Skills Opportunities for UK Government

Every aspect of the metals sector, from primary manufacturing through to recycling, is integral to the UK's economic transformation. The sector supports a diverse range of services and industries which use metal or rely on equipment, components and devices produced from it.

To achieve its wider ambitions for growth, the UK Metals industry calculates that it must attract 2,300 graduates and more than 9000 apprentices and technicians each year. It must also retain those it already employs and retrain others to acquire the specific skills required for the future. A skills pipeline that is fit for purpose for our sector is essential for the whole UK.

This challenge is immense given that demand for engineering skills significantly outstrips supply generally and the current skills system requires significant change to have a meaningful impact on narrowing the gap.

There are several critical underlying issues which have become fundamental barriers to growth for our organisations while also reducing opportunity for individuals, most especially those who are 21 or under.

The new Government presents a unique opportunity to affect positive change in the skills system. This reset will be vital for the delivery of the Industrial Strategy and ambitious national plans for growth and innovation. The UK Metals Council, through its trade association members and their own member companies, looks forward to working in partnership with Government and Skills England to develop skills solutions which can build productivity and create routes for individual prosperity.

We urge consideration of the following 4 key priorities:

1. **Undertake a comprehensive review of the Apprenticeship Levy (and correlated Apprenticeship budget) to reverse the decline of level 2 and 3 apprenticeships**. This must address current market imbalances ensuring that funds are directed towards economic and occupational priorities at all levels. Budget should be protected for critical level 2 and 3 apprenticeships, other vocational training which addresses skill shortages, and local or sectoral flexibilities which can support the deployment of practical solutions to improve awareness, access and outcomes for skills.

2. **Address the lack of available delivery for apprenticeship standards & pathways with dispersed demand.** Smaller learner volumes across SMEs over wide geographies prevent viable economic delivery and result in low adoption by training providers. A more strategic approach to apprenticeship creation and assignment of funding caps and flexibilities would place sufficient emphasis on provision availability and location, patterns of demand (geography and seasonality) and financial viability for the provider base, ensuring that employer investment in the development of apprenticeship standards generates the desired skills and productivity return.

3. **Ensure that Skills England adopts a joined-up approach to identifying, understanding and funding skills priorities across vertical industries, supply chains and Government departments**. Create a cohesive and connected strategy, skills infrastructure and oversight mechanisms that are responsive, make best use of live data and dynamic intelligence, and remain adaptive to evolving demands and emergent opportunities in industry sectors and localities. Representation for SMEs should be meaningfully extended to ensure that policy impact on industries structurally comprised of smaller businesses is comprehensively assessed.

4. **Build capacity for schools' outreach and careers engagement** by extending levy flexibilities for employers to support work experience, skills education & careers awareness through practical, locally implemented interventions with schools, colleges and training providers.

A System Out of Alignment – The Employer Perspective

Apprenticeship reforms introduced in 2017 have so far failed our industry. The Apprenticeship Levy has added bureaucracy and cost, but little value. The opportunity to engage young starters in apprenticeships is now worse than ever. The worrying decline in apprenticeships at level 2 and 3 and among school leavers (16 – 18) nationally and in engineering and manufacturing routes has impacted organisations within the metals sector significantly. Yet, across this industry, Level 2 is a key operational level, and one at which many people should be engaged as apprentices. There has been a +70% decline at level 2 from the pre-levy era to 2023 and DfE data*[1] from 23/24 academic year showed a continuing trend.

The current standards system has made it almost impossible to adapt criteria across the diverse range of specialist businesses requiring apprenticeships. Where suitable standards do exist, often where companies in the sector have invested time and money in developing them as part of Trailblazer Groups, there is frequently no provision available to procure. Small cohort sizes associated with SMEs, combined with inadequate funding for specific standards, and a lack of suitably specialist teachers and trainers means that providers often cannot viably offer provision that falls outside of the narrow suite of 'core' engineering apprenticeship programmes.

During the same period as the decline at level 2 and 3, higher apprenticeships (level 4 – level 7) have seen an increase of more than 300% with growth coming from the proliferation of adult employees undertaking apprenticeships in levy paying organisations. NEET figures (individuals not in education, employment or training) have risen from year to year for 16-24 year olds [2], with concerning implications for future social mobility. Careers guidance and collaboration between employers and schools is not on track, despite small improvements. The Careers and Enterprise Company reported that only 20% of schools are able to meet all 8 of the required (Gatsby) benchmarks for mandatory careers education [3].

Despite the demand for skills and the disproportionate concentration on degree and higher-level apprenticeships, practical barriers within the apprenticeship system around available standards, provision and accessibility for young people mean that budget for apprenticeships has in previous years remained unspent and been returned to the Treasury year on year (£60 million in 23/24 FY; £96 million in 22/23 FY)[4]. The nett difference between the increasing receipts from the Apprenticeship Levy and the budget fixed for apprenticeship remains opaque. There are concerns now that continuous unchecked spending on higher level apprenticeships among levy payers has significant potential to reduce availability of remaining funds for non-levy paying organisations. This would also limit much needed uplifts to address the ongoing challenges at level 2 and 3 in shortage occupations.

---

[1] *Department for Education (Statistics Service) statistical release on Apprenticeships Q2 2024*

[2] *ONS release – Young People not in education, employment or training (NEET), UK: August 2024*

[3] *Careers & Enterprise Company Now and Next. An Analysis of Careers Education in England and what this means for students, educators, employers and society. March 2024*

[4] *HM Treasury Supplementary Estimates 22/23 & 23/24*

Our Priorities

Organisations across the UK Metals industry have considered the actions and critical considerations for skills that will have most impact in tackling rapid change. Our 4 key priorities are explained further here.

A comprehensive, industry-engaged, review of the Apprenticeship Levy to reverse the decline of level 2 and 3 apprenticeships.

We need specific action to reverse the decline of level 2 and 3 apprenticeships. This is most especially urgent for under 19s. Qualification reforms and defunding in other parts of the further education and skills system, mean that many in this age group are at risk of being without suitable pathways to meaningful employment. These are essential occupational gateways to our sector for young people to grow industry experience, secure rewarding employment opportunities and build future career progression to higher level skills.

We recognise that availability of higher apprenticeships at levels 4 - 6 offers valuable progression to higher technical levels. Improved opportunities for degree level education and training without large personal debt offers significant benefit both to SMEs and large organisations, aiding succession planning, workforce development and retention of talent in businesses. This is important for manufacturing employers.

However, an unmoderated approach continues to generate imbalances in the wider apprenticeship system. This is serving to reinforce skills shortages and exacerbate regional and socio-economic disadvantage. Barriers to level 2 and 3 apprenticeships continue while unrestricted spending on higher apprenticeships risks future availability of funds for lower levels, as well as limiting potential funding for interventions which could support increased participation, retention and achievement.

We advocate for the introduction of responsive parameters and limits under the new Apprenticeship & Skills Levy so that the apprenticeship budget is safeguarded from funds being disproportionately spent on activities that do not support priority skills.

We would also call for greater transparency and alignment of the receipt from the Apprenticeship Levy and the apprenticeship budget. The Levy receipt is anticipated to reach £4 billion in this academic year netting in the region of £800 million after the settlement to the devolved nations is accounted for[5]. This differential offers significant opportunity to increase support for apprenticeships and skills which would remove barriers for younger apprentices.

Small adjustments & practical activities that would support organisations, especially SMEs, to reach, attract, recruit and retain the 16 - 18 apprentice cohort could generate significant impact quite quickly. For example, heavy industry is often located in areas that require more

---

[5] *Office for Budget Responsibility Economic Fiscal Outlook November 2023*

complex transport routes often in out-of-town centres poorly served by public transport. A mechanism to enable basic transport funding (re-imbursement of costs) for younger apprentices who cannot yet drive or who don't have access to a vehicle would support those on apprenticeship minimum wages reaching out of town sites. Similar types of support have successfully been made available for T-Level capacity building and DWP skills training initiatives.

Expanding availability of provision

Employers have invested time and cost into the development of apprenticeship standards (with IFATE), only to find them retired or withdrawn without delivery occurring. This is because the provision cannot be viably delivered by training providers (colleges or independent providers) for cohorts below a certain size.

The system needs to adapt and recognise that **lower** and **dispersed** demand, often for specialised skills or roles, does not mean there is **no** demand. There must be better consideration of delivery capacity and viability, ideally with potential providers around the table at the point of development to build up-front solutions with the sector for staffing and implementation of provision and address these issues before they become delivery barriers.

Funding caps for standards need to better reflect that delivery costs, in reality, are generally not flat-profiled with an ideal cohort size. In particular, employment costs of subject specialist trainers / teachers remain the same irrespective of fluctuation in demand or cohort size, which will naturally depend on the industry and occupation that the standard is linked to. In some manufacturing and engineering sectors, the cost of specialist trainers is usually significantly higher where they must be engaged on a day rate commensurate with industry rather than education.

Uplifts for specialist / low volume subjects must be considered during the development and funding approval process of new standards. These enhancements will offset the increased cost of delivering such standards and offer a range of possible solutions to mitigate the higher cost base for providers and employers. Uplifts should also be ***retrospectively*** applied for standards already approved for delivery.

A range of solutions may be relevant in each case and should be adapted to the structure and nature of the industry sector, the available provider base and the individual standard. Considerations include increased travel to learn or teach; accommodation costs for blocks of study/teaching across multiple days where specialist provision is located at a distance or where there is sectoral/ geographic clustering around a small number of specialist centres of provision; and specific cap-ex flexibilities could enable provision to be rapidly established between employers and providers in areas of under supply.

Increased modularisation

Too much occupational specialisation at level 2 is also restrictive for employers and trainees. School leavers particularly benefit from continued development of a range of employment and soft skills for their industry as well as a core foundation of technical skills with less occupationally specific criteria. Restrictive, highly specified pathways at lower levels can become a barrier for industry entrants without experience of work or awareness of the occupational options available beyond their immediate context. Broader programmes give employers more options to coach and develop young employees in ways that aid their familiarisation in the workplace, support their integration within the business, and offer more routes to help them determine future options and progression in the company or the wider sector. Locking young, inexperienced industry entrants into narrow occupational roles risks increasing disengagement and eroding retention in the long term.

Flexibilities which provide enhanced scope for modularisation of common skills and 'building block' knowledge elements across occupations would aid delivery at entry level. The efficiency of taught elements or of 'off the job' delivery could be better planned to bring individuals on a range of related programmes and job roles together, but highly specified standards with unique constituent qualifications even at lower levels, prevent these efficiencies and reduce the viability of providers & employers sensibly grouping small cohorts to access modular training in larger scheduled classes.

Joined-up approach to identifying, understanding and funding skills priorities

We welcome the intent set out by the Government for the formation of Skills England and an aim to shape an approach to skills which has connectivity, supports greater regional and local planning with increased opportunity to target funding towards a wider range of skills and training. We ask that Skills England also adopts a joined-up approach to identifying, understanding and funding skills priorities across vertical industries, supply chains and Government departments.

It is critical for employers that we have a cohesive and connected strategy, a skills infrastructure and oversight mechanisms that are responsive, make best use of live data and dynamic intelligence, and remain adaptive to evolving demands and emergent opportunities in industry sectors. It is important that agility does not stop at policy creation but also translates to practical implementation on the ground with minimal bureaucracy.

Where the Apprenticeship & Skills Levy offers freedom to direct funds to other forms of approved training, it is essential that this is a dynamic process informed by current market intelligence, not a static 'list'. The flexibility must meet local skills demands identified through inclusive and diverse representation across sectors, industries and be truly reflective of SMEs challenges and experiences as well as the influence and needs of large organisations.

We ask that Government considers how representation for SMEs can be meaningfully captured to ensure that policy impact on industries structurally comprised of smaller businesses is comprehensively assessed and not disadvantaged. In particular, we request the creation of additional opportunities and mechanisms for direct consultation at sub-sector level within our industry supply chains so that important diversity of experience and distinctions intra-industry, especially among SMEs, are not diluted or omitted by dialogue only occurring with, and through, the largest sectoral bodies. This can result in generic, one size approaches which fit no-one and ultimately fail.

Trade associations and professional bodies, with trusted relationships and proximity to employers, offer an important route to ensuring a broader range of views from different areas of a wider industry is considered when skills policy is developed. This is also imperative in ensuring more nuanced consideration in the development of occupational standards for Apprenticeships, Technical Qualifications, AAQs and T-Levels, as well as other DfE funded support initiatives which can encourage engagement, for example, the ASK programme.

Extend funding flexibilities

The UK Metals Council is committed to working with Government and FE providers to address the skills gap faced by our industry and ensure it is understood as an attractive career choice.

We believe that the creation of opportunities for individual employers to use a limited proportion of levy funds to support direct schools' liaison, outreach and work experience/exposure could offer significant impact to schools and to businesses, building relationships with future industry entrants and aid their transition into apprenticeships, trainee roles and well paid, fulfilling careers with progression.

Building capacity for this within localities to generate solutions that are suitable for employers, schools and young people in the area, recognises that each place and the needs of communities are different. Employer led activities to highlight industries and occupations would enhance the vital work around more generalised careers education established through Careers & Enterprise Company Hubs and in schools with industry specific engagement and awareness.

Outreach work should also incorporate opportunities to expand teacher education. Initiatives that develop knowledge of both primary and secondary teachers about different industries in their areas to support careers education will aid young people in more informed decision making about careers.

Limited proportions of unspent levy should also be used to support greater co-delivery and collaboration between personnel in skills providers and businesses; creating opportunities for people in industry to spend time in teaching and training environments and vice versa, supporting skills currency, transferability and building on the core principle of dual professionalism within the skills sector.

About the UK Metals Council

The UK Metals Council (UKMC) comprises business leaders from across the full spectrum of the metals supply chain, from primary manufacturing through to recycling. The UKMC is committed to promoting and enhancing the profile of the UK metals sector. Its vision is that a modern, sustainable and progressive UK metals industry will continue to supply high-quality, innovative and competitive products to UK manufacturing and infrastructure projects, as a key part of the circular economy for metals. A key element in achieving this vision is the UKMC's relationship with the UK Government. The UKMC is recognised as the Sector Council, fulfilling a crucial role in supporting policy development through the coordination of responses from across the whole of the metals sector.

UKMC is comprised of 11 metals sector Trade Associations plus 2 technical research organisations, together representing 11,500 companies, supporting 1 million jobs across the full spectrum of the supply chain. More than £200 billion of UK GDP is supported by the sector. The average number of each company member's employees is 21.