

# SKILLS AND POST-16 EDUCATION BILL [REPORT STAGE]

BRIEFING NOTE: FEBRUARY 2022

## Introduction

The CBI is the UK's leading business organisation, speaking for some 190,000 businesses that together employ around a third of the UK's private sector workforce. We represent businesses of all sizes from all sectors, employing people with skills and qualifications at all levels. We also have members involved in delivering education and training, including universities, colleges, and private providers.

The CBI welcomes the Skills and Post-16 Education Bill and government's intention to boost lifelong learning, put businesses at the heart of skills planning, and ensure qualifications provide highly prized skills to people of all ages. Investment in skills and training will be key to unlocking social and economic prizes on offer over the next decade. These include decarbonisation, diversity and inclusion, regional growth and enhanced productivity. Legislation represents a critical opportunity to seize the moment and drive progress towards these goals.

As CBI Director General Tony Danker said in his recent [speech](#), the only sure-fire way of maintaining a responsible fiscal position is to be bolder and more ambitious about economic growth. It is clear businesses have not been investing enough in skills to date, partly due to barriers that they face; government has an important role to play in creating the conditions for investment and this Bill is an important part of that. Government has an opportunity through this Bill to create a skills system that ensures good outcomes when businesses make much-needed skills investments.

## The Bill can be strengthened by:

1. Removing funding barriers for reskilling and ramping up the flexibility of adult education and training.
2. Combining a coherent place-based and co-ordinated overarching national approach to deliver the skills our economy needs.
3. Ensuring technical qualifications remain in lockstep with industry and help more young people develop the skills to succeed.

## The CBI view on tabled amendments:

- The CBI strongly supports New Clause 7. This can remove barriers to retraining and allow people most in need of support to access the government's lifetime skills guarantee.
- The CBI supports New Clause 9. This can help provide a framework for rolling out flexible courses that support people to gain skills throughout working lives.
- The CBI strongly opposes New Clause 2, with reference to subsection 3. Restricting employers' use of levy funds risks adding dysfunction to an already broken levy system.
- The CBI strongly opposes New Clause 10. This fails to acknowledge the variable pace and scale of skills investment required by businesses across sectors.

## Recommendations for further amendments:

- Table an amendment for the introduction of a *Skills Challenge Fund*. This can boost business investment in skills and increase apprenticeship numbers across people of all ages and across sectors.

- Supercharge the proposed Unit for Future Skills by creating a new and independent Council for Future Skills to set out the supply and demand of future skills. As set out in Tony's speech, this will provide an evidence base and a plan for how we can rely less on immigration to meet our future skills needs. The new Council should be modelled on the Low Pay Commission. This new body can guide existing government policies towards qualifications and training most needed by the economy, as well as alerting business and government where their collective efforts risk being insufficient.
- Table an amendment on the roles of IfATE and Ofqual in ensuring qualifications respond to changes in the world of work.
- Advance government plans to accelerate the provision of short, flexible, and modular courses across all stages of adult education and training.
- Government should confirm the criteria to be used to define Local Skills Improvement Plan (LSIP) areas.

## **Removing funding barriers and ramping up flexibility will boost participation in lifelong learning**

### **Background**

Over the next ten years, nine in ten people will need new skills to prevent future gaps emerging, costing an extra £13bn a year<sup>1</sup>. Three million will be required to find jobs in new occupations altogether<sup>2</sup>. This will be vital to levelling up opportunity, decarbonising the economy, advancing digital innovation and capturing productivity gains through increased automation. The CBI strongly welcomes the introduction of the Lifetime Skills Guarantee (LSG) and Lifelong Loan Entitlement (LLE), both in widening funding for adult education and training, and giving people greater flexibility to gain new skills throughout their careers. But the Bill can go further to maximise the reach and impact of lifelong learning.

### **Strengthen *The Lifetime Skills Guarantee***

- Laying the LSG into statute would offer a genuine guarantee for people of all ages and backgrounds and send a clear signal of the government's commitment to lifelong learning.
- Extending the guarantee to Level 2 can allow more people to access a training pathway and build the skills to progress in work. This will maximise impact for people most in need of retraining, and disadvantaged adults likely to have received little training since leaving school.
- Easing equivalent and lower qualification (ELQ) restrictions can help people gain new skills they and our economy need. As our economy changes, many qualifications and skills have depreciating labour market value. Rigid barriers to retraining risk economic displacement, with people prevented from gaining the new skills they need.

**CBI ask:** Support New Clause 7.

### **Ramp up flexible and modular courses**

- To drive upskilling across the economy, people need short, modular, and flexible courses that allow them to top up their skills, and fit training around their lives. Increased flexibility is needed to boost participation at lower, intermediate, and higher levels, with current provision overwhelmingly targeted at full qualifications.
- Modular options also hold several advantages for firms, with the relevance, pace and ease of learning delivering a greater ROI and increased transfer of skills to the role<sup>3</sup>.
- The LLE requires further primary legislation before being introduced. Due consultation is necessary, but the 2025 timeframe must not be delayed.

**CBI ask:** Support New Clause 9; Call on government to progress plans to accelerate the provision of short, flexible, and modular courses.

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<sup>1</sup> Learning for Life, CBI/McKinsey, 2020

<sup>2</sup> Seize the Moment, CBI/McKinsey, 2021

<sup>3</sup> The Bitesize Revolution, MindGym, 2019

### **Increase business investment in skills**

- Businesses fund the bulk of skills and training capabilities<sup>4</sup>, with investment standing at around £45bn pa. But increased investment is required to stop skills gaps emerging.
- The apprenticeship levy is acting as a barrier to increased investment, with both firms and government trying to utilise the funds. It's a policy trapped between valuable support for SME apprenticeships and trying to incentivise greater business investment in training. It can't be both at once and is currently failing on both fronts.
- New Clause 2 risks adding dysfunction to this already broken system and further restricting employer use of levy funds. The government should introduce a Skills Challenge Fund, adding an incentive for firms that go above and beyond, to the existing use it or lose it nudge, to maximise firms spend. For SMEs, the government should fund apprenticeship support through general taxation.
- New Clause 10 fails to recognise that investment in skills will be highly variable across sectors and business size. The amendment also mandates business spend without a functioning levy system for raising these funds

**CBI ask:** Oppose New Clause 2 and New Clause 10; Table an amendment for the introduction of a Skills Challenge Fund (with name of future replaced levy to be confirmed).

## **A coherent place-based and coordinated national approach are both key to delivering the skills our economy needs**

### **Background**

Businesses can serve as a driving force behind the UK's levelling up aspirations. For areas to capitalise on their unique strengths and deliver opportunities to people of all ages and backgrounds, a coordinated approach to skills is required. Proposals for Local Skills Improvement Plans (LSIPs) are a welcome opportunity to deliver this.

FE providers are anchored in their community and play a leading role in responding to economic need, supporting businesses with access to talent, innovation, and future workforce planning. However, they can be "under-utilised"<sup>5</sup> and "poorly understood" by some businesses who struggle to access the skills system and articulate their needs. This impacts providers' ability to remain responsive, as a critical mass of evidenced demand is necessary before they can invest in provision. LSIPs can therefore support in giving a voice to voiceless employers and offering FE providers a comprehensive picture of economic needs, business demands, and learner aspirations, to respond to.

But the Bill can go further to ensure the skills system supports local, regional, sectoral, and national priorities.

### **Make local skills planning robust**

- Combined Authorities and Local Enterprise Partnerships (LEPs) have made some progress in aggregating labour market intelligence and mobilising providers, business, and local government around shared priorities on skills. LSIPs should complement and harmonise the efforts of these actors to create a coherent approach with clear actions and accountabilities to drive the skills areas need.
- The question of what constitutes "local" in an LSIP is an important one. A fragmented approach across disconnected and competing geographies risks confusing employers and leaving gaps in coverage. LSIPs must cover the whole country when scaled up, with no part of the country left unrepresented.

**CBI ask:** government should set out the criteria to be used to define LSIP areas.

### **Coordinate a national response**

- The government has announced a Unit for Future Skills to look at data and evidence of where skills gaps exist, and in what industries. The Skills and Productivity Board (SPB) also provides evidence-based advice on skills mismatches and courses and qualifications to support growth.

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<sup>4</sup> UK training investment cost model, McKinsey, 2019

<sup>5</sup> Independent Commission for The College of the Future report, 2020

- LSIPs should inform and co-inform priorities highlighted by these bodies. This can ensure efforts to boost local responsiveness don't push FE providers to become parochial.
- Placing the remit and responsibilities of the Unit for Future Skills and SPB in statute can underpin a coordinated approach to skills planning across without local regional, sectoral, and national priorities.

**CBI ask:** Supercharge the proposed Unit for Future Skills by creating a new and independent Council for Future Skills to set out the supply and demand for future skills. This will provide an evidence base and a plan for how we can rely less on immigration to meet our future skills needs.

## **Technical qualifications must remain in lockstep with industry and help more young people develop the skills to succeed**

### **Background**

The introduction of A-level equivalent T levels represents an opportunity to further parity of esteem between academic and technical education and close skills gaps in the economy. Industry specific technical knowledge is the biggest priority skill area for development over the next three to five years for CBI members<sup>6</sup>. Employers should be placed at the heart of new technical qualifications as this in turn would give learners confidence they are gaining highly prized skills backed by firms. The Bill can help guarantee that new and existing qualifications remain in lockstep with industry and help more people develop the skills to succeed.

### **Accelerate the approval and revision of technical qualifications**

- Placing employers at the heart of reformed technical qualifications, via employer panels, offers the chance to ensure courses are supporting the changing knowledge, skills and behaviours employers need.
- Despite this, qualifications are too often out of date. For example, the existing vehicle maintenance apprenticeship doesn't include a module on the maintenance of electric vehicles. This is despite widespread business adoption, companies' commitment to decarbonisation, and the phasing out of new diesel and petrol cars.
- Out of date qualifications impact upon the work readiness of learners and place an increased burden on industry to provide skills essential to employment. If qualifications do not support "green skills", it also risks frustrating the firms' decarbonisation journeys.
- For qualifications to keep pace with transformations within industry, regulation by Ofqual and IfATE become more agile. Employer panels need to be consulted more frequently on changes in the world of work and be given the power to trigger a review of qualifications and training. Once IfATE standards are revised, the review and approval of qualifications for funding by Ofqual should be swift.

**CBI ask:** Table an amendment on the roles of IfATE and Ofqual in ensuring qualifications respond to changes in the world of work.

### **Avoid narrowing opportunities for young people**

- A simpler offer can help raise the profile of technical and vocational education and create a system that parents, young people, and employers understand, value and trust. T Levels can help achieve this.
- But the defunding of qualifications must not inadvertently narrow opportunities for young people to progress and succeed. Regard to the value of existing courses delivering good outcomes for businesses and young people will be essential.
- Firms will also need adequate time to invest in T Levels to access and develop the skills they need. Switching off funding for existing qualifications before new routes have strong business demand risks disconnecting talent pipelines, hampering prospects for young people to move into skilled work.

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<sup>6</sup> Skills for an inclusive economy: education and skills survey, CBI/Birkbeck, 2021

- The timeframe for defunding Level 3 qualifications should therefore be kept under review, with the objective that the availability of quality qualifications should not have to get worse before it gets better. The ability of businesses to offer industry placements and a clear track record of T Level success should be prerequisites to scrapping other options available.
- The government should also monitor the impact of funding decisions on progression amongst disadvantaged groups.

**CBI ask:** Call on the Secretary of State to keep the timeline for defunding existing vocational and technical qualifications under review. The right time to consider defunding any existing scheme is only once any new alternative is fully established and has the confidence of business and learners.