial sector signals commitments to the sector’s growth and stability. This offers an incentive for businesses to allocate resources towards skills development within their workforces. ”

Catapult Network

A Skills and Workforce Council

An executive non-departmental public body should be created to oversee the skills strategy and cross-government working on skills and workforce issues. A suggestion in this vein was made by the Skills Commission in *England’s Skills Puzzle* in 2020, and the need for such an independent body remains. As a placeholder name, let us call the body the “Skills and Workforce Council” (SWC). The body could be modelled on the example of the Climate Change Committee (CCC).

The SWC should be led by a mixture of expert stakeholders on the skills system, including representation from local and national government, cross-sector employer representation (both from large employers and SMEs), representatives from FE and HE, representatives for young and adult learners, representatives from unions and the workforce, academia, and Catapults. Following the example of the CCC, the SWC should be underpinned by legislation that allows it to hold national and local government accountable for the national skills strategy and its targets. It should report to Parliament on progress towards the targets, with an initial recommendation of every two years. The Cabinet Office could sponsor it to ensure skills and workforce expertise feed directly into senior politicians’ thinking and cross-government policymaking.

¹⁰ For discussion, see Russell Taylor, ‘Calls for a UK Industrial Strategy’, 25 January 2024, <https://lordslibrary.parliament.uk/calls-for-a-uk-industrial-strategy/>.

It would lead on cross-Whitehall collaboration on skills, working closely with the Department for Education, the Department for Business and Trade, and skills leads in other government departments. It would also work alongside relevant bodies such as the Institute for Apprenticeships and Technical Education (IfATE) and the Migration Advisory Committee.

Crucially, the SWC should take the lead on cross-sector workforce strategy and assess changing demands for workforce and skills over the short, medium, and long term. It should aim to become a world leader in workforce data analysis and forecasting, providing early warnings of likely skills shortages and skills underutilisation. It should be consulted during the development of any public sector workforce plans. The Unit for Future Skills (UFS), a research unit within the Department for Education focussed on skills and workforce data, should be moved to become the data unit within the SWC. The UFS should be expanded and become the central hub for government workforce forecasting and foresighting. It should work collaboratively with the Office for National Statistics and Higher Education Statistics Agency and current leaders using these techniques outside the Government. It should continue and expand its existing activities, including the recently announced plans to develop a Standard Skills Classification for the UK, which will act as a common language for discussing skills across the economy.¹¹ Upon completion, this classification should be embedded within labour market information and career tools to aid individuals' career choices.

No-strings-attached Funding for Regional Authorities

Recommendation 2: The Government should provide Mayoral Combined Authorities and other regional authorities with “no-strings-attached” funding settlements for adult skills and an enhanced set of powers to shape skills provision in their area.

A “no-strings-attached” funding settlement involves:

- A. A single consolidated budget for all 19+ adult skills funding.

Enhanced powers should include:

- B. A joint governance board with the Department for Education to co-design regional 16-18 education and careers guidance services.
- C. A statutory role in Local Skills Improvement Plans (LSIPs).
- D. A decision-making role in skills capital investment.

At the regional level, deeper and more consistent adult skills devolution should occur in the next Parliament. We should entrust regional authorities with more power to shape local provision, building on the examples of good practice coming out of AEB devolution. As devolution progresses over the next Parliament, all areas should have a regional authority in place with devolved control over the skills system. The aim should be for all regions to have a similar level of control over their local skills system, providing a consistent local decision-making structure for employers and employees to engage with across the country.

¹¹ 'DfE and IfATE Launch Groundbreaking New Standard Skills Classification (SSC) Project', Institute for Apprenticeships and Technical Education, accessed 28 February 2024, https://www.instituteforapprenticeships.org/about/newshub/news-events/dfe-and-ifate-launch-groundbreaking-new-standard-skills-classification-ssc-project/?utm_source=LinkedIn&utm_medium=social&utm_campaign=Orlo&utm_content=Press+Release.

Mayoral Combined Authorities should be given “no-strings-attached” funding settlements for 19+ adult skills. MCAs should be given one consolidated budget for adult skills, consolidating the complex picture of existing funding streams from the Education and Skills Funding Agency – including AEB, skills bootcamps, Free Courses for Jobs, and Multiply. MCAs will use part of the budget to fulfil the national minimum entitlement for free qualifications that all individuals are required to have access to. However, beyond this, MCAs should have the flexibility to shape skills provision in their area in line with local priorities.

Enhanced Powers for Regional Authorities

Mayoral Combined Authorities should also be given an enhanced set of powers to shape skills provision in their area, building on what is being developed in the trailblazer devolution deals available to Greater Manchester Combined Authority (GMCA) and the West Midlands. Firstly, MCAs should each have a joint governance board with the Department for Education, allowing them to oversee and co-design 16-18 education and career guidance services in their area. Secondly, MCAs should be given a statutory role in LSIPs. They should have a duty to be involved and consulted on the LSIP process by the local Employer Representative board. Thirdly, and relatedly, MCAs should have a formal role in allocating skills capital investment across their area. This should include a decision-making role on how capital to implement the LSIP (currently through Local Skills Improvement Funds) is allocated. Collectively, these reforms would allow MCAs to create a more coherent and tailored response to the skills needs of their local area.

Devolution beyond skills policy is beyond the scope of this inquiry. Still, close attention should be paid to the “single funding settlement” from the central government that Manchester and the West Midlands are due to access in 2025 in the next phase of their trailblazer devolution deals. These will provide them with a single, multi-year budget that covers five broad policy areas, including local growth and place, transport, housing, and adult skills.¹² The inquiry heard from GMCA that they plan to use this new devolution settlement to create more tailored wraparound provisions for residents, including those for their education and training needs. Once these devolution reforms are implemented and assessed, serious consideration should be given to extending this level of devolution across the English regions.

¹² Mark Sandford, ‘Greater Manchester and West Midlands: Trailblazer Devolution Deals’, 28 February 2024, <https://commonslibrary.parliament.uk/research-briefings/cbp-9901/>.

2. Investing in the Future of Further Education

An emerging theme from the inquiry was the critical role that Further Education (FE) colleges play in upskilling the workforce. Contributors emphasised that FE colleges are vital in providing technical and vocational training to build and sustain the non-graduate job market. Yet, the FE sector has often been overlooked in policymaking. Historically, the UK stands out as an international outlier in its approach to funding technical and vocational training, spending less on technical students than academic students, while OECD comparators do the opposite. In 2020, the UK had one of the largest funding gaps in the OECD between academic and technical education pathways for 16-19-year-old students, with technical students receiving 23% less funding than their academic counterparts.¹³ Recent welcome investments in FE have started to address this. However, contributors highlighted several lingering challenges that prevent England from maximising the high-quality technical and vocational education that FE colleges can provide. This chapter outlines the key challenges identified. The Skills Commission offers two recommendations to ensure this vital sector is well-equipped to provide high-quality training and education, contributing to developing a skilled and productive workforce.

2.1. Challenges

Many contributors to the inquiry highlighted the long-term challenge FE has faced regarding the level of funding it is allocated. FE colleges faced a significant 8% real-term cut in funding per student aged 16-18 between 2013-14 and 2019-20.¹⁴ There was considerable support for the recent increased investment in FE, amounting to a 5% rise in spending per student in 2023-24 relative to 2019-20 levels. However, this boost reverses only about a quarter of the cuts experienced between 2010 and 2020 by 2024-25.¹⁵ It should also be noted that the FE sector continues to face funding challenges around capital expenditure because it cannot reclaim VAT on expenditures, unlike schools, or academies.

Inflexible Budgets

This challenge is compounded by FE colleges' lack of budget flexibility. Contributors repeatedly highlighted the need for longer-term funding to give providers the confidence to invest more in their staff and (often expensive) teaching equipment to focus on meeting local educational needs. FE colleges are hampered by the allocation of yearly budgets, preventing long-term planning for course delivery. Previous Policy Connect research found this disincentivises providing courses that are costlier to provide and harder to fill, such as engineering.¹⁶ The Government has made noise previously about multi-year funding arrangements to enable a more strategic approach, including in the 2021 whitepaper *Skills for Jobs*, but this has yet to become standard practice.¹⁷

¹³ Education Policy Institute, 'An International Comparison of Technical Education Funding Systems: What Can England Learn from Successful Countries?', 5 March 2020, <https://epi.org.uk/publications-and-research/international-comparison-of-technical-education/>.

¹⁴ Institute for Fiscal Studies, 'Annual Report on Education Spending in England: 2023'.

¹⁵ Institute for Fiscal Studies.

¹⁶ Policy Connect, 'Manufacturing Resilience: Driving Recovery towards Net Zero', 12 July 2021, <https://www.policyconnect.org.uk/research/manufacturing-resilience-driving-recovery-towards-net-zero>.

¹⁷ Department for Education, 'Skills for Jobs: Lifelong Learning for Opportunity and Growth' (DfE, Manchester, England, 21 January 2021), 11.

The FE Workforce Challenge

A related consequence and challenge is that the FE sector is facing significant difficulties in recruiting, retaining, and training teaching staff. The workforce issue in FE has become so significant that the House of Commons Education Committee has launched an inquiry into the topic. This inquiry is due to report later in 2024.

FE staff shortages have the potential to undermine the effectiveness of almost every substantial new policy reform in the skills system, for instance the roll-out of the new T-Levels.

National Foundation for Educational Research (NFER)

Recruitment is a significant challenge with a high level of vacancies each year. The Department for Education has started to publish data on the FE workforce. This data shows that in 2021/22, there was a teaching vacancy rate of 5.7% (2,373 vacancies) in general FE colleges, above the UK average vacancy rate of 4.3%.¹⁸ The year before, an Association of Colleges survey found that 96% of colleges reported recruitment difficulties.¹⁹ The same survey showed that the three main reasons colleges reported having recruitment difficulties were getting zero applicants for advertised jobs (70%), applicants looking for higher pay than they offer (67%), and applicants lacking necessary specialist skills (78%).

FE also faces a major challenge regarding retention. 16% of college teachers leave their jobs yearly, higher than the 10% rate in schools. There are significant concerns that retention and staffing shortages will get worse. The age profile of FE teaching staff is one issue, with 45% of FE teachers aged 50 or above.²⁰

Worryingly, many staff also say they do not see a future in the sector on the current trajectory. The Universities and College Union surveyed its members who teach in FE and found that 70% said they would probably or definitely not be working in the sector due to concerns over high workload, insecure employment, and low pay.²¹ On workload, a 2021 staff survey showed FE staff work on average 49 hours per week, 14 hours more than their 35 contracted hours.²² On contractual security, the Department for Education's 2021 data shows that around 23% of the FE workforce did not have a permanent contract but instead had a variable-hour (10%), zero-hour (9.1%), or fixed-term (3.8%) contract.²³

On pay, FE teacher salaries declined by 18% in real terms between 2010-11 and 2022-23 as their pay did not keep pace with inflation.²⁴ £34,500 was the median pay for FE college teaching staff in 2022-2023.²⁵ On average, FE teaching staff were paid about £7,000 less than schoolteachers (a gap of 21%). Today, the salary scales for FE show that the minimum starting salary for a qualified lecturer in FE is £27,786.²⁶

¹⁸ 'Further Education Workforce, Academic Year 2021/22', accessed 5 March 2024, <https://explore-education-statistics.service.gov.uk/find-statistics/further-education-workforce/>; 'The state of the adult social care sector and workforce 2022' accessed, 3 May 2024 <https://www.skillsforcare.org.uk/Adult-Social-Care-Workforce-Data/Workforce-intelligence/documents/State-of-the-adult-social-care-sector/The-state-of-the-adult-social-care-sector-and-workforce-2022.pdf> - citing 'ONS - Vacancies and jobs in the UK: August 2022'

¹⁹ Association of Colleges, 'AoC College Workforce Survey 2020/21', accessed 5 March 2024, <https://d4hfzltwt4wv7.cloudfront.net/uploads/files/AoC-Workforce-Survey-2020-21-Final-document.pdf>.

²⁰ 'Further Education Workforce, Academic Year 2021/22'.

²¹ Deborah Phillips, 'On the Breadline: The Cost of Living Crisis for England's College Workers' (UCU: University and College Union, 6 July 2022), <https://policycommons.net/artifacts/3181051/on-the-breadline/3979567/>.

²² UCU, 'Workload Survey 2021 Data Report', June 2022.

²³ 'Further Education Workforce, Academic Year 2021/22'.

²⁴ Institute for Fiscal Studies, 'Annual Report on Education Spending in England: 2023'.

²⁵ Institute for Fiscal Studies, 'What Has Happened to College Teacher Pay in England?', 30 March 2023, <https://ifs.org.uk/publications/what-has-happened-college-teacher-pay-england>.

²⁶ 'English FE Pay Scales', accessed 5 March 2024, https://www.ucu.org.uk/fescales_england.

cf. 'Teacher pay and benefits', accessed 1 May 2024, <https://getintoteaching.education.gov.uk/is-teaching-right-for-me/teacher-pay-and-benefits>

In certain subject areas, FE colleges do not come close to competing with industry salaries. This is particularly acute in high-paid specialist occupations, such as construction, engineering, IT, and computing. For instance, electrical engineers can earn more than £70,000 a year, while engineering lecturers typically earn less than £39,000.²⁷ Contributors told of the key role this has in colleges' recruitment difficulties for these subjects and how this can lead to a shortage of teachers with up-to-date industry knowledge and experience.

There has been some movement on pay in the last year. In 2023, the Government announced £185 million in 2023-24 and £285 million in 2024-25 for FE alongside its 6.5% pay award for schoolteachers.²⁸ Individual college leaders have the autonomy over their budget to set teacher pay, unlike in other parts of the education sector where the teacher pay recommendation is set nationally by binding collective agreements. However, many colleges follow the recommendations of the Association for Colleges. For 2023-24, the recommendation was also a 6.5% pay increase. It is welcome that the Government are now considering FE pay challenges on a par with schools. However, the recent recommended increase is an increase in cash rather than real terms, as the 2023 inflation rate was 6.8% (as measured by Consumer Price Inflation).²⁹

On training, contributors to the inquiry suggested that existing staff would benefit from greater opportunities for stints in the industry to aid continuous professional development (CPD). In addition, student mental health support was highlighted as an area for further development. Most colleges now have a senior mental health lead. Still, there are limited resources to develop staff's capabilities to support their students despite 85% of colleges suggesting a surge in need since the COVID pandemic.³⁰ Digital skills and digital competency were also highlighted. Jisc's most recent survey of the digital experience of FE teaching staff showed that only 38% of staff surveyed had been offered training in basic IT, and many had not received support in other core digital skills.³¹

2.2. Priorities for Reform and Recommendations

Overall, there was a shared view that more needs to be done to support the critical role that Further Education (FE) colleges play in educating the current and future workforce. As demand for FE grows, it is vital that funding grows to match it. Colleges should be given the flexibility needed to plan for provision over the longer term and invest in their provision, staff, and equipment. Addressing the overarching FE workforce challenge around recruitment and retention should be a priority. There should also be exchange initiatives between FE and industry to upskill college staff and to bring in industry experts for short-term stints to provide specialist technical training for students.

²⁷ Bethan Staton, 'Colleges in England Struggle to Find Teachers for Critical Skills Subjects', Financial Times, 31 July 2022, sec. Education, <https://www.ft.com/content/cd5e8335-bc51-493d-928e-52e8e9b6df3c>.

²⁸ Department for Education, 'Teacher Strikes: Everything You Need to Know about the 2023/24 Teacher Pay Award - The Education Hub', 13 July 2023, <https://educationhub.blog.gov.uk/2023/07/13/teacher-strikes-everything-you-need-to-know-about-the-2023-24-teacher-pay-award/>.

²⁹ 'CPIH ANNUAL RATE 00: ALL ITEMS 2015=100 - Office for National Statistics', accessed 5 March 2024, <https://www.ons.gov.uk/economy/inflationandpriceindices/timeseries/155o/mm23>.

³⁰ Association of Colleges, 'AoC Mental Health Survey Report 2023', March 2023, <https://d4hfzltwt4wv7.cloudfront.net/uploads/files/AoC-Mental-Health-Survey-Report-2023.pdf>.

³¹ Jisc, 'Teaching Staff Digital Experience Insights Survey 2022/23', October 2023, 4, <https://beta.jisc.ac.uk/digital-experience-insights>.

Multi-year Budgets

Recommendation 3: Further Education colleges should receive multi-year funding settlements of 2+ years from the Education and Skills funding Agency or, where applicable, their regional authority.

FE colleges should receive budgets covering at least two years at a time to enable them and their staff to deliver high-quality training more effectively. Previous reports from the Skills Commission and Policy Connect have stressed the importance of multi-year budgets, as did the Augar review of Post-18 Education and Funding.³²

Colleges should receive multi-year budgets for 16-19 funding and for the adult education budget. The Education and Skills Funding Agency should deliver this change to the budget's length, except in areas where these budgets are (or become) devolved to regional authorities. These flexibilities will give colleges the support to better plan provision for the long term in line with local employer needs and to invest in their staff and equipment.

A Workplace Plan for FE

Recommendation 4: The Department for Education should deliver a new Further Education Workforce Strategy.

The strategy should include:

- A. A plan to increase the attractiveness of pay, contracts, and workload in the sector.
- B. Introducing a Workload Reduction Taskforce for Further Education.
- C. Rolling out the Workforce Industry Exchange Programme announced in 2021.
- D. Increased support for staff training and CPD, with a particular focus on student mental health and digital skills.

The Department for Education should introduce a new FE Workforce Strategy to address the growing issues of staff recruitment and retention in FE. The central plank of the strategy should be a long-term plan to increase the attractiveness of pay, contracts, and workload for staff in the sector. On pay, a plan should be in place to close the £7,000 pay gap between the average earnings of school and college teaching staff. On contractual security, the Department for Education should encourage a sector-wide move away from flexible contracts (such as variable hours or zero hours) and increased use of permanent and fixed-term contracts. The recommended introduction of multi-year budgets should help here. The Department should encourage longer-term budgets to be used for this purpose, alongside any future increases to the size of funding settlements.

On workload, the Department for Education should introduce a workload reduction taskforce for Further Education, mirroring the initiative it introduced for the school workforce. The taskforce should include FE teachers, FE leaders, representatives from the Association of Colleges and Natspec (the membership organisation for specialist colleges), and representatives from unions representing college staff. It should develop recommendations for the Government, Ofsted, and FE leaders.

³² Department for Education, 'Post-18 Review of Education and Funding: Independent Panel Report', accessed 6 March 2024, <https://www.gov.uk/government/publications/post-18-review-of-education-and-funding-independent-panel-report>.

Workplace Industry Exchange and Staff Training

The workforce strategy should also roll out the Workforce Industry Exchange Programme previously announced by the Department for Education. In 2021, £65 million was announced to develop such a programme. However, it has yet to be established.³³

A two-way exchange programme should now be initiated, aiming to upskill college staff and provide short-term specialist teaching directly from industry. An industry expert in a subject area would come to a college for short stints to provide additional training for students and insight into the latest technical innovations in their field. During this period, college staff in this subject area would shadow staff employed by industry experts to gain insight into the latest technical developments. The Workforce Industry Exchange programme would expose current students to an industry expert who can share these developments with them while providing full-time FE staff with knowledge of these developments to pass on to future students. The programme should be used in particular for subject areas lacking full-time staff with recent industry experience to offer insights into the latest developments. Furthermore, the programme should embrace the full breadth of industry organisations, from SMEs to large corporates, and from private sector to public and not-for-profits such as Catapults and Research & Technology Organisations (RTOs) - each of which may engage with the scheme in somewhat different ways.

To help attract a pool of industry employees and employers to the programme, the programme should come with benefits for the employee and the employer. Financial incentives are one option. Another would be a “Future Workforce Development Award” for participating employers, giving them special access to colleges to meet with top students who might join their workforce. Employees could similarly be awarded a qualification or award for long-term participation. Overall, the aim is to encourage industry professionals to aid with FE college teaching without requiring them to leave their current jobs. The “Further Education Lecturer Reservists” scheme being developed by the Institute of the Motor Industry and Warwick Manufacturing Group offers another proposal in this vein.³⁴

The workforce strategy should also introduce measures to increase support for staff training and CPD. The Workforce Industry Exchange Programme can provide staff with development opportunities. In addition, colleges should be given more support to train all staff to develop mental health and digital skills to enhance the education and support they can provide to their students. Jisc’s strategy to support FE and Skills sectors, including staff, in their digital transformation is one example to build upon.³⁵

³³ Policy Connect, ‘Upskilling Industry’, 31.

³⁴ Institute of the Motor Industry and Warwick Manufacturing Group, ‘Lecturer Reservists: How the Reservist Model Could Work for Further Education’, August 2023, <https://tide.themi.org.uk/sites/default/files/2024-01/IMI%20-%20Further%20Education%20Lecturer%20Reservists%204.pdf>.

³⁵ For more information, see ‘Elevating the FE and Skills Sector through Digital Transformation’, Jisc, 13 November 2023, <https://beta.jisc.ac.uk/blog/elevating-the-fe-and-skills-sector-through-digital-transformation>.

3. Removing Barriers for Young Learners

The inquiry set out to understand how to address barriers to progression in the skills system for learners from disadvantaged backgrounds. Contributors to the inquiry stressed the importance of supporting individuals when young. Failure to provide adequate support during this critical juncture can perpetuate disadvantages and hinder individuals' future learning and development prospects. A particular focus was on young people facing barriers to starting and completing apprenticeships and progressing successfully from compulsory education into FE. The Skills Commission proposes two recommendations to help address these barriers that young learners face.

3.1. Challenges

A successful skills system should support all individuals in their educational journey by addressing barriers to progression that can leave people with few prospects beyond low-paid and insecure employment. Contributors to the inquiry highlighted that these barriers affect people from the start of post-16 education and that more needs to be done to tackle them.

Not so NEET for Young People

The critical importance of having young people engaged in employment or education is widely known. The Government actively measures the number of young people aged 16-24 who are “not in education, employment or training” (NEET).³⁶ A young person being NEET has long-term “scarring” effects on the individual and negative impacts on their community and the wider economy.³⁷ For the individual, it substantially increases the likelihood of many adverse outcomes later on: unemployment, lower earnings, less job security, and poor physical and mental health outcomes, to name a few. For the community, a higher NEET rate is linked to increased crime. For the economy, a 2010 estimate found that for each NEET young person, the direct cost to the public sector is £56,500, and the wider resource cost to the economy is £104,300.³⁸

The compulsory education participation age increased from 16 to 18 between 2013 and 2015, leading to an initial increase in the number of 16-18-year-olds in education and a reduction in NEET. However, the NEET rate for 16-24 has since stubbornly hovered between 10-12%.³⁹ Currently, 4.5% of 16-17-year-olds are NEET. These figures indicate that more can be done to support young people, whether NEET or not, to be engaged and progressing in education from 16 onwards.

“The rising number of young people out of education, employment and training represents a top challenge.”

Confederation of British Industry (CBI)

³⁶ The latest date is found in ‘Young People Not in Education, Employment or Training (NEET), UK - Office for National Statistics’, accessed 11 March 2024, <https://www.ons.gov.uk/employmentandlabourmarket/peoplenotinwork/unemployment/bulletins/youngpeoplenotineducationemploymentortrainingneet/february2024>.

³⁷ For a comprehensive overview, see Lydia Isherwood, ‘NEET: Young People Not in Education, Employment, or Training and Violent Crime’ (West Yorkshire Combined Authority, April 2023).

³⁸ Bob Coles et al., ‘Estimating the Life-Time Cost of NEET’ (University of York, 21 July 2010), 6.

³⁹ ‘NEET Age 16 to 24, Calendar Year 2022’, accessed 11 March 2024, <https://explore-education-statistics.service.gov.uk/find-statistics/neet-statistics-annual-brief/2022#releaseHeadlines-tables>.

FE Students Who Need Additional Support

Contributors to the inquiry highlighted the potential of vocational education in FE and apprenticeships to help learners of all backgrounds achieve their potential. However, they noted the struggles of students between 16 and 19 who do not pursue the ‘traditional’ school route.

“ Vocational and technical programmes are the most successful at promoting social mobility. More learners who are disadvantaged are able to access and be successful at programmes which have a range of assessment methods and they are able to demonstrate their abilities through practical and on-going assessment. ”

Weston College

In particular, the inquiry heard of students who needed further support in FE. Some young people who had extra funding support systems in school suddenly find themselves without the same level of support. The Government provides additional funding for some disadvantaged students – “pupil premium” – to schools to improve educational outcomes for disadvantaged pupils. However, this does not apply in FE.

A prominent example is care leavers, who received a funding boost in school through an additional “pupil premium plus” scheme but not in FE. The Department for Education recently ran a trial of pupil premium plus in further education, providing extra funding to support children in care and care leavers in post-16 education. However, it only applied to 16-19-year-olds. The extension has not been made permanent but has entered a second trial phase.

Barriers to Apprenticeships for Disadvantaged Young People

Barriers to apprenticeships for young people were also highlighted, particularly in the context of the drop in the number of young people starting and completing an apprenticeship (further discussed in Chapter 4). Low-income families are often reluctant to encourage their children to pursue apprenticeships due to concerns over potential negative impacts on the family’s short-term financial situation. A Sutton Trust report found that 24% of former apprenticeship applicants cited affordability as one of the top three reasons for not pursuing an apprenticeship.⁴⁰

A particular barrier for young people from low-income backgrounds is the financial burdens associated with an apprenticeship. Travel costs emerged as a concern, as apprentices are typically required to cover all their expenses, unlike students in educational settings who often receive subsidised travel. Apprentices can also face considerable costs for equipment and tools, with some spending hundreds of pounds on items essential for their trade. While tax rebates are available for those paying income tax, many apprentices do not meet the income threshold, leaving them to bear the full financial burden. Another challenge discussed was that some young people cannot afford to take up an apprenticeship because it would reduce their family’s income due to earnings-based reductions in Universal Credit and Child Benefit payments.

⁴⁰ Sutton Trust, ‘Where next: What Influences the Choices of Would-Be Apprentices?’, 6 July 2023, <https://www.suttontrust.com/our-research/where-next-what-influences-the-choices-of-would-be-apprentices/>.

Another barrier identified was the requirement to possess GCSE or equivalent qualifications in both mathematics and English to complete an apprenticeship. While Functional Skills Qualifications are currently accepted as an exit requirement, numerous apprentices struggle to pass one or both of these assessments, leaving them occupationally competent but unable to progress beyond the gateway stage.⁴¹ Consequently, many employers have resorted to making GCSE English and mathematics a prerequisite for apprenticeship entry, effectively excluding a significant portion of disadvantaged individuals who may excel in practical skills but face challenges with traditional academic assessments.

“Employers’ requirements for GCSE English and maths grade 4+ even at Intermediate level, combined with other barriers to access that young people face, mean that level 2 apprenticeships are not accessible for many young people, particularly those who are most disadvantaged. While 65 per cent of Key Stage 4 pupils achieved grade 4 or above in GCSE English and maths in 2022/23, less than half (43 per cent) of disadvantaged pupils achieved this level.”

NFER

3.2. Priorities for Reform and Recommendations

Addressing young learners’ barriers requires a multi-faceted approach encompassing financial support, educational flexibility, and targeted interventions for disadvantaged groups. The following recommendations aim to alleviate these obstacles and create a more inclusive and equitable learning environment. These actions are important not just to enable young people to progress into the next step of education and training, but also to set them up for life-long learning, creating the awareness that engaging with the skills system throughout their lives is beneficial and achievable.

Breaking Down the Barriers to Apprenticeships

Recommendation 5: The Government should enact a multi-pronged strategy to address the financial and educational barriers that 16-19-year-olds face when seeking to take up and complete an apprenticeship.

The strategy to help young apprentices should involve:

- A. Encouraging and supporting all regional authorities to introduce free travel.
- B. The Department for Work and Pensions (DWP) exempting them from earnings-based reductions in Universal Credit and Child Benefit payments.
- C. Providing a VAT exemption for their equipment purchases.
- D. Providing them access to the maintenance loan system.
- E. The Department for Education developing an alternative to maths & English exit requirements.

⁴¹ See e.g. Dr Chihiro Kobayashi and Helen Cuthbert in FE Week, ‘Reevaluating Functional Skills Qualifications: Addressing Challenges and Exploring Solutions’ (April 2024) <https://www.fenews.co.uk/exclusive/reevaluating-functional-skills-qualifications-addressing-challenges-and-exploring-solutions/>

To tackle the financial hurdles young apprentices face, a multi-faceted approach should be adopted to reduce costs and increase their available cash flow. Firstly, all regional authorities should introduce free travel passes for all young apprentices (16-19), mirroring the subsidised travel provided to other students. This would alleviate the significant burden of travel expenses that many apprentices currently shoulder.

Furthermore, apprentices should be exempted from earnings-based reductions in Universal Credit and Child Benefit payments, treating them as if they are in “approved education”. This change would ensure that their participation in an apprenticeship does not inadvertently jeopardise their family’s financial stability. Additionally, the Government should exempt the costs of essential equipment and tools for apprenticeships from VAT. It can mirror the VAT relief afforded to disabled people for the purchase of certain goods.⁴² This measure would provide much-needed financial relief, as apprentices currently face considerable out-of-pocket expenses for items crucial to their trade, with some spending hundreds of pounds.

To directly increase the cash flow for apprentices, the maintenance loan system should be extended to apprentices from disadvantaged backgrounds. This would provide a crucial financial lifeline for those facing economic hardship, enabling them to focus on their training without the burden of immediate financial constraints. Furthermore, the Government should consult on reintroducing an Education Maintenance Allowance for 16-19-year-olds, making it available to apprentices and those in full-time education. If resources are initially limited, this allowance could be targeted at areas with higher rates of young people not in education, employment, or training (NEET), ensuring that support reaches those most in need.

Addressing educational barriers is equally crucial. The Government should develop an alternative to the current exit requirements for apprenticeships. This could involve reshaping the route to gaining these skills for apprentices under 21 who do not yet possess the required levels. Bringing apprenticeships in line with A Levels by making Functional Skills a requirement for funding rather than an exit requirement would create a more inclusive and accessible pathway.

Supporting High-needs Students in FE

Recommendation 6: The Department for Education should extend the Pupil Premium Plus to looked-after children and care leavers aged 16-19 in Further Education, building on the successful pilot programme.

Following the recommendations from the pilot’s evaluation, premium funding should also be expanded to a wider group of 16-19 students who could benefit from additional support.

The Pupil Premium Plus is a vital additional funding source to support the educational needs of looked-after children and care leavers. However, its impact is currently limited by an abrupt cessation of this funding when a child reaches the age of 16, despite the ongoing challenges they may face during their transition to further education.

⁴² For more information on VAT relief, see ‘Get VAT Relief on Certain Goods If You Have a Disability’, GOV.UK, 22 January 2019, <https://www.gov.uk/guidance/vat-relief-on-certain-goods-if-you-have-a-disability>.

From October 2021 to March 2022, the Government piloted an extension of the Pupil Premium Plus funding to 16-18-year-old students who are Children Looked After (CLA) or Care Leavers (CL).⁴³ These positive outcomes demonstrate the potential impact of extending targeted support beyond 16. The pilot has been expanded across local authorities following the evaluation until March 2024.

Building on this success, the Department for Education should permanently extend the Pupil Premium Plus to Children Looked After (CLA) and Care Leavers (CL) in FE aged 16-19. This continuity of support is crucial for ensuring a smooth transition and sustained academic progress. The evaluation of the pilot also made recommendations to pilot expanding premium funding to a wide set of 16-19 students who could benefit from additional support.⁴⁴ These recommendations should be enacted. Pupil Premium Plus funding should be extended to 16-19 students beyond FE, including apprentices. In addition, it should be expanded to FE learners above the age of 19.

By implementing these recommendations, the Government can take significant strides towards removing the barriers that prevent many young learners, particularly those from disadvantaged backgrounds, from realising their full potential. Ensuring equal access to educational and vocational opportunities is not only a matter of social justice but also an investment in the future prosperity of individuals and society as a whole. By supporting these vulnerable groups during their critical transition to further education and training, the Government can lay the foundation for their long-term success and contribute to a more skilled and inclusive workforce.

⁴³ Professor Judy Sebba et al., 'Phase One Evaluation of the Virtual School Head's Extension of Duties to Children with a Social Worker and the Post-16 Pupil Premium plus Pilot' (Department for Education, December 2022).

⁴⁴ Sebba et al., 19.

4. Maximising Employer Investment in Skills

The inquiry set out to understand how we can improve investment in skills and training in England by increasing and maximising the amount spent. In particular, there was a focus on maximising the investments in workforce skills businesses make. Contributors to the inquiry pointed out declining levels of public and employer spending on skills and some challenges to improving the situation. Concerns were raised about how recent apprenticeship reforms shifted employer behaviour around skills investment. Many stakeholders across the skills system saw reforming the existing apprenticeship funding system, including the apprenticeship levy, as a priority if the country is to face the skills investment challenge. While there was a range of views on the exact way forward, the Skills Commission is proposing two recommendations addressing a wide range of issues.

4.1. Challenges

Contributors to the inquiry were concerned about a long-term downward trajectory in the overall level of investment in training in England over multiple Parliaments. This has happened across the UK. Both public and private investments have been moving in this direction of travel in the 21st century.

A Downward Trend in Investment

Public spending on adult skills training in England has declined significantly since the early 2000s. Research by the Institute for Fiscal Studies found that public funding for adult skills has fallen by 31% in real terms since its peak in 2003-04.⁴⁵ This decline largely stems from a significant reduction in the provision of low-level courses. The number of publicly funded qualifications started by adults dropped by 70% between 2004 and 2020, falling from nearly 5.5 million to 1.5 million. However, long-term freezes in funding rates and the funding rates paid to provide courses have also contributed. For instance, funding for an adult learner taking GCSE English or maths has fallen by 20% in real terms since 2015-16.

At the same time, the overall level of business investment in skills training is lower than in neighbouring countries and has been declining. Employer investment in training in the UK is around half what employers spend in our European neighbours.⁴⁶ The long-run trend is that employers are spending less money on training, fewer employees are getting trained, and any employees that are trained tend to experience shorter and less costly training. The Institute for Fiscal Studies (IFS) found that the average training investment per employee fell by 19% between 2011 and 2023.⁴⁷ In that time, the average number of days of workplace training received annually has fallen by 19% per employee.

⁴⁵ Imran Tahir, 'Investment in Training and Skills' (Institute for Fiscal Studies, 2023).

⁴⁶ Stephen Evans, 'Raising the Bar: Increasing Employer Investment in Skills', May 2022.

⁴⁷ Tahir, 'Investment in Training and Skills'.

A number of firms in England today do not regularly provide any training for their employees. A 2022 Department for Education survey showed that 40% of surveyed employers had not provided training for their staff in the last 12 months.⁴⁸ There is quite a significant divergence in training based on the firm's size. A 2021 survey by the London Chamber of Commerce and Industry found that 73% of larger firms (10+ employees) reported investing in training, while only 25% of micro firms (less than ten employees) did. Reasons for not investing included feeling staff were already proficient (most common), it not being a priority, lack of funds, cost of training, and lack of relevant training.

The Apprenticeship Levy

The inquiry heard many views on recent reforms to the apprenticeship system and employer funding of apprenticeships. Many contributors felt favourable about aspects of the reforms. They suggested they had promoted the image of apprenticeships as pivotal in workplace training in England. Additionally, they felt optimistic about the development of apprenticeships as a pathway to a growing number of occupations with the rising number of apprenticeship standards. Since the 2017 launch of degree apprenticeships that combine working with part-time higher education, there is now an apprenticeship pathway across a wide range of occupations from qualification level 2 to 7.

The most newsworthy reform was the 2017 introduction of the Apprenticeship Levy, moving towards funding apprenticeships through contributions from large employers. The levy is paid by employers with an annual pay bill over £3 million, currently around 2% of UK employers.⁴⁹ The levy rate is set at 0.5% of the total pay bill. The funds are transferred into a digital account for each employer and topped up by 10% with public funding. These large employers can then use this account to cover apprenticeship training costs. They can spend their funds on apprenticeship training and assessment costs up to a maximum specified funding band per apprenticeship, which differs depending on the exact apprenticeship. The funds are typically spent with independent training providers, who provide most apprenticeships in the UK.

The levy also plays a substantial role in funding apprenticeships at non-levy-paying firms. In April 2024, the rules around this were reformed as the inquiry was ongoing.⁵⁰ Levy payers can now transfer up to 50% (previously 25%) of their unspent levy funds to smaller businesses of their choice, with this business able to use this to pay 100% of the cost of an apprenticeship. Firms that do not pay the levy can also apply for public funding to cover 95% of the cost of apprenticeship training, having to pay 5% of the cost as a co-investment. From April 2024, 100% of the costs are covered if the apprentice is 21 or younger.

⁴⁸ 'Employer Skills Survey, Calendar Year 2022', accessed 29 February 2024, <https://explore-education-statistics.service.gov.uk/find-statistics/employer-skills-survey/2022>.

⁴⁹ Department for Education, 'How Are Apprenticeships Funded and What Is the Apprenticeship Levy? - The Education Hub', 10 March 2023, <https://educationhub.blog.gov.uk/2023/03/10/how-are-apprenticeships-funded-and-what-is-the-apprenticeship-levy/>.

⁵⁰ Billy Camden, 'Prime Minister to Announce Apprenticeship Levy Reforms with £60M Investment for Young People and SME's', FE News, 18 March 2024, <https://www.fenews.co.uk/skills/prime-minister-to-announce-apprenticeship-levy-reforms-with-60m-investment-for-young-people-and-smes/>.

Levy funds unspent by levy payers provide part of the funding stream for these public funds for apprenticeships at SMEs. However, crucially, the apprenticeship levy is not currently a hypothecated tax. If it were a hypothecated tax, all the revenue collected would go directly to the Department for Education's apprenticeship budget. Instead, the Treasury sets the apprenticeship budget separately through spending reviews.

The Commission heard significant concern from stakeholders across the skills system about how the apprenticeship levy system is working. In particular, contributors to the inquiry highlighted three core challenges with funding workplace training through the apprenticeship levy and its effect on employer training.

Short-changed on the Levy

The first challenge is that employer investment in skills is limited by not being able to make full use of the money raised by the levy. The Treasury is setting the apprenticeship budget at less than the funds raised by the levy, and then the budget is also being underspent. In 2022-23, £3.58 billion was raised UK-wide through the levy.⁵¹ Yet, the total funding the Treasury allocated to the English apprenticeship budget and devolved nations was £3.162 billion, £418 million less. The Department for Education then underspent the apprenticeship budget by 4%, a figure of £96 million. This meant that £514 million, or around 14% of the levy raised, was not spent on training. In 2023-24, this funding gap between money raised and money spent is projected to reach £875 million.⁵² The skills system is being short-changed.

A Decline in Lower-level Apprenticeships

The second challenge is that the levy has coincided with fewer apprenticeships being done at lower qualification levels. Many inquiry contributors raised concerns about this fall, as lower-level apprenticeships are an essential entry pathway into jobs and careers, especially for younger people. Between 2016-17 and 2021-22, there has been a 68.5% decrease in level 2 (intermediate) apprenticeship starts (291,330 to 91,520), and a 20.7% decline in level 3 (advanced) apprenticeship starts (190,870 to 151,310).⁵³ At the same time, the number of level 4 or higher apprenticeships (higher and degree) has almost tripled.⁵⁴ Relatedly, NFER analysis shows that the age composition of apprenticeships has shifted, with an increase in the number of starts by over-25s and a reduction in starts for under-25s.⁵⁵ In 2017-18, 59% of apprentices starting were under 25, and that number is now 52%. Spending on apprenticeships has followed the same trend. Spending on over-25 apprentices doubled from 2017-18 to 2021-22, from £460 million to £934 million, while spending on 16-19 apprenticeships fell by 10%, from £686 million to £626 million.⁵⁶

⁵¹ Billy Camden, 'Apprenticeship Levy Turns into Treasury "Cash Cow"', 29 September 2023, <https://feweek.co.uk/apprenticeship-levy-cash-cow/>.

⁵² Billy Camden, 'DfE Set to Surrender £60m Apprenticeship Cash in 2023-24', 1 March 2024, <https://feweek.co.uk/dfeset-to-surrender-60m-apprenticeship-cash-in-2023-24/>.

⁵³ Department for Education, "'Headline Full Year - Starts, Achievements, Participation by Level, Levy, Age, Region, Provider Type' from 'Apprenticeships and Traineeships', Permanent Data Table', accessed 4 March 2024, <https://explore-education-statistics.service.gov.uk/data-tables/permalink/de613bcd-c2c4-419d-8aa2-08db7860a436>.

⁵⁴ Tahir, 'Investment in Training and Skills', 29.

⁵⁵ National Foundation for Educational Research (NFER), 'Apprenticeships Are Failing as a Vehicle for Social Mobility', FE News, 18 October 2023, <https://www.fenews.co.uk/exclusive/apprenticeships-are-failing-as-a-vehicle-for-social-mobility/>.

⁵⁶ Camden, 'Level 2 Apprenticeship Spending down by £200m since the Levy', 2.

The factors at play in shifting the level and age of apprentices are likely to be multiple. However, two reasons were highlighted by various contributors to the inquiry. Firstly, constraints on the apprenticeship budget and employers' ability to spend levy funds on any apprenticeship level for any individual lead to open competition over constrained training resources. 16–18-year-olds are required to be in education and have a reserved state-funded budget for all forms of education, *except* for apprenticeships, which are supposed to be funded through the levy system. So, people who want to do lower-level apprenticeships at a company, who are often younger, compete for funding with existing higher-qualified staff. Employers have a limited amount of levy funds and limited time (two years) to spend it. In this situation, it is natural to expect employers to default to spending on existing, more qualified, and older staff.

A second reason highlighted was the challenges SMEs face when hiring apprentices and the consequent reduction in SME apprenticeships. SMEs have a good history of hiring young apprentices, particularly businesses with staff numbers between 100–250.⁵⁷ Yet, apprenticeships at SMEs make up a decreasing share of the overall total, declining from 54% to 41% between 2017 and 2021.⁵⁸

Square Pegs and Round Holes

A final challenge presented by the existing levy system is that its inflexibility and effects on employer behaviour mean the funds are sometimes being spent inefficiently. The levy incentives levy-paying employers to train employees using apprenticeships even when this is not the most appropriate or cost-effective training method for the employee to gain the relevant skills they need. Three factors play a role here.

The first factor is the levy's incentive for employers to use apprenticeships as a one-size-fits-all. The inquiry heard from several sector bodies that many employers shoehorn all their existing training needs into an apprenticeship structure simply to use the funding. Research by the Learning and Work Institute showed that after the levy was introduced, a significant number of levy-paying employers had substituted their existing training budget.⁵⁹ Additionally, there is evidence of some employers "rebadging" their existing staff as apprentices and offering them pre-existing employer training that has been rebranded as part of the apprenticeship.⁶⁰

At present, a lot of training has to be inefficiently shoehorned into an apprenticeship structure to attract funding. Support for flexible training beyond the existing standards is an obvious reform.

Engenuity UK

We acknowledge that apprenticeships do not fit every job role. And that is our point – whilst businesses pay into a levy they can't fully utilise, they are forced into training that does not fit their requirement.

Road Haulage Association

⁵⁷ For an overview, see Youth Futures Foundation, 'SMEs and the Youth Labour Market', October 2021, <https://youthfuturesfoundation.org/wp-content/uploads/2021/10/SMEs-and-the-Youth-Labour-Market-Report.pdf>.

⁵⁸ Tahir, 'Investment in Training and Skills', 30.

⁵⁹ Evans, 'Raising the Bar: Increasing Employer Investment in Skills', 15.

⁶⁰ EDSK, 'Changing Courses: A New Vision for Employer Investments in Skills and the Apprenticeship Levy', accessed 21 February 2024, <https://www.edsk.org/publications/changing-courses/>.

A second factor is that the two-year time limit on spending levy funds incentivises employers to spend on more expensive apprenticeship training. The inquiry heard that this encourages a “use it or lose it” mentality and leads to rushed decision-making that does not always make the best use of the funds for long-term workforce development. In particular, the Commission heard that it could lead some employers to spend on a smaller number of more expensive apprenticeships, often going to more senior staff.

The third factor is that the cost of apprenticeship training can often be higher than the alternative non-apprenticeship training that would also have been appropriate to address the skills needs. Much has been made in the media of the large amount of levy funds spent on level 7 apprenticeships, particularly the level 7 senior leader standard. The debate often focusses on whether such training should be eligible for levy funds. However, what is frequently missed in this discussion is that providing the relevant skills (such as senior management) through an apprenticeship is often more expensive than doing so through similar non-apprenticeship training. For example, the level 7 senior leader apprenticeship costs £14,000 of levy funds, while the equivalent non-apprenticeship qualification costs £4000.⁶¹ It also requires less employee time off the job (six hours a week rather than a day) and takes a shorter time to complete (30-36 weeks rather than a minimum of a year).

4.2. Priorities for Reform and Recommendations

Overall, there was a clear consensus that the funds raised by the apprenticeship levy need to be unlocked to drive an increase in the level of investment in training. If England is to compete with its neighbours on skills investments this is a high priority. Once more levy funding is unlocked, employers should have greater flexibility in using the levy. This would allow them to maximise the value of their spending on training. At the same time, part of the levy should be ringfenced for level 2 and 3 apprenticeships to retain skills pathways.

Levy Funds should be Reserved for Training

Recommendation 7: To increase investment in skills, all Apprenticeship Levy funding should be allocated to training and not be retained by the Treasury.

Underspend should be redirected to:

- A. Fully fund and incentivise level 2 and 3 apprenticeships at SMEs of all sizes.
- B. A government lifelong learning initiative (see recommendation 9).

⁶¹ EDSK, 20.

The Skills Commission welcomes the Government's March 2024 announcement that it intends to cover the training costs of SME apprentices up to the age of 21 fully. This was to form part of our recommendations prior to the announcement. However, we would like to see measures beyond this to better support and incentivise SMEs to take on apprentices.

The Commission recommends scrapping the 5% co-investment cost for SMEs for any level 2 to 3 apprentice, regardless of their age. In addition, funds should be directed to incentivise employers to increase the uptake of apprentices from a wider variety of backgrounds. This includes increasing the grants incentivising SME employers to hire apprentices and increasing the maximum funding band for apprenticeships started by SMEs. An increase in funding bands could help independent training providers improve the quality of the SME apprenticeships they can provide.

Collectively, these measures should help increase the number of apprentices SMEs take on while promoting quality. The ultimate aim should be circumstances in which an individual who wants to become an apprentice to enter a career should never be constrained by a lack of SMEs offering such opportunities.⁶²

The Skills Commission believes that all levy funds should be used to invest in the skills of the country's people. If any additional funds remain in the hypothecated fund raised by the levy, these should be used to invest in a new initiative to expand adult lifelong learning (recommendation 9). This will be covered in more detail in Chapter 5.

A Reformed Levy

Recommendation 8: The Government should reform the Apprenticeship Levy. Employers should have greater flexibility to use funds for a range of high-quality training. Part of the levy should be ringfenced to promote entry-level talent in the workforce.

Flexibility for employers involves:

- A. Increasing the time limit to spend levy funds to 5 years.
- B. The option to spend up to 50% of their levy funds on an approved list of training courses beyond apprenticeships, such as Higher Technical Qualifications.

Ringfencing involves:

- C. 50% of an employer's levy funds must be spent on apprenticeships at level 2 or 3.

Competition for employer training resources should be reduced once the entire funds raised by the levy are ringfenced for vocational education and training. Once this is in place, the Skills Commission recommends two changes to the levy. Together, these measures can help augment the value of employer investment and promote the future apprenticeship pipeline.

⁶² For further discussion of moving towards a fully demand-led apprenticeship system, see Resolution Foundation, 'Applying the Robbins Principle to Further Education and Apprenticeships', 24 October 2023, <https://economy2030.resolutionfoundation.org/reports/applying-the-robbins-principle-to-further-education-and-apprenticeships/>.

Firstly, employers should have more flexibility to make long-term, tailored, and cost-effective investment plans to upskill new and existing staff with their levy pot. Flexibility should involve extending the time employers can use their levy funds to 5 years. This would allow employers to engage in long-term planning of large apprenticeship and training programmes for workforce development and address the inefficiencies from rushed decision-making.

Flexibility should also involve employers having the option of using up to 50% of their levy funds on approved non-apprenticeship training that they deem most appropriate to address a skills need. A previous Skills Commission report – *Higher Technical Qualifications* – made the case for allowing employers to use levy funds on HTQs, which can be a very appropriate qualification for upskilling current and prospective employees.⁶³ In addition, this report recommends extending eligibility to a more expansive list of approved training, including a range of shorter training courses. It should include training to address shortfalls in basic skills, including courses covering functional and digital skills. It should also include training that addresses skills gaps identified by the national skills strategy (see recommendation 1).

Secondly, all large levy-paying firms should be expected to continue promoting apprenticeships as a pathway for entry-level talent in their organisation and sector. This is crucial for driving the future workforce's productivity and promoting social mobility. To aid with this initiative, 50% of the pot of levy funds that levy-paying firms amass should be ringfenced for level 2 or 3 apprenticeships. The ultimate aim should be for young people and career changers to have a foundational pathway to enter and advance within the junior levels of large firms. The other 50% of flexible funds can be used to invest in more level 2 or 3 apprenticeships, apprenticeships higher than level 3, or approved non-apprenticeship training.

To ensure the entire levy system operates as effectively as possible going into the future, it should be fully reviewed at 5-year intervals by the Skills and Workforce Council (see recommendation 2). Smaller interim reviews could also occur within this period. The full review should be holistic. It should look at the list of approved non-apprenticeship training that the levy can be used to fund. It should regularly review the overall allocation of where levy funding is being spent. It should also review the financial stability of the levy. If shortfalls in funds look likely, changes should be made, including considering increasing the levy or expanding the levy to more employers if necessary. A stable and well-functioning levy system will be key to maximising the benefits of employer investment in skills.

⁶³ Policy Connect, 'Higher Technical Qualifications: How to Liberate Employers and Skill Workers for the Future', 5 December 2023, <https://www.policyconnect.org.uk/research/higher-technical-qualifications-how-liberate-employers-and-skill-workers-future>.

5. Making Lifelong Learning a Reality

The inquiry set out to understand **how** to improve the skills system in England to promote lifelong learning. It was widely felt that this is of pressing importance in an age of rapid technological change, where individuals will need to upskill and reskill to adapt to the labour market. However, contributors to the inquiry highlighted the wide range of barriers to adult learning. Adult learning and investment in adult learning have dropped this century. Individuals face various barriers, from time off to insufficient career guidance to course options that are not sufficiently flexible. While there was optimism about the new lifelong learning entitlement, there was a feeling that more needs to be done to make the most of the promise of this initiative. The Skills Commission proposes three recommendations to help make lifelong learning a reality.

5.1. Challenges

Contributors to the inquiry highlighted the significant reduction in formal adult learning participation in this century. The number of publicly funded classroom-based qualifications taken by adults at different levels in England has declined sharply. In 2004-05, adults enrolled in nearly 5.5 million government-funded further education courses, while in 2020-21, that number had dropped to 1.5 million, marking a 72% decline relative to the peak.⁶⁴ It is worth noting that this is not due to a lack of interest in learning in general. Almost half of adults say they have engaged in learning in the last three years; it is just that much of this is informal and self-directed learning not linked to a qualification that is often done online.⁶⁵

The reduction in formal adult learning has been accompanied by decreased public spending on adult skills over the past two decades. Total adult skills spending was £4.4 billion in 2022-23, down 30% from a peak in 2003-04.⁶⁶ The trend is particularly pronounced for adult classroom-based education, where current spending (£1.7 billion) is now a third of the size of what it was. The Government's plans to increase spending for 2024-5 are welcome, though they still leave total adult skills spending 23% lower in real terms than before large cuts in the 2010s.

The Limits of Existing Lifelong Learning Policy

Stakeholders across the skills system welcomed central government's recent initiative to promote lifelong learning with a "Lifetime Skills Guarantee". This included expanding the free level 3 courses available for adults to retrain if they lack level 3 qualifications, earn under the national living wage, or are unemployed. It also included plans for a Lifelong Learning Entitlement (LLE). The LLE aims to transform the post-18 student finance system in England to enable people to train, retrain, and upskill flexibly throughout their working lives. It will be rolled out in 2025 with the creation of a single online account to access funding to help people pay for college or university courses (at levels 4 to 6).

⁶⁴ Institute for Fiscal Studies, 'Annual Report on Education Spending in England: 2023'.

⁶⁵ Learning and Work Institute, 'Adult Participation in Learning Survey 2023', 6 November 2023, <https://learningandwork.org.uk/resources/research-and-reports/adult-participation-in-learning-survey-2022/>.

⁶⁶ Institute for Fiscal Studies, 'Annual Report on Education Spending in England: 2023', 81.

Contributors to the inquiry widely supported the aims of the Lifetime Skills Guarantee and the LLE. However, there was widespread scepticism that the plans in their current form would lead to a major increase in adult learning participation. One concern is that while the model of the LLE as a single online account for funding for adult training is welcome, it will be limited by only covering levels 4 to 6. Adults would benefit from a single account to see all grants and loans available across qualification levels. A second concern is an opportunity would be missed if the online account only provides access to funding. Contributors stressed that there should be a built-in link with the adults' existing educational pathway and what routes a person with their qualifications could take next.

50% of people on the lowest 20% of incomes have not had training since age 16. The focus on Level 4 may therefore materialise as a learning barrier for people with the greatest skills needs.

Confederation of British Industry (CBI)

Crucially, contributors to the inquiry highlighted that a wide set of barriers to adult learning remain. Barriers to adult learning are often classified into three categories: institutional barriers, situational barriers, and dispositional barriers.⁶⁷ Institutional barriers are barriers related to the education offered to adults, including the courses that are available not being appropriate for them. Situational barriers are those related to an adult's personal life circumstances. Common examples include a lack of time to learn or a lack of money to afford to take a course. Dispositional barriers are barriers related to a person's attitudes and perceptions of learning. Such barriers include a lack of confidence in taking up education or feeling too old to learn.

The Learning and Work Institute (LWI) does an annual survey on adult participation in learning. They surveyed adults who had not participated in learning in the last three years, and 70% reported at least one barrier to learning.⁶⁸ The vast majority of the reported reasons for not learning for these adults are dispositional barriers (51%) or situational barriers (46%), with only 1% reporting institutional barriers. 29% report no barriers.

Dispositional Barriers to Adult Learning

Contributors to the inquiry raised social norms and perceptions around learning as key dispositional barriers. The LWI survey paints a similar picture, with major barriers mentioned by non-learning adults including feeling too old (28%), not feeling confident enough (11%), being put off by tests and exams (12%), or having past negative experiences of learning (3%). Another related issue is around awareness, with people unaware of what is available or how to find out about it (6%).

We need a focus from early years on explaining that the workplace is dynamic, that people will have multiple careers over their lifetime and they will need to continue to enhance and change their skills, to have the learning skills to manage their own development and the career management skills... to overcome obstacles in their careers.

Career Development Institute

⁶⁷ For further discussion, see Social Market Foundation, '(Adult) Education, Education, Education: How Adult Education Can Improve the Life Chances of Those on Low Incomes', 12 November 2020, 33–38, <https://www.smf.co.uk/publications/adult-education-2020/>.

⁶⁸ Learning and Work Institute, 'Adult Participation in Learning Survey 2023', 42–44.

Career guidance has a pivotal role to play in tackling dispositional barriers. For individuals to fully engage with the prospect of adult learning and achieve their potential, they need to understand the benefits of lifelong investment in their knowledge and abilities. They also need the skills to manage their ongoing learning and career.

In recent years, we have seen the adoption of the Gatsby Benchmarks of good career guidance and the creation of Careers Hubs, which offer support to school and college career leaders and senior leadership teams in developing their career programmes in line with the Benchmarks. These measures have improved careers education, information, advice, and guidance (CEIAG) for young people.⁶⁹ Awareness of apprenticeships had doubled among GCSE takers. Provision that meets all the Gatsby benchmarks reduces NEET likelihood by 8% and significantly improves career readiness.⁷⁰

Contributors to the inquiry highlighted further improvements needed for the career guidance system in England when it comes to supporting lifelong learning. Crucially, career guidance for adults remains fairly limited. In addition, we can further improve career provision for young people to develop their lifelong career readiness and career management skills. Improved career readiness is key: it provides individuals with a clearer sense of the industries they want to work in and makes these interests less likely to be gender-biased or focussed on over-subscribed sectors.⁷¹

A recent report from the University of Derby, *“Investing in Careers - What is career guidance worth?”*, provides an effective overview of the challenges with the current career guidance system.⁷² Firstly, there is a shortage of funding, with fragmented funding streams coming from multiple parties that lack coherence to drive a clear skills agenda. Secondly, there is wide variability in the provision of CEIAG in schools and colleges, meaning young people enter the workplace with inconsistent careers thinking and skills. For adults, there is little support available to encourage skills development and manage career transitions for those already employed. Adults also have low awareness of the availability and benefits of accessing career guidance from the National Careers Service or private providers. Finally, the career development workforce faces recruitment and retention challenges, leading to instances where support may be restricted or provided by unqualified individuals.

Situational Barriers to Adult Learning

Contributors to the inquiry raised a vast range of situational barriers, particularly stemming from the cost of learning and lacking the time to learn. Once again, the survey data shows similar. Polling submitted to the inquiry by Pearson also showed that financial concerns and time pressures were the biggest barriers to learning for working age adults.⁷³ The LWI annual survey shows that non-learning adults cite cost (28%), work/other time pressures (20%), and challenges with child-care or caring responsibilities (7%).⁷⁴

⁶⁹ For evidence, see Christian Percy and Emily Tanner, ‘Careers Hubs: Pilot of a Place-Based School Improvement Network in England’, *British Journal of Guidance & Counselling* 51, no. 6 (2 November 2023): 988–1004, <https://doi.org/10.1080/03069885.2022.2044014>.

⁷⁰ Careers and Enterprise Company, ‘Careers Education 2022/23: Now & Next’, 4 March 2024, <https://www.careersandenterprise.co.uk/our-evidence/evidence-and-reports/careers-education-2022-23-now-next/>.

⁷¹ Careers and Enterprise Company, 23.

⁷² Tristram Hooley, Chris Percy, and Siobhan Neary, ‘Investing in Careers: What Is Career Guidance Worth?’ (University of Derby: CDPG, 18 July 2023).

⁷³ Pearson, ‘Spotlight on Workforce Skills’, 28, accessed 7 March 2024, <https://www.pearson.com/en-gb/news-and-policy/spotlight/workforce-skills.html>.

⁷⁴ Learning and Work Institute, ‘Adult Participation in Learning Survey 2023’, 43.

The cost barrier has several facets. Many adults in work who wish to gain their first qualifications, upskill, or retrain with a qualification will have to pay or take out a loan. Adults over 24 who lack level 3 qualifications can get a free level 3 qualification, but only in 19 subject areas currently covered by the “Free Courses for Jobs” programme. Most adults already have a level 3 qualification, and they are required to pay the cost of another level 3 unless they are unemployed or earn less than the national living wage. Adults must pay or use the student loan system for tertiary education (level 4-6).

Yet, there is a widespread aversion to borrowing to learn among adults. Pearson polling found that 54% of adults were unlikely to take out a government loan to finance training, rising to 60% among the 45-54 age range. In addition, the opportunity cost of retraining and not earning a salary can be expensive for those in work. Retraining on a one-year course would cost the average worker £40,000 when adding up course fees and lost wages together.⁷⁵

A lack of time to train is a barrier for many people. For those in employment, a lack of time to train is a notable barrier to retraining and career switching. As was noted in an earlier chapter, not all employees are being offered training by their employer. In addition, individuals will need to lead the acquisition of training when they are looking to retrain and change jobs or careers. However, time to train that is not led by one’s employer is limited for many.

Currently, UK law provides employees with a legal right to ask their employer for time off to train or study.⁷⁶ However, this right is very limited. Firstly, it only applies to employees of large firms of over 250 people, not SMEs. Secondly, it is only a right to “request” time off and can be rejected by an employer for many reasons. Thirdly, there are substantial restrictions on what the training can be because the request must show that the training is relevant to their current job and improving performance there. Fourthly, the time off is unpaid by default. Unsurprisingly, a 2017 analysis showed low use of the right.⁷⁷ The UK stands out amongst neighbouring countries, with Austria subsidising a one-year career break for training and France and Belgium providing subsidised training leave.⁷⁸

Contributors also highlighted that a lack of flexibility to take training at one’s own pace can be a major barrier for adult learners, particularly those in work. In particular, participants in the inquiry highlighted the lack of availability of short modular courses in higher education and barriers to stacking modular courses to build a larger degree qualification over time to suit one’s life circumstances.

Presently, there is no standardised way of building up credits across different higher education providers, as they can each make separate decisions about what credits to accept. This lack of a unified system for credit transfer and accumulation further exacerbates the difficulties faced by adult learners seeking flexible and modular learning pathways.

⁷⁵ Learning and Work Institute, ‘All Change: Understanding and Supporting Retraining and Career Change’, October 2023, 26, <https://learningandwork.org.uk/news-and-policy/workers-face-a-financial-penalty-if-they-switch-careers-with-people-on-lower-earnings-hit-hardest/>.

⁷⁶ For details, see ‘Training and Study at Work: Your Rights’, GOV.UK, accessed 7 March 2024, <https://www.gov.uk/training-study-work-your-rights>.

⁷⁷ Institute for Employment Studies, ‘Appraisal of the Right to Request Time to Train Regulations’ (Department for Education, October 2017).

⁷⁸ For discussion, see Stephen Evans, ‘Time to Learn: Increasing Participation in Learning’ (Learning and Work Institute, may 23), 25–26.

There needs to be an agreed definition of credit across the entire tertiary education sector, underpinned by government, along with an agreed recognition to support the continuous movement of students.

UCAS

Several contributors to the inquiry raised the lack of a way to stack credits into modules across HE as a major barrier to maximising the potential of the LLE for adult learners. This issue reared its head in the recent short-course trial run before the full launch of the LLE. Evaluators found a “serious weakness” of the scheme: providers could not guarantee the future value of credits gained from a course and whether they would be recognised by another provider or accumulated towards a degree.⁷⁹

5.2. Priorities for Reform and Recommendations

Overall, there was a clear consensus that further steps are needed to achieve a revolution in lifelong learning and empower individuals to upskill and retrain throughout their careers continuously. With both major political parties recognising retraining as a serious political issue, there is an opportunity for concerted action. The Government’s Lifetime Skills Guarantee and Lifelong Learning Entitlement (LLE) plans should be built on and expanded. Multiple barriers hindering adult participation in learning must be addressed. We can do so by improving access to free courses, time off for training, and high-quality career guidance. Steps should also be taken to support the modularisation of higher education, to provide greater flexibility for adult learners. The LLE should be enlarged, providing a single digital environment that allows individuals to view their existing qualifications and skills, explore new courses at all qualification levels they may want to pursue, and understand the various funding options available.

A Right to Retrain

Recommendation 9: The Government should launch a new lifelong learning initiative that supports the “right to retrain”. It should include:

- A. A right to 5 days a year to train, strengthening the existing legal entitlement to request time off to train.
- B. Expanding the free level 2 and 3 qualifications all adults are entitled to through the Lifetime Skills Guarantee.
- C. A refreshed lifelong approach to career guidance that prepares young people and adults for lifelong engagement with the skills system.

The national skills funds and what would become the lifetime skills guarantee were initially pitched as a first step towards a “right to retrain” that would be extended to all adults over time.⁸⁰ In the coming Parliament, we should take the next step.

⁷⁹ Career Research and Advisory Centre, ‘Evaluation of the Higher Education Short Course Trial’ (Office for Students, 5 January 2024), Worldwide, <https://www.officeforstudents.org.uk/publications/evaluation-of-the-higher-education-short-course-trial/>.

⁸⁰ ‘£3 Billion National Skills Fund Pledge and a Right to Retrain - Sector Response to Conservative Party Manifesto’, FE News, 25 November 2019, <https://www.fenews.co.uk/fe-voices/sector-response-to-conservative-party-manifesto-right-to-retrain-and-a-3-billion-national-skills-fund-pledge/>.

The Government should launch a new lifelong learning initiative aimed at giving people a “right to retrain.” This initiative would drive awareness of government expectations that individuals should expect to change careers and upskill over their lifetime. Lifelong learning should become the social norm rather than the exception. Several measures should be introduced as part of this initiative to reduce situational and dispositional barriers to adult learning.

Firstly, the Government should introduce legislation to introduce a right to five days of time off a year for training, strengthening the current right to request time off to train. Individuals should be guaranteed a right to five days of time off a year for training. To be eligible, the staff member should be an employee who has passed a probationary period (for instance, 26 weeks as in the current version of the right). However, beyond this, most of the existing qualifications for the right would be removed. The five days would be a right to access, not simply to request, time off for any recognised training. The right would be available for employees of companies of any size. Crucially, the time off would be paid. To support SMEs with the costs, the Government can provide reimbursement at a flat rate, using unspent levy funds. By introducing paid training leave, akin to practices in neighbouring countries, individuals could drive investment in their training where needed.

Secondly, the Government should expand the provision of free courses available as national minimum entitlements to adults of all ages as part of the Lifetime Skills Guarantee. As a primary measure, the age restrictions (under 24) on the entitlement to a first free Level 2 and Level 3 qualifications for all subjects should be removed. Everyone should be able to get their first full level 2 or level 3 in any subject, whatever their age. As a secondary measure, when fiscal circumstances allow, the lifetime skills guarantee should be widened so that all adults can access an additional free level 2 or 3 qualifications after the age of 30. Provisions can be made to focus on night and online courses to improve their accessibility to adult learners in work.

An All-age Career Guidance System

Thirdly, building on the success of the Gatsby Benchmarks, the Department for Education should transform the career guidance system into a more coherent, comprehensive, and all-age system. It should introduce a refreshed lifelong approach to career guidance that prepares young people and adults for lifelong engagement with the skills system to achieve their potential and maximise economic benefit. The new approach should remove fragmentation, ensure access to high-quality careers guidance for all young people and adults, and focus on helping individuals achieve their next steps while developing career management skills for the future.



At its best, careers education accrues benefits to learners and employers alike. When young people are inspired by meaningful, skills-based employer experiences, they make better transitions into the world of work. Secure transitions mean more productive workers and ultimately more prosperous organisations. Employers who are heavily engaged in careers education report that they are strengthening their talent pipelines, increasing diversity and addressing skills gaps.



Careers and Enterprise Company

The approach should have several planks. One plank should focus on learners. Building on the existing success of Career Hubs, steps should be taken to ensure all schools and colleges are engaged with them. All schools and colleges should have a Careers Leader in place, and access to careers advisers who are qualified and resourced to provide high-quality CEIAG programmes that support students' next steps and the development of career management skills.

Another plank should focus on adults outside of education. To be truly comprehensive, the careers system needs to better support in-work and out-of-work adults in developing their careers by gaining new or additional learning and skills. This will require investing in the National Careers Service (NCS) to widen its offer to all adults and improve quality. The NCS should exclusively deliver guidance by qualified professionals. It should also have a strengthened role in supporting Job Centres with career guidance. For instance, NCS guidance should be embedded into employability programmes at Job Centres. In-work adults should also have the option to access NCS services at Job Centres and online.

A final plank should focus on assessing best practices. The Government should establish a 'what works centre' for career guidance. This centre could investigate the opportunities for CEIAG to support the broader skills system and address wider economic and social challenges, such as flat-lining productivity and skills shortages.

The Digital Infrastructure for Lifelong Learning

Recommendation 10: The Department for Education should develop the digital infrastructure to underpin life-long learning. Each learner should have access to a personalised digital environment including a skills account and passport.

- A. A Universal Skills Account for all post-18 education funding, would build on the current development of the Lifelong Learning Entitlement.
- B. A Universal Skills Passport would enable individuals to keep a record of their skills and educational achievements across their lifetime, using the Unique Learner Number system.

The digital infrastructure to empower individuals in their educational journeys will need to be built if the skills system is going to drive a new era of adult education and training. The aim should be for individuals to have access to one digital environment that allows them to see their existing qualifications and skills, explore new courses at all qualification levels that fit their personalised needs, and understand the various funding options. To achieve this, the Department for Education will need to develop two overlapping pieces of digital infrastructure.

Firstly, a Universal Skills Account should be developed. This would extend the digital account of the LLE beyond Levels 4 to 6 qualifications, encompassing all qualification levels in post-18 education. All individuals over the age of 18 would have a digital account to see what qualifications are available to them and the different funding options. They would see free courses and available grants, have access to student finance and maintenance loans, and be able to add personal contributions. Employers should also be able to send funds to an individual's account, including funds from their own levy pot. The qualifications available should include flexible and remote courses and quality-assured micro-credentials.

The development of the Universal Skills Account would build on the existing development of a digital account for the LLE. In the early 2000s, the UK trialled a version of an individualised training account, which was beset by fraud issues. However, the National Audit Office investigation showed this was due to errors in implementation rather than any fundamental flaw.⁸¹ Worldwide, many countries are successfully running some version of learner-driven funding accounts.⁸²

Secondly, a Universal Skills Passport should be developed to provide every individual with a lifelong digital record of their qualifications and associated skills. For the Government, it would have the added benefit of giving a country-wide view of the population's skills.

Further to the work of the Skills Builder Partnership, the Government should also look to develop a standard framework to articulate these essential skills, and embed them across our education and training system, running like a golden thread through standards, curricula, and assessment. There should be a clear set of metrics to evidence skills development over a lifetime of learning, with a guarantee that every young person develops these skills, no matter the route they take through education, or their background.

Edge Foundation

The Universal Skills Passport would provide a digital profile documenting their existing skills and the skills they could develop next, allowing them to share their profile with others. The overall digital profile should be framed in terms of an individual's skills, capabilities, and competencies rather than simply their qualifications to incentivise "skills-based" hiring instead of credentialism. The passport would have a skills framework to assess the individuals' development in various skills. The framework could be tied into the employer-led occupational standards developed by IfATE. In addition, it should include an assessment of an individual's level of essential skills – such as teamwork, leadership, and problem-solving – that have a big role to play in an individual's career success.⁸³ For instance, the framework could use the work that the Skills Builder Partnership has done to develop its Universal Framework for measuring and building essential skills.⁸⁴

⁸¹ 'Individual Learning Accounts - National Audit Office (NAO) Report', National Audit Office (NAO), 25 October 2002, <https://www.nao.org.uk/reports/individual-learning-accounts/>.
⁸² For an overview, see OECD, 'Individual Learning Schemes: Panacea or Pandora's Box?' (OECD, 6 November 2019), <https://doi.org/10.1787/203b21a8-en>.

⁸³ For a review of the evidence, see The Centre for Education and Youth, 'How Do Essential Skills Influence Life Outcomes? An Evidence Review', 1 October 2020, <https://cfey.org/reports/2020/10/how-do-essential-skills-influence-life-outcomes-an-evidence-review/>.

⁸⁴ 'The Universal Framework', accessed 8 March 2024, <https://www.skillsbuilder.org/universal-framework>.

“ULNs have tremendous potential to support and enable Lifelong Learning by linking data on learner education, training and skills to capture qualifications and accredited learning wherever and whenever it occurs, allowing learners to log their learning achievements in one place throughout their lives, resulting in a coherent portfolio even if they use multiple learning providers.”

Jisc

Working Towards Credit Transfer

Recommendation 11: The Higher Education Minister should lead a working group on cross-provider credit recognition within the higher education sector. The group should include senior figures from the sector and the Quality Assurance Agency (QAA).

The working group should first proceed to:

- A. Develop guidance on best practices for recognising prior learning.
- B. Promote credit transfer schemes to existing alliances and partnerships between higher education providers.

Modular credit recognition would allow individuals to undertake modular and flexible higher education. It is needed to support modular learning and enable individuals to take courses at different institutions, transferring credits toward a degree or higher qualification. Given the lack of uniformity around what credit different HE providers accept, making cross-country credit transfer possible is a momentous challenge. However, the Midlands Credit Compass partnership is a recent case of good practice demonstrating what is possible.

Case Study: Midlands Credit Compass

The Midlands Credit Compass is a partnership between eight universities in the Midlands region of England: the University of Derby, Birmingham City University, Coventry University, the University of Lincoln, Nottingham Trent University, the University of Wolverhampton, De Montfort University, and Staffordshire University.

The primary goal of this partnership is to assist students who need to leave their studies at one of the participating universities and facilitate their transition to another institution within the Midlands Credit Compass when they are ready to resume their education.

If a student is studying at one of the Midlands Credit Compass universities and needs to leave their course, they will be issued a verified record of the credits they have achieved. When the student wishes to transfer to another university within the partnership, they will be provided assistance to transfer their academic credits.

The Midlands Credit Compass partnership demonstrates that credit transfer between institutions is possible and can be facilitated through collaborative efforts. It highlights the potential for similar credit transfer schemes to be implemented on a broader scale, enabling greater flexibility and mobility for students across the higher education sector. By facilitating the portability of academic credits, such initiatives can contribute to a more accessible and inclusive lifelong learning environment.

In conversations with sector bodies, it became clear that the sector will need significant support and resources for wider developments around credit transfer. Factors here relate to the costs of credit transfer, uncertainty about whether there is sufficient student demand for credit transfer, and a collective action problem for different institutions. One contributor suggested that the Government would need to play a leading role while remaining conscious of the autonomy of HE providers.

As a first step, the uptake of recommendation ten and the universal use of the Unique Learning Number (ULN) across HE would help. As a second step, the HE Minister should set up a working group on cross-provider credit recognition. The QAA is uniquely positioned to support the group given its development of the Higher Education Credit Framework for England. So, it should play a guidance role for the group.

The working group would develop guidance and best practices and promote collaboration on credit transfer. A full credit transfer system could take many years and significant resources to build. However, to make progress, the working group could begin with two initiatives. Firstly, it should develop a charter of best practices for the recognition of prior learning for HE providers to sign on to. The goal would be for students who need to move to another HE provider and have their prior HE education and credits to have a more consistent experience across the country than is currently the case. Secondly, the group should work to embed credit transfer into existing partnerships between different HE providers. For instance, existing regional university groups (such as in the Midlands) and university or mission groups (such as the Russell Group) can use the working group to agree to pilot new credit transfer initiatives like the Midlands Credit Compass.

Methodology and Contributions

Scoping for this inquiry began in July 2023, with work on this report starting in October 2023.

The findings and policy recommendations are based on a review of pertinent literature, responses to a written Call for Evidence, semi-structured interviews, and two evidence-gathering roundtables, which took place in Parliament and West Yorkshire Combined Authority, Leeds.

Steering Group

Co-chair	Barry Sheerman MP	House of Commons
Co-chair	Sir John Hayes MP	House of Commons
Commissioner	Hayley Pells	Institute of the Motor Industry
Commissioner	Prof. Keith McLay	University of Derby
Commissioner	Robin Ghurbhurun	Jisc
Commissioner	Karen Green	High Value Manufacturing Catapult
Commissioner	David Morgan	Career Development Institute
Commissioner	Gemma Gathercole	ACCA
Commissioner	Joe Fitzsimons	ACCA
Commissioner	Peter Mayhew-Smith	South Thames Colleges Group
Commissioner	Lucy McLeod	East Kent Colleges Group
Commissioner	Graham Hasting-Evans	NOCN Group
Commissioner	Dr. Benjamin Silverstone	Warwick Manufacturing Group

Evidence Session Attendance

Leeds

Mayor Tracy Brabin (session co-chair)	West Yorkshire Combined Authority
Graham Hastings-Evans (session co-chair)	NOCN Group
Dr. Peter Wilson	Policy Connect
Alyson Hwang	Policy Connect
Felix Kumi-Ampofo	WYCA
Shona Duncan	Tees Valley Combined Authority
Hayley Pells	Institute of the Motor Industry
Dr. Benjamin Silverstone	Warwick Manufacturing Group
John Yarham, Deputy CEX	Careers Enterprise Company
David Morgan	Career Development Institute
Prof. Keith McLay	University of Derby
Amanda Richardson	Yorkshire Water
Natasha Waller	LEP Network
Colin Booth OBE	Luminate Education Group
Alex Miles	West Yorkshire Learning Providers
Mandy Ridyard	Produmax
Kate O'Connell	Leeds Health & Care Academy
Helen Barnard	The Trussell Trust
Tracy Othen	Department for Work and Pensions
Karen Green	High Value Manufacturing Catapult
Phillip Day	TUC & WYCA
Sarah MacLoughlin	Greater Manchester Combined Authority
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Evidence Session Attendance

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Alice Chan	Skills Builder Partnership
Sal Jarvis	University of Westminster
Elnaz Kashef	Speakers for Schools
Anna Trocmé Latter	Career Ready
Aveek Bhattacharya	Social Market Foundation
Rhianwen Roberts	UCU

Written Submissions

AGCAS & Yorkshire Universities
Catapult Network
Confederation of British Industry
Career Development Institute
The Careers & Enterprise Company
City of Doncaster Council
Dr Doug Cole
Edge Foundation
EngineeringUK
Enginuity
Gatsby Foundation
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Road Haulage Association
Skills Builder Partnership
Speakers for Schools
TASO
TrAC & Apprenticeships New Anglia
UCAS
UCU
Unison
West of England Institute of Technology
Weston College
West Yorkshire Combined Authority

Other Contributions

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Professor Tom Bewick
The Quality Assurance Agency for Higher Education (QAA)
Youth Employment UK

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