



Call for evidence on skills and training - The House of Lords Industry and Regulators Committee

Chartered Institute of Personnel and Development (CIPD)

September 2024



About CIPD

The CIPD is the professional body for HR and people development. The not-for-profit organisation champions better work and working lives and has been setting the benchmark for excellence in people and organisation development for more than 100 years.

It has 160,000 members across all sectors and sizes of organisation and provides thought leadership through independent research on the world of work and offers professional training and accreditation for those working in HR and learning and development.

Public policy at the CIPD draws on our extensive research and thought leadership, practical advice, and guidance, along with the experience and expertise of our diverse membership, to inform and shape debate, government policy and legislation for the benefit of employees and employers. It also seeks to promote and improve best practice in people management and development and to represent the interests of our members.

Introduction

Employer investment in training has been in long-term decline in the UK for a number of decades. This clearly justifies government intervention to boost investment and increase the demand for skills. However, the apprenticeship levy, has had unintended consequences reducing the availability of opportunities as well as resulting in the expensive rebadging of existing training as apprenticeships. We therefore welcome the proposal for a new Growth and Skills Levy.

However, improvements in the apprenticeship system as a whole are also required, including addressing low completion rates, simplifying overlapping standards, creating pre-apprenticeship pathways, improving training provider quality, and offering flexible top-up training for experienced workers.

Current policies on skills, particularly apprenticeships and training, have lacked consistency, creating confusion and inefficiencies. Frequent changes in funding, policy, and institutional frameworks have hindered long-term planning and employer engagement. A stable, long-term strategy for post-16 education and training is needed, with sustainable funding that supports both national and local needs.

The UK's skills system also faces institutional weaknesses and fragmentation. The proposal for a new body, Skills England, is welcomed, alongside strengthening regional, sectoral, and local institutions. Long-term funding and stronger sectoral bodies are essential for identifying skills demand and addressing shortages within industries.

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

The skills required for the future of the UK economy will be derived from a mix of those that arise because of replacement demand - created as people leave the labour market and need to be replaced - and those that result from expansion demand, that is the number of jobs that are created as a result of growth in particular a sector or occupation. Replacement demand is likely to dwarf expansion demand by several magnitudes, so there is a need to ensure that there are sufficiently skilled individuals across all sectors and occupations of the economy.

However, while there will be a need to ensure that all sectors and occupations have access to suitably skilled individuals, there are likely to be specific technical skills shortages in emerging areas as the economy changes and new industries and jobs are created as a result of technological innovation and disruptions, as well as other factors such as a shift towards a net zero future. To be able to adjust to rapid or unpredicted changes, we need a flexible and adaptive skills system that:

- offers opportunities for reskilling and upskilling throughout employees' careers,

- supplies the intermediate and advanced technical skills that employers need,
- optimises employer investment and involvement in skills development and training.

Alongside this, there is also a need to ensure that the skills system adequately equips individuals with the broader transferable skills that are increasingly important. Predicting exactly what technical abilities and skills will be needed in the years to come is challenging, but core skills such as problem solving, teamwork and communication will be vital in almost all jobs and roles. The CIPD, along with other organisations, [have championed](#) the development of the essential skills [universal framework](#) to support the development of these skills across the education system and in the workplace, and we are calling on the Government to adopt the Universal Framework for Essential Skills and ensure that core essential skills are embedded in a consistent manner across all T Level routes and within apprenticeship standards.

What is the appropriate level of government intervention in the development of skills policies? What should the Government’s proposed post-16 education strategy include in relation to apprenticeships and training?

There is a clear market failure in terms of the provision of training, as such government intervention is justified.

While the apprenticeship system has already undergone substantial reforms to improve quality, there remain [several areas of concern](#), which we identified in a recent report and which we would hope to see addressed in any post-16 education strategy, including action to:

- Address low apprenticeship completion rates
- Review and remove any narrow and overlapping apprenticeship standards, ensuring that apprenticeships provide a strong career foundation, develop both occupationally specific as well as transferable skills, and have sufficient occupational breadth
- Reintroduce a pre-apprenticeship route to ensure that young people have a clear pathway into apprenticeships
- Tackle weak/poor apprenticeship training providers as well as non-compliance, in the provision of off-the-job training
- Introduce modular and flexible ‘top-up’ training for already skilled and experienced employees to achieve recognised occupational competence through end-point assessment but without having to pursue an unnecessary apprenticeship training programme.

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

No, they have not been consistent over time which has hampered the effectiveness of the policy interventions.

The skills system, and the VET system in particular, in England has been characterised by instability for decades with a huge amount of flux in funding, policy and institutional make-up. This creates a confusing landscape for employers and learners to navigate, but has also resulted in employer fatigue, a lack of awareness about current government-led skills interventions, as well as initiatives not being sustained or sufficiently tailored to need.

We have also [previously noted](#) that this lack of stability also hampers the ability of institutions and providers to engage meaningfully with employers to develop relationships and longer-term approaches at a national, sectoral and local level.

The post-16 sector needs a long-term vision, strategy, and plan that encompasses the whole of tertiary education and training. All this needs to be underpinned by long-term and sustainable funding. At a local level this should include a shift away from centrally designed pots of competitive funding - which is both bureaucratic and time-consuming - to sustainable and flexible long-term funding to address local challenges.

Are the right institutions in place to ensure an effective skills system for the future? Should co-ordinating institutions be national, regional, or sectoral, or a mixture of each? What is your view of Government's proposal to set up a new body, Skills England?

No, there are clear institutional gaps as well as weakness and/or fragmentation in existing institutions. We [have argued previously](#) that there is a need for a new statutory arm's length body and supported by enhanced national, regional and subregional institutions, therefore we welcome the proposal by the Government to establish Skills England.

Alongside the establishment of a national body to coordinate employers, social partners, and education and training providers there is a need for additional action to build the capacity of local areas to ensure the effective operation of the skill system, particularly if further devolution of responsibilities is likely. Combined authorities are already taking the lead in this area, and Local Skills Improvement Plans (LSIPs) have the potential to play a significant role. However, to realise this potential and achieve the desired impact, they need stable, long-term funding.

As well as coordination at a national level there is also a need for [strengthened sectoral institutions](#), which are essential for effectively identifying demand and shaping skills provision. Sector bodies can play a pivotal role in addressing both supply- and demand-side challenges within industries. Strengthening these institutions can help foster social partnerships, identify common skill shortages, and set priorities for a more flexible skills and growth levy.

Currently, sector institutions supporting various industries differ greatly, ranging from defunct Sector Skills Councils to employer groups tied to past government initiatives. Many industry bodies, such as the British Retail Consortium and the British Hospitality Association, represent

firms in their sectors but may need significant reinforcement to play a more impactful role. Labour's proposed Industrial Strategy Council or Skills England could focus on enhancing key sector bodies, empowering them to drive collective employer efforts around improving workplace practices, skills development, job quality, and technology adoption.

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

Skills are a derived demand, they are derived from business need. As such, employers need to be all these things, consumers, funders, trainers, and co-designers of the system. However, there is a need to develop, and strengthen, a social partnership approach (covered in the previous question) to ensure that the needs of individual employers are balanced by a clearer understanding of the needs of the sector, the economy and of individual learners. In the case of apprenticeships, we have [previously highlighted](#) that concerns around quality are exacerbated by the absence of a strong institutional framework and industry-led bodies that can foster collective commitment to skills and apprenticeships. In an increasingly employer-driven system, demand tends to be weak, poorly defined, and shaped by the needs of individual employers, rather than addressing broader sector-wide skills gaps and shortages.

Alongside this, action is also required to influence, shape and drive the demand for skills amongst employers. CIPD's report *Employer Views on Skills Policy in the UK* found that employers who take a more strategic approach to skills—by conducting workforce planning, implementing training plans, and maintaining a dedicated training budget—are far more likely to invest in skills, collaborate with educational institutions and training providers, and plan for future skill requirements. This underscores the crucial role of building strong people management and leadership capabilities within organisations to boost demand for skills and training. This is especially relevant for smaller organisations, which often either overestimate their understanding of skills needs or are unaware of their skill gaps.

To address this, a recent Organisation for Economic Co-operation and Development (OECD) report advocates for an "ecosystem" approach, aiming to align skills supply and demand at higher levels. Strategies to influence skills demand include improved job design and strong human resource management practices, potentially through business support programmes, to enhance job quality and skill use in the workplace. The OECD also emphasises local-level economic development approaches, particularly suited to small and medium-sized enterprises (SMEs) that often operate with a local focus.

The CIPD has run a number of positively evaluated [pilots](#) providing HR support to small firms in different parts of the UK which show that micro and small firms typically require quite basic support to ensure they start to put in place the foundations of good people management and development practices. The evaluation of the pilots showed that the provision of typically

transactional HR support was potentially transformational and was associated with improvements in workplace relations, labour productivity and financial outcomes for participating firms.

The CIPD, together with the Behavioural Insight Team, have just launched four more HR support pilots working with Angus Council in Scotland, Tees Valley Combined Authority and Bournemouth, Christchurch and Poole Council, as well as one UK-wide pilot which will provide online HR consultancy support to SMEs across the country. The pilots, which are random controlled trials (RCTs), are funded by the UK Government and should provide robust evidence on whether this type of support can help improve how SMEs can recruit, train and retain employees and the benefits of doing so.

What incentives do employers have to provide training for their employees? Why do you think that employer investment in training has declined in recent decades?

To be successful, businesses need the right people, in the right place, at the right time, which means, in theory, that they should be incentivised to invest in developing the skills of their workforces. However, many businesses, particularly smaller firms, are often focused on short-term goals rather than investing in long-term growth. Smaller organisations are often unaware of the skills challenges within their workforce. For example, [they are much less likely to recognise skills gaps](#) among their employees. Even when they do identify such challenges, they frequently lack the internal resources, such as effective management or a dedicated HR function, to implement strategies for employee skill development.

It is also [widely acknowledged](#) that many firms, particularly smaller or family-owned ones, tend to follow a "low-road" approach to competitiveness. They view human resources as a cost to be minimised rather than an asset to invest in and leverage effectively. This low-road strategy can become self-perpetuating, as past decisions on capital and workforce investments create a path dependency that influences future choices.

The CIPD has [previously summarised](#) existing evidence on the decline in employer investment in training in the UK, and while the reasons for decline are not fully understood, experts have pointed to several possible factors. One explanation is the expansion of higher education, which has reduced employers' need to invest in training, or improved efficiency in training investments. A less optimistic but equally plausible factor is the shift towards business models and competitive strategies that demand lower skill levels. Evidence from the [Skills and Employment Survey](#) supports this view, highlighting a troubling decrease in the demand for high-level generic skills, along with shorter training times to achieve job proficiency:

- Between 1986 and 2012, there was a steady increase in the number of jobs requiring degree-level qualifications and a decrease in roles requiring no qualifications. Since 2012, however, qualification requirements have plateaued.

- The Skills and Employment Survey (1986-2017) shows a decline in the use of high-level literacy and numeracy in the workplace, and stagnation in the need for social and self-management skills, signaling a reduced demand for high-level generic skills since 2012.
- Alarming, since 2006, the time and training required to become proficient in many roles has decreased, now falling below levels seen in the mid-1980s.

If the shift towards lower-skill business models is driving the decline in training and investment, addressing the issue will require solutions beyond traditional skills policy. The focus must shift to broader economic development, business support, innovation, and industrial strategy. This is a complex area for intervention, as it involves first changing an organisation's competitive and market strategies, then redesigning organisational structures, work processes, and job roles before implementing the necessary training and development programmes to support these changes.

Should further incentives be put in place to reverse the decline in employer investment in training, and if so, what form should these incentives take? Do smaller employers need greater support to access skills provision, and what form should this support take?

Yes, greater incentives are needed to tackle the decline in employer investment in training, particularly for smaller employers who fall outside the scope of the proposed Growth and Skills Levy. In terms of apprenticeships specifically, the Government could consider the introduction of hiring incentives for SMEs along the lines of the previous AGE 16 to 24 initiative, which offered a £1,500 grant per apprentice, in addition to covering training costs, and was [found to deliver](#) a net return of £18 for every £1 spent on intermediate apprenticeships and £24 per £1 spent on advanced apprenticeships.

However, there is also a need to boost the appetite for investment. As mentioned previously, skills are a derived demand, therefore, to increase the demand for skills, and skills investment more broadly, it is necessary to change an organisation's competitive and product market strategies, then how the organisation is designed to deliver these strategies, and then change how work is organised and jobs designed to fit, and then finally to put in place the training and development offer that supports all of this. The OECD also suggests that direct intervention is required to help employers reshape workplace practices or shift toward higher-value-added production, thereby driving demand for skills and improving the utilisation of the existing workforce's capabilities.

As highlighted earlier, too often SMEs lack the capability and capacity to engage with the skills system and find it difficult to put into place practices that make best use of their employees' skills because of poor management or a lack of a specialised HR function. To support SMEs take a more strategic approach to skills development, business support is required to help firms: upgrade

their business growth strategies; improve their people-management and development capability; and, adopt and optimise the benefits of new technology.

Yet, at the local level, a recent report by the Gatsby Foundation highlighted significant variation in both the range and quality of business support services provided through LEPs via Growth Hubs. The research found no consistent relationship between the type of business support offered and the specific economic needs of local areas. It also revealed considerable differences in the budgets and delivery models for these services.

The Gatsby report further noted a lack of coordination within the LEP network between:

- 'Demand-side' business support, aimed at improving management capability and business innovation
- 'Supply-side' skills policies, designed to equip workers with the skills needed by businesses

For example, the report identified weak connections between Growth Hubs and local further education (FE) colleges, with limited evidence that Growth Hubs prioritise skills and workforce development, though there were some exceptions, such as the Greater Manchester Skills Brokerage. The analysis also suggested that most employer engagement with FE colleges is transactional, focused on tasks like placing apprentices, rather than fostering discussions about business models or long-term growth strategies.

As highlighted above, the CIPD, working with the Behavioural Insight Team, has just launched a number of HR support pilots for SMEs to explore how to help SMEs improve their people management and development capability.

Concerns have been raised over the operation of the Apprenticeship Levy, particularly in relation to the decline in young people taking on apprenticeships. Is there a case for reforming the levy, for example by ring-fencing more levy funding for training for younger apprentices? If so, what portion of Levy funding should be ring-fenced, and for what ages and levels of qualification?

The CIPD, in partnership with Youth Futures Foundation, have [previously raised concerns](#) regarding the collapse in apprenticeship opportunities for young people since the introduction of the apprenticeship levy and associated policy reforms to the system. We have argued that it is crucial to rebalance the apprenticeship system to ensure that young people have increased access to these opportunities and that the proposed introduction of the Growth and Skills Levy does not further erode opportunities for young people.

We propose that any consultation on creating a more flexible skills levy should begin with the recommendation that at least 50% of the funds be reserved for apprenticeships aimed at young people, and that this should act as a floor, not a ceiling. The remaining funds could be allocated

to other forms of accredited training and development, such as pre-apprenticeship programmes, shorter skills courses, and apprenticeships. By discouraging the expensive and inefficient practice of rebranding existing training as apprenticeships, more resources could be made available to support genuine apprenticeship opportunities.

The widespread rebadging of graduate, professional, and management training as apprenticeships risks undermining the programme's unique value and limiting access for individuals with lower skill levels and younger age groups. Additionally, higher and degree-level apprenticeships are more expensive to deliver compared to lower-level ones, which inevitably reduces the total number of apprenticeship opportunities available. This has contributed to the decline in Level 2 apprenticeships, restricting access to these crucial pathways, particularly for younger individuals. To address this in addition to ring-fencing 50 per cent of levy funding for apprenticeships, predominantly for young people, the Government should consider whether employers should be required to contribute to the training costs for apprentices over 25.

Under the previous funding model, training costs were fully covered for 16-18-year-olds, 50% subsidised for those aged 19-23, and 40% subsidised for apprentices aged 24 and over. To ensure a more balanced distribution of apprenticeship opportunities, the Government could consider adjusting these subsidies to encourage greater investment in younger individuals and those with lower qualifications. For example, a 50% subsidy could be applied for apprentices over 25 who already hold a Level 3 qualification. Additionally, given the high cost of degree apprenticeships and the availability of funding through higher education loans, it may be worth reconsidering how degree apprenticeships are funded in the future. One option could be to limit eligibility for degree apprenticeships to individuals who do not already hold a qualification at that level.

However, it should be noted that changes to incentives for levy payers will not address one of the key reasons for the collapse in opportunities for young people, namely that fewer small and medium sized enterprises now offer apprenticeship opportunities. We have suggested potential ways to increase SME participation in previous questions, these included business and people management support, hiring incentives (for providers and employers) and a shift to demand-led funding.

Should the Apprenticeship Levy be made more flexible, allowing funds to be used for shorter courses? What is your view of the Government's proposals for a Growth and Skills Levy?

Yes, the CIPD has long called for the apprenticeship levy to be reformed into a flexible skills and training levy with a proportion of the funds ring-fenced for apprenticeships, therefore, we endorse the Government's proposals for a Growth and Skills Levy.

There is wide support for such a move among the HR profession, with our recent employer survey finding that 55% of levy-paying employers would prefer a more flexible levy compared with just 23% supporting an Apprenticeship Levy. However, as mentioned above, to ensure that these

flexibilities lead to an overall boost in employer investment in training, action is needed at both national and sectoral levels.

Our [previous research](#) found that 54% of organisations paying the levy admitted they had converted existing training activity into apprenticeships programmes to claim back their allowance. Creating a more flexible skills levy would eliminate the incentive for employers to reclassify training as apprenticeships and instead support other forms of accredited training that better align with the development needs of existing employees. This approach would allow employers to utilise levy funds for both apprenticeship programmes and alternative, more adaptable and cost-effective training options to address key skills gaps within their current workforce.

What is your view of the Government’s proposals for a youth guarantee of access to training, apprenticeships, and employment support? If a guarantee was to be introduced, which institutions should be responsible for providing it and would they need additional resources or powers to do so?

We support the Government’s proposal for a youth guarantee of access to training, apprenticeship, and employment support. However, we would recommend raising the age range to focus on those aged up to the age of 24 years old. The CIPD also believes that the guarantee should be more narrowly focused on access to pre-apprenticeships and apprenticeships given their proven returns on investment in comparison to other forms of training, particularly for young people.

The case for an Apprenticeship Guarantee for young people up to the age of 24 has been outlined in [The Economy 2030 Inquiry](#), a joint initiative by the Resolution Foundation and the Centre for Economic Performance at the London School of Economics (LSE). The guarantee would ensure that every qualified candidate has access to a Level 2 or Level 3 apprenticeship. This concept was originally introduced in the 2009 Apprenticeship Act but was later repealed. And [our recent employer survey](#) suggests that there is strong support for the introduction of an apprenticeship guarantee for young people. The majority (89%) either strongly support or tend to support an Apprenticeship Guarantee, and 60% of organisations report that they would be able to provide an opportunity for a young person if this is brought in.

Combined and local authorities should be responsible for delivering the youth guarantee, or an apprenticeship guarantee along the lines described above, in partnership with other agencies local agencies, such as JCP, education and health providers and employers. Yes, they would likely need additional resources to discharge this new duty.

Should further education be funded in a demand-led way, as is the case in higher education? Is such a shift practical, and would it be necessary to provide a youth guarantee of access to training?

n/a

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

On reforms to the operation of the Apprenticeship Levy, the UK could seek to learn from Ireland's National Training Fund (NTF). The UK's current levy scheme is quite different from its international counterparts, covering only a small percentage of UK employers (about 2%) and representing a modest financial commitment, as it only amounts to 0.5% of payroll bills. In contrast, Ireland's operates on a much larger scale. Funded by a 1% levy on gross pay (reckonable earnings), it covers around three-quarters of insured employees. The NTF provides dedicated funding to help individuals transition into employment, support skill development for those already employed, and promote lifelong learning. The NTF has also helped establish sector and local business networks, particularly for small and micro businesses, to facilitate training and upskilling. As the UK considers expanding the Apprenticeship Levy to include other forms of training and development, long-term financial sustainability must be addressed. The Government should consult with employers to determine whether broadening the scope of the levy is necessary.

On wider mechanisms to boost employer demand for skills and training, the [OECD has provided an overview of a number of international approaches](#) in addressing demand side failings and supporting firms adopt a 'high road' approach to growth. They argue that in many instances, direct intervention is necessary to help employers revamp workplace practices or shift toward higher-value production that promotes more demand and more effective use of workplace skills. Evidence from Finland demonstrates the benefits of directly supporting companies in improving their people management skills and redesigning work to fully leverage employees' existing capabilities and increase the demand for new and higher skills. Since the early 1990s, Finland has funded over 1,800 projects involving nearly 350,000 employees to enhance workplace innovation. These initiatives typically focused on areas such as work processes, organisational structure, supervisory roles, work communities, methods of operation, and business networks, aiming to improve both productivity and work quality. The programme's evaluation highlighted that narrowly focused interventions tend to have limited impact. Instead, interventions should address a comprehensive set of practices that integrate various work, organisational, and human resource management strategies, rather than isolated measures.