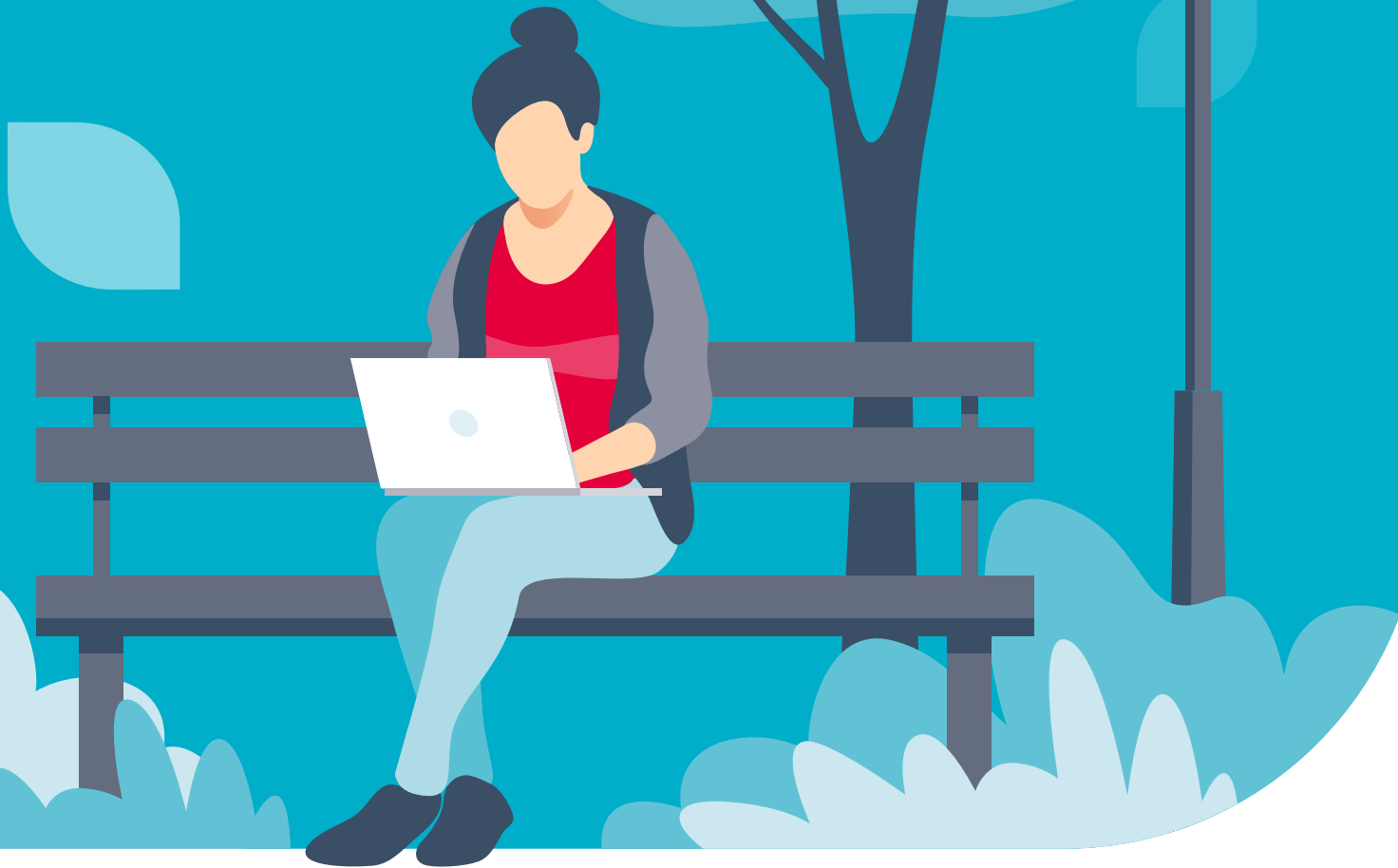


PEOPLE AND WORK

BOOSTING SKILLS: JOURNEY THROUGH EDUCATION & WORK



FUTURE OF
THE
ECONOMY
WHERE BUSINESS BELONGS



British
Chambers of
Commerce
**PEOPLE
AND WORK**

FUTURE OF THE ECONOMY

WHERE BUSINESS BELONGS

This paper is part of a series of five policy areas which develop realistic recommendations for the future of the UK economy, and fresh and compelling proposals for government.



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FOREWORD

THE RT HON BARONESS NICKY MORGAN



The Rt Hon
Baroness
Nicky Morgan

At every stage of the journey, from pre-school to retirement, we are gaining valuable knowledge, skills and experience that are essential to life. Lifelong learning opens up new opportunities, helps create more personal fulfilment, and enables us to play our part in a thriving economy.

At a time when employers are crying out for more people to join the workforce, more must be done to help people overcome barriers to work and achieve their full potential. With the right preparation through the education and skills system, and with ongoing support through adulthood, everyone should be able to access and progress in rewarding work, return or retrain after a career break or illness, and continue to work until the age they choose to leave.

This report shines a light on the joint role of government and employers in supporting people in learning and work. It reflects many of my own priorities: including the need to connect more employers with schools to ensure a smooth transition from education to the world of work; creating fairer and more flexible workplaces; promoting lifelong learning and progression, and delivering a more holistic approach to workplace health and wellbeing.

Education and skills are the building blocks upon which our economy sits. They underpin everything else. If we want the UK to remain one of the largest and most innovative economies in the world, they must be a top priority.

CHAIR'S INTRODUCTION

BARONESS RUBY MCGREGOR-SMITH CBE



Baroness Ruby
McGregor-Smith
CBE

**Chair, People and
Work Challenge**

To grow our economy we need more skilled, engaged and motivated people to contribute to the workforce in every part of the UK.

In recent years, however, we have had record levels of job vacancies. Employers have experienced a shortage of job candidates and a mismatch of skills on offer. It's had a damaging impact on firms' ability to fulfil order books, take on new work and operate profitably.

Business must be able to harness the skills, creativity and potential of everyone who wants to work. To achieve this, government and employers must play their part in supporting people at every stage of their journey through education and working life.

We need to be better at preparing young people for the world of work and continuously upskilling and reskilling our adult workforce for success in a rapidly changing workplace.

The barriers that block people's access to great and rewarding jobs are also barriers to economic growth. So, as well as supporting people into work, we must do more to create flexible and fairer workplaces in which everyone can reach their full potential. At the same time, a sharper focus on promoting health and wellbeing will help people stay in work and reduce their risk of health-related worklessness.

This report considers the lifecycle of an individual through education and work, and the role of government and employers in enabling everyone to be skilled, productive, healthy and achieving their full potential.

Increased costs and restrictions to the UK's immigration system has put this option further out of reach of most SMEs, which makes action to boost skills and labour supply all the more important. Business has a key role to play and the following recommendations aim to support employers and their workforces. But we recognise the importance of affordability and that not all employers will have the resources to adopt every proposal.



INSIGHTS

2023 QUARTERLY ECONOMIC SURVEY - Q4

76%

OVER THREE QUARTERS (76%) OF FIRMS ATTEMPTING TO RECRUIT IN Q4 2023 FACED DIFFICULTIES.

82%

FIRMS IN THE HOSPITALITY SECTOR REMAIN THE MOST LIKELY TO REPORT CHALLENGES IN HIRING STAFF (82%).

68%

IN Q4 2023, 68% OF COMPANIES CITED LABOUR COSTS AS A COST PRESSURE.

2023 WORKFORCE SURVEY

42%

OF FIRMS HAVE STRUGGLED TO HIRE BECAUSE OF A LACK OF JOB APPLICANTS.

76%

OF BUSINESSES OFFER FLEXIBLE WORKING IN SOME FORM.

41%

OF BUSINESSES HAVE A STAFF TRAINING PLAN.

32%

OF FIRMS HAVE SEEN AN INCREASE IN OVER 50s WORKERS IN THE LAST 3 YEARS.

39%

OF BUSINESSES ARE ENGAGING ON CAREERS ACTIVITIES WITH SCHOOLS, COLLEGES AND UNIVERSITIES.

50%+

OF SURVEYED BUSINESSES SAY THEY DON'T HAVE INITIATIVES, SKILLS PROGRAMMES, OR ADJUSTMENTS FOR SPECIFIC TALENT POOLS AND UNDERREPRESENTED GROUPS. THIS RISES TO 65% OF MICRO-ORGANISATIONS (FEWER THAN 10 EMPLOYEES).

EXECUTIVE SUMMARY AND RECOMMENDATIONS

10 POINT PLAN FOR PEOPLE AND WORK

- 1. Plan for growth:** Deliver a long-term, stable, Industrial Strategy that works for all parts of the country, underpinned by national strategies for skills and infrastructure.
- 2. Better skills planning:** Fund a business support service to help employers identify, plan, and invest in the skills of their current and future workforce. Ensure a coherent, stable national skills system, that accounts for the needs of local economies, and commit to long term investment in Local Skills Improvement Plans.
- 3. Get the first steps right:** Deliver a broad education, where young people master the essential skills for life and work, and enjoy more opportunities for applied, digital, and technical learning.
- 4. Work-readiness:** Invest more to make Careers Information, Education and Guidance a mainstream priority for school leaders, embedded in every part of the curriculum. Support employers to engage more with education, to inform, inspire, and support young people to transition to the world of work. Provide quality careers advice to learners, adult job seekers, returners, and career changers.
- 5. Incentivise and reward private sector skills investment:** Incentivise greater transparency around business investment in skills. Recognise employers who invest in workplace training through the tax system and introduce a skills investment kitemark that is credited in the public procurement process.
- 6. Boost in-work progression through upskilling:** Ensure access to apprenticeships and progression pathways; flex the apprenticeship levy, roll out the Lifelong Learning Entitlement on time and in consultation with employers, and promote accredited short courses and modular Higher Technical Qualifications. Ensure leaders, managers, and workforces are equipped for a more digital and automated workplace and the artisan skills and craftsmanship needs of the circular economy.
- 7. Remove barriers to work:** Help people transition successfully from Universal Credit into work, by increasing the taper relief, boosting the provision and uptake of bootcamps, and ensuring access to high quality, affordable childcare.
- 8. Promote workplace flexibility and a more equitable workplace culture:** Encourage greater transparency, extend pay gap reporting to cover ethnicity, boost the weighting of social value in public procurement, and roll out the midlife MOT to SMEs.
- 9. Support a healthier workforce:** To help employers keep people in work and help people return to work, introduce a business health support service to offer guidance, ensure that employers have choice over what services to put in place to support employees' needs, and reduce the excessive tax burden on employers offering health and wellbeing related services.
- 10. Make the immigration system work for UK businesses:** Reduce the burden and costs on employers who need essential access to skilled talent from overseas when they cannot fill urgent job vacancies from the local labour market. Ensure more proportionate criteria for SMEs using the immigration system and extend and increase youth mobility schemes.

The UK's labour market is at a crossroads. In recent years, the labour market has been remarkably tight, with high levels of vacancies and low unemployment. But vacancies are now trending downwards while unemployment is ticking upwards, with signs that businesses are hiring less as the impact of higher interest rates start to bite.

However, vacancies remain well above pre-pandemic levels, sitting at around one million, and skills shortages are still hampering growth.ⁱ According to our latest Quarterly Recruitment Outlook, published in January 2024, three quarters (76%) of companies attempting to recruit are facing difficulties, with a clear discrepancy between skills available and skills needed. Recruitment difficulties are being felt across the economy, but the hospitality sector continues to suffer the most, followed by transport and logistics, construction and manufacturing. Businesses are facing difficulties sourcing people at all skill levels, and particularly for skilled manual and technical staff as well as professional and managerial roles.

As businesses face persistent economic headwinds, most are still reporting no increase to investment in workplace training, with UK employers spending half the European Union (EU) average per worker on training.ⁱⁱ Meanwhile, labour costs are cited by most firms as a source of cost pressure, with nominal wages continuing to rise.

High rates of economic inactivity, currently at 20.9%, continue to expose deep-rooted, long-term problems within the UK labour market, and the ageing population is set to further this challenge.

Looking ahead, the workplace is changing, and so are the skills required to navigate it. It is estimated

that by 2030, nine in ten employees will need to reskill. The relentless development of technology, including the rise of Artificial Intelligence (AI), only hastens this process and it is more important than ever that the government, businesses, and workers prepare themselves for this major evolution.

Skills are also essential if we are going to keep employees in the workforce. Every month, hundreds of thousands of people leave the workforce, taking with them economic potential and a wealth of experience. It could be to care for children or older relatives, for health reasons, to seek early retirement, or because they have been made redundant. Whatever the situation, supporting those who want to work to stay in work, or return to work when they are ready, is key.

The skills, health and engagement of the workforce is also a major factor in attracting private sector investment to our cities and regions and boosting productivity and growth.

This report takes a holistic look at the lifecycle of an employee and how skills interact with them, examining what change is needed in the UK to ensure people can progress and businesses can satisfy their hiring needs. Our recommendations are key to driving a competitive, growing economy and providing the skilled and motivated people that will position the UK as a global centre for business and investment.

We follow a worker's journey from school, to college, the workplace, and beyond and the role of employers, government and the education and skills system in supporting their development, wellbeing, and opportunity.

BUILDING SUSTAINABLE FUTURES FOR UK BUSINESSES

a. THE ROLE OF GOVERNMENT

A need for long-term thinking and a coherent, stable industrial strategy

To create jobs and invest in skills, businesses need to operate in a competitive policy environment that provides long-term clarity and clear signals and direction. As such, businesses need an industrial strategy that is fit for purpose.

Many of today's well-known Asian-based multinational giants, the likes of Toyota, Mitsubishi, Samsung, Hyundai and Taiwan Semiconductor Manufacturing Company (TSMC), can trace their growth to industrial policy measures put in place in their respective home economies.ⁱⁱⁱ While years of political opinion have clouded the debate about industrial strategy in the UK, the recent introduction of the US Inflation Reduction Act (IRA) and the EU's Green Deal Industrial Plan have led to a remarkable shift in the deployment of international investment.

The UK is facing major competition to attract global investment from economic powerhouses who are creating more favourable operating environments, through tax breaks, grants, and loan guarantees, in a push for re-industrialisation and the development of domestic supply chains. Industrial strategies are being used to deliver high quality jobs and tackle regional inequalities, with access to support under the US IRA contingent on wage requirements and the delivery of apprenticeships.

The UK must be quicker to act, harnessing our unique strengths and tackling our national challenges, especially in sectors facing rapid change. This requires deeper strategic thinking from government, and a long-term plan which has enough political support to give investors the confidence that it will stand the test of time.

A long-term industrial strategy should be led by a revamped Industrial Strategy Council, part of the Cabinet Office, that reports directly to the Prime Minister. It should be underpinned by:

- a stable, long-term infrastructure strategy;
- an R&D strategy to make the UK a science and technology superpower and improve productivity across all sectors, including in social care and health;
- a stable, coherent, sector specific skills strategy that takes account of growth areas for the UK economy. This skills strategy will need to:
 - recognise the rapid and transformational impact of quantum computing and AI on job skills and the urgency of upskilling and reskilling our workforce.
 - ensure automation and labour-saving technologies are used to drive, not inhibit, workforce growth and contribute to a high-wage, high-skill economy.
 - plan for the skills needed for the net zero economy and environmental, social and governance considerations (ESG), while at the same time ensuring a 'just transition' for people in the old economy.
 - recognise that people-facing roles, including care, nurturing, and retail for example, are unlikely to be replaced by automation and that ongoing investment in these sectors will remain a priority.
 - embrace the opportunities of English devolution to better address local priorities and differences while, at the same time, the Industrial Strategy should be the golden thread that underpins growth across all regions and sectors.
 - support place-based economic strategies, with a statutory role for business in local skills planning.
- Implement a long-term UK industrial strategy to ensure the UK remains globally competitive. This strategy must be underpinned by a stable and coherent infrastructure strategy, an R&D strategy and a sector specific skills strategy. It should be led by a revamped Industrial Strategy Council, part of the Cabinet Office, that reports directly to the Prime Minister, with DBT, DFE and other government departments involved as appropriate.

A strategy for the whole country

An industrial strategy must create good quality jobs across all regions of the UK.

To truly harness the power of the entire UK economy, the industrial and skills strategy must complement devolved nations' strategies. The Scottish government, for example, has its own National Strategy for Economic Transformation, a Green Industrial Strategy and an Innovation Strategy. Wales has a manufacturing plan and an innovation strategy delivery plan, while Northern Ireland has its 'Skills for a 10x Economy' - a strategic framework for the development of the skills system there up to 2030.^{iv, v, vi, vii, viii}

- A UK-wide industrial strategy should complement devolved nations and regional policies. A four-nations industrial strategy should take account of devolved policy areas such as education and innovation, so these strategies work together rather than in competition.

The role of local government

Regional and local plans are also necessary. Local economic stakeholders such as businesses and colleges all have a role in identifying, planning, and stimulating demand for an area's current and future skills needs. Business-led Local Skills Improvement Plans (LSIPs) are helping to maximise skills investment and outcomes. LSIPs should remain a key part of the government's long-term skills strategy, integral to local strategies, and have support from English devolved regions.

Some combined authorities have implemented successful skills initiatives already, with further devolution promised as part of the 'trailblazer deals' signed earlier this year^{ix}. This enables a sandbox approach and tailored strategies.

However, at the national level, short-term policies are holding regions back. Authorities need a long-term framework to work towards. This should be reflected in any local and national industrial and skills strategy, with actionable objectives that take account of local needs.

- Ensure local skills and industrial strategies contain long term coherent planning, and have business-led LSIPs at their heart, to reflect the voice of employers, local needs and the wider supply chain.



b. GETTING THE FIRST STEPS RIGHT

Developing essential skills

To ensure young people can successfully transition from education to employment, they require numeracy, literacy and digital skills. Research is clear that those that leave secondary without such are at higher risk of unemployment, low pay, poor health and poverty. It is concerning, therefore, that persistent absence from school (missing more than 10% of sessions) has increased from 13% to 24% and is now one of the most pressing issues facing England's education system, impacting our ability to prepare young people for the world of work.

While unemployment levels for young people in the UK are low by historic standards, they remain above average for developed economies, and much higher than countries such as Germany and Japan. According to ONS data, the unemployment rate for 16- to 24-year-olds between August to October 2023 was 12.7%, up from 12.4% in the previous quarter and 10.5% from the year before.^x Meanwhile, the inactivity rate for young people was 38.6%, up from 38.2% in the previous quarter. According to the Prince's Trust, a lack of confidence, training, and qualifications are major barriers to accessing work. Reducing youth unemployment in the UK by just 5% could unlock economic gains of an estimated £38bn.^{xi}

Every year, around a third of pupils in England do not secure a 'pass grade' in GCSE English and maths, limiting their options for further study, with the figure hitting 35.2% in 2023.^{xii} Furthermore, the most recent round of academic tests run by the OECD's programme for international student assessment (Pisa) revealed that UK schoolchildren achieved their lowest scores in mathematics and science since 2006, and their reading results were the lowest since 2009.^{xiii} However, scores in maths, reading and science in the UK remain above the international average, with the UK rising from 17th for maths in 2018 to 11th, and from 27th in 2009.

While the UK is facing a growing digital skills gap across the economy, the number of pupils taking a digital qualification at GCSE level has waned in recent years, with just 14% of students entering computer science in 2023. Of those, just 21% were girls^{xiv}. While technical or vocational qualifications related to digital skills are also available, just 3.7% of pupils took an ICT Technical Award in 2023.

Recent research has also highlighted the increasing significance of transferable 'soft' skills for employment prospects and the future economy^{xv}. For example, more focus is needed on developing skills, such as communication, collaboration and multitasking, which (captured in The Skills Builder and Barclays Life Skills initiatives) predict an individual's progression, lifetime earnings and wellbeing. Furthermore, the UK is behind its peers when it comes to financial literacy skills, ranking 15 out of 29 OECD countries, despite being a key skill that will help young people better manage employment and help to drive productivity and participation.

Personal resilience and the ability to self-manage mental health are also crucial skills for dealing with uncertainty in life and work, and should be given greater priority throughout the education and skills system.

Alongside academic learning, there should be more opportunities for technical and applied / contextualised learning, with a focus on increasing parity of esteem for technical and vocational routes, and help for young people to understand the skills employers value.

As the FutureDotNow strategy articulates, workplace automation and digitalisation requires every individual to be digitally proficient and able to learn and adapt to advancements in technology. Technical and vocational options will be crucial to addressing green skills gaps in energy, manufacturing and construction as we transition to Net Zero. Yet, the number of pupils taking technical-related qualifications at key stage 4 has declined, with just 1% of pupils now entering GCSE engineering.^{xvi}

Other research^{xvii} reveals nine million adults in England lack essential literacy or numeracy skills that are crucial for life, work and economic growth, and will continue to lose out without increased and targeted investment. The number of adults improving these skills in England has reduced by more than 60% over the past decade, while government investment in skills is set to be £1 billion less in 2025, compared to 2010.

- It must be a priority for the government to ensure every young person leaving education has at least Level 2 literacy, numeracy and digital skills. The government should conduct an inquiry to investigate why a third of pupils every year do not achieve grade 4 in GCSE English and maths.
- The government should take steps to rapidly increase uptake of digital qualifications at GCSE level, ensuring these are tailored to address the growing gap for digital skills across the economy.
- The government should consider whether existing qualifications have sufficient emphasis on real world and practical applications, and ensure every young person has the opportunity to engage in applied learning in the classroom.
- Ensure people have the essential transferable skills needed for work. This includes giving greater prioritisation in curricula to oracy and communication, financial education and personal resilience, opportunities to develop greater entrepreneurship and leadership skills, and the ability to articulate their skills and learning during the job application process.
- To help remove barriers to gaining technical and vocational qualifications, Further Education providers should be appropriately funded to support young people to attain basic skills if they have left school without them.
- Ongoing funding should be available to ensure adults in the workplace can achieve functional levels of literacy, numeracy and digital skills, supporting their ongoing learning and development.

Matching the students of today with the workforce of tomorrow

More investment is needed to increase access for young people to high quality impartial careers information. To overcome cultural stereotypes, increase diversity and improve opportunities, careers information and guidance should be available to children from primary age onwards. The Careers and Enterprise Company research shows that every £1 invested in careers IAG in schools delivers a £3 return for the economy.^{xvii}

The CEC, and its network of careers hubs, has helped schools and colleges focus on their priorities to deliver high quality careers support to their students. Through Hubs, schools and colleges are supported to connect with employers and to enable these businesses

to engage with purpose. Early connections with employers can inspire children towards new career paths and provide work experience opportunities that help them in the job market. Employers cannot do all of this alone and Chambers of Commerce provide a wide range of support.

In the British Chamber of Commerce's (BCC's) 2023 Workforce Survey, 39% of employers said they were engaging with the education system to provide young people with careers information and 4% were engaging with T Levels. This is a decline compared with our 2018 survey, when almost half (47%) were actively engaged.

Research by Speakers for Schools reveals the prevalence of work experience has declined, with less than half of young people in England now receiving work experience^{lxiii}. Similarly, the CEC finds that, while young people's experiences of the workplace has now bounced back to pre-Covid pandemic levels, there is more to do to increase scale and quality^{lxiv}.

- Engage primary school children in appropriate careers activities to help shape ambition and attainment.
- Every school, college and university should regard careers education as a mainstream priority, embedded in every part of the curriculum, and have a dedicated full-time resource for careers education. Teachers should be upskilled in careers provision, so they understand their local economy, the modern workplace and what workplaces of tomorrow may look like, including opportunities to experience workplaces outside of teaching. Support more employers to engage with the careers system to help shape it according to their needs and to inform, inspire and support young people to transition to the world of work.
- Careers hubs must have effective and ongoing resourcing to enable locally accessible provision throughout the country, offer the right support to schools and employers, facilitate work placements, and help to promote parity of esteem for academic and technical / vocational routes.
- Funded initiatives should be introduced to enable young people and teaching staff to learn the most up-to-date skills from the private sector. Businesses should be supported to engage with the education system to share their skills in the classroom, maximising their input using technology.

ADVANCED BRITISH STANDARD

Employers value people who have experienced a broad education, including a range of academic and technical learning. This includes arts, sports and humanities, which help develop language, creativity and leadership skills that make UK businesses leaders in design and international trade, for example.

The introduction of the Advanced British Standard (ABS) within the next decade has the potential to support young people to develop this broad range of academic, technical and arts-based skills that the economy needs. At the same time, young people who wish to specialise at an early stage should continue to have access to high quality options for technical education.

While progress has been made to raise levels of investment in technical qualifications, continued focus is essential to achieve parity of access, esteem and funding for technical and academic education and routes to employment for people throughout their working life.

Business needs a stable and coherent skills strategy. Constant tinkering and change should be avoided. It creates uncertainty, confusion and inertia among employers who need to invest in skills, and it jeopardises future engagement and goodwill. For this reason, any proposed transition to a new ABS model of post 16 education must be carefully managed, planned in full consultation with business and followed by a long period of stability.

Technical Education

Businesses consistently report a damaging shortage of technical skills: 73% of respondents to the BCC 2023 Workforce Survey agree that they are experiencing skills shortages. The education system must prepare young people for the modern workplace, which is becoming increasingly digitised, automated and low carbon.

Technical education at all skill levels is key to resolving skills shortages. Much has been achieved in recent years to introduce high quality, employer-backed T Level standards, which are vital to boosting levels of technical skills and knowledge in the workplace. The initiative has been successful in forging stronger links between employers and the skills system and over £1bn of public funding has been invested in their development so far.

Therefore, it is vital that government builds upon this investment in the years ahead and that T level standards are maintained as part of a long-term national skills strategy.

Chambers across England have been working with businesses to raise awareness of T Levels and to encourage them to provide industry placement opportunities. However, the challenging economic environment has limited employers' ability to offer T Level placements recently, with the BCC's 2022 Workforce Survey finding that businesses not planning or unlikely to offer T Level placements increased from 40% to 62% between 2019 and 2022. With even more uncertainty surrounding the qualification following the Prime Minister's ABS announcement, there is a risk that more young people will miss out on these opportunities. Therefore, government messaging must continue to highlight the value of T levels to students, parents and employers and financial support be made available to SMEs to meet placement costs.

- Ensure students, education providers and businesses have certainty regarding the future of technical and vocational skills qualifications. Should the Advanced British Standard become a new British qualification framework, then clarity needs to be provided around the value of T Levels, particularly for prospective employers and students undertaking them.
- Ensure young people throughout the UK have access to high quality technical education. Invest more in the FE sector to develop more technical routes to work and consider the recommendations in the College of the Future Report.
- Roll out Institutes of Technology (IOTs) to all regions across England to boost employer access to quality higher technical education. This will help resolve critical technical skills shortages at levels 4 and 5. Ensure IOTs fully engage with their local Chambers and LSIPs, to develop a joined-up approach to skills provision in local communities.
- Boost and target communications to ensure young people and employers understand Higher Technical Qualifications, where they fit in the education and skills landscape and the progression pathways.

c. ENTERING AND PROGRESSING IN THE WORKPLACE

A Skills Business Support Programme

In the BCC's 2023 Workforce Survey, 78% of larger businesses said they had implemented a plan relating to recruitment, workforce, or wider impact, in comparison to only 45% of micro firms with fewer than 10 employees.

Too few businesses are planning for skills. Many still perceive training as a cost rather than an investment.

Engagement through LSIPs has revealed that most businesses could benefit from support in this area, including how to identify the skills they have in their current workforce, understanding the skills gaps linked to their business growth plan, and accessing quality training solutions. Any such programme would need to be properly resourced, especially if it is to engage more employers and hard to reach firms. The CIPD People Skills pilot^{xix} working through Chambers of Commerce provided small firms with HR support and advice. It demonstrated demand for HR support amongst SMEs, and that a model of bespoke, face-to-face provision is an effective way of achieving tangible improvements to SME employment and training practices.

A Skills Business Support Programme should be created to educate businesses on the tools available to them to train and develop their workforce, supporting businesses to achieve a tangible return on their investment. It should help ensure employers and their people achieve a tangible return on their investment in skills.

Apprenticeships

Apprenticeships are a great route into work and support social mobility. They provide an opportunity to 'earn while you learn', gain vital industry-standard qualifications and enjoy accelerated routes to rewarding careers.

Apprenticeships are also highly valued by employers of all sizes and there are case studies on the impact in the Appendix to this report. They are key to tackling skills shortages for businesses, enabling the adult workforce to upskill and reskill. It's therefore essential that employers remain at the heart of the education and skills system and that apprenticeships are employer-driven, to ensure they

align with the skills needed by traditional, new and evolving industries.

Apprenticeships standards should be available for occupations and skills levels that are valued by employers and there should be technical progression pathways on a par with academic routes.

The growing success of the apprenticeship model is clearly illustrated by the case studies at Annexe A. Despite these successes, statistics^{xx} for England reveal that overall apprenticeship starts in 2022/23 fell by 3.5% compared to 2021/22, and many learners are failing to complete the apprenticeship qualification. Apprenticeship starts for young people (under 19) have dropped by 38% since 2014/15. The government should focus on removing barriers for employers and learners in the apprenticeship system.

Complexity in the Digital Apprenticeship Service, and excess bureaucracy around compliance and reporting, can present major barriers for small and medium-sized enterprises (SMEs). SMEs also struggle to procure the relevant apprenticeship training provision in their local area. To address these issues, we suggest government takes the following actions:

- Reduce complexity in accessing and transferring apprenticeship funding and provide ongoing support for firms who don't have the inhouse resources to efficiently manage the process.
- Ensure SMEs can access apprenticeship and pre-apprenticeship training provision in their local area.
- Ensure the End Point Assessment is appropriately timed and adds value to the employer and the learner, to encourage completion of the qualification.
- Review the National Minimum Wage Apprentice Rate to ensure people can balance the opportunities of an apprenticeship with the cost of living.
- Maintain an employer-led apprenticeship system. Employers of all sizes, and across the four nations, should be supported to identify and co-design apprenticeship qualifications needed by their business and sector.
- Reinstate the employer apprenticeship financial incentive to encourage SMEs to recruit and train young apprentices.

- Tackle low achievement rates, and ensure there is ongoing provider capacity in the market, by ensuring funding bands meet the true cost of delivery.

APPRENTICESHIP LEVY

The levy has increased apprenticeship funding and helped improve quality. It has also encouraged a greater use of apprenticeships for in-work upskilling. This is crucial for business growth and productivity and ensuring firms can navigate the challenges of a rapidly changing workforce.

However, levy-paying employers often struggle with the inflexibility of the levy, finding it more akin to a tax. Many report that their budgets for wider apprenticeship-related costs — and other forms of essential training — have been displaced by the rigid restrictions around levy spending. As a result, they say, it has led to a reduction in their overall adult training and development activity, resulting in fewer people getting the training they need.

For SMEs, while apprenticeships are very important, they are not the solution to all workplace training needs. Increasingly, employers need access to shorter, more flexible training that enables people to upskill for opportunities more quickly. Training providers and employers express concern that unused levy is being returned to the Treasury at a time when local economies are struggling with skills shortages.

The levy should ensure employers can train in the best way to meet the needs of the individual and the business. It should evolve into a broader Apprenticeship and Training Levy, with increased flexibility to cover apprenticeships, pre-apprenticeship training, and other forms of government approved training.

While views differed among our expert group about the range of skill levels and occupations that should be met through the apprenticeship levy, and the degree of levy funding flexibility required, there was universal agreement that Government and employers must do more to ensure we address the training needs of young people joining the workforce, and people who need to train and reskill in the workplace.

The government should collaborate with employers to understand how creating a more flexible levy could work effectively in practice for all businesses. In responding to business needs, the government should evolve the levy into an Apprenticeship and Training Levy, and make a percentage of the fund available for high-quality pre-apprenticeship training and other forms of government approved training and reskilling opportunities.

There is also a lack of transparency around unspent levy funding and, to boost confidence in the system, the government should introduce more robust reporting measures to remedy this. The aim should be to ensure any levy underspend is used to create more accredited training opportunities. Taking steps to retain unspent levy in the area that it was raised in would enable it to be better targeted to meet local skills shortages, either through apprenticeships or other training courses, based on LSIP intelligence.

- Introduce more flexibility in the Apprenticeship Levy and rename it as an Apprenticeship and Training Levy. Ensure the levy encourages businesses to provide additional apprenticeship opportunities for entry and intermediate level roles. In evolving the levy, we suggest that initially a percentage the levy fund in England is made available for spending on pre-apprenticeship training and other government approved, accredited upskilling and reskilling courses.
- Introduce more robust departmental reporting to highlight any underspend on levy funds and consider taking steps to retain any unspent levy in the area that it was raised in so it can be better targeted to meet local skills shortages based on LSIP intelligence.

d. A LIFELONG APPROACH TO SKILLS DEVELOPMENT

Lifelong learning programmes and further accreditation

BCC's Workforce Training and Development Commission's report highlighted the need to help businesses develop a high-performance learning culture, invest more in the skills of their workforce and identify the return on skills investment for the business^{xxi}. Recent research has highlighted that employer investment in training remains far too low, with the UK falling behind peers across Europe, and employer investment in training dropping 23% since 2005^{xxii}.

Employer engagement through Local Skills Improvement Plans^{xxiii} has re-confirmed the employer preference for modular learning. In BCC's 2023 Workforce Survey, 44% of employers say they intend to train via short courses with certification over the next twelve months, 41% through mentoring and coaching and 35% via non-accredited short courses. However, only 12% of respondents had a process in place to assess the value/ROI of training.

The Learning and Work Institute has estimated that people in the UK spend £7.3 billion of their own money and £55 billion worth of time on learning each year^{xxiv}. This is more than the government's adult education budget for England (£1.5 billion), the apprenticeship levy (£2.7 billion) and the National Skills Fund (£500 million) combined. However, the number of people undertaking training is currently lower than it was in 2010, holding back economic growth and employee potential.

Making full use of the Lifelong Learning Entitlement will be critical. From September 2025, it will create a single funding system to help people pay for college or university courses, and train, retrain and upskill flexibly over their working lives. It will provide learners with a tuition fee loan entitlement to the equivalent of four years of post-18 education to use up to the age of 60, equivalent to £37,000 in current fees. The Lifelong Learning Entitlement is intended to be used flexibly, for full-time or part-time study of modules or full qualifications at levels 4 to 6 in colleges or universities.

However, more needs to be done to raise awareness of the Lifelong Learning Entitlement and to ensure delivery challenges do not obstruct its 2025 launch. The government needs to fully engage employers in the design and roll-out of the LLE, to help firms understand how it can supplement, rather than replace, their own investment in skills and the positive role it can play in terms of recruitment, retention, and employee benefits.

These policies need to be complemented by a tectonic cultural shift in Britain, where learning is seen as a lifelong necessity rather than something to be completed at an early age.

- Introduce a workforce skills business support initiative to help employers develop a high-performance learning culture and identify a return on investment for training and development.
- Further modularise technical accredited qualifications, supported by access to flexible funding, to help employers train their workforce and enable individuals to move jobs and progress in their careers.
- Standardise lifelong learning. Through awareness campaigns and skills training, embed a new culture of lifelong learning amongst adults in the UK.
- Maintain and enhance capacity in the FE provider sector by ensuring funding meets the cost of provision.
- Encourage uptake of the Lifelong Learning Entitlement through raising awareness of the scheme and engaging with employers.
- Tackle delivery challenges to ensure the Lifelong Learning Entitlement is launched on time.
- Consideration should also be given to providing maintenance support for learners in hardship situations, regardless of their mode of study.

Digital skills

The world of work is changing rapidly, with new technologies emerging all the time. It's vital that both businesses and individuals adapt to this evolving environment by equipping themselves with the tools to harness the full potential of this transformation. However, innovation is being held back by a chronic lack of digital skills and training.

Coursera's Global Skills Report 2023 ranked the UK as 70th in the world for its technology skills, with significant gaps highlighted in areas like software engineering, mobile development and computer programming^{xxv}. Germany, by comparison, ranks 17th.

There are also wider changes in training that can help drive change. For example, local partnerships can encourage the sharing of best practice — including through links developed via Chambers of Commerce — helping businesses access local centres of excellence, or through introducing more bespoke digital training at a local or regional level.

- Improve access to digital skills training for SMEs. This could be done by improving access to local centres of excellence and more bespoke training.

Improving management skills

There is also a need for more of a focus on management skills to address the 'long tail' of unproductive skills and enterprises. A November 2021 survey by Digit found that 26% of managers said they had received no management training at all, and the same survey found that only 35% received regular training on the job^{xxvi}.

- The government should ensure ongoing access to a broad range of funded management training programmes to ensure firms are maximally efficient, that new technologies are adopted and our workforces are skilled and engaged.
- Government should continue to invest in schemes such as Help To Grow Management and other forms of business support and incentives to boost management capability and effectiveness.

A Skills Business Accreditation

Investors, supply chains and job candidates are increasingly looking to firms who can evidence their commitment to the training, development, and progression of a skilled workforce. At present, there is no nationally-standard process for skills-promoting employers, and therefore no means for pro-skills firms to recognise contributions and build those standards into their modes of operation.

- A new kite mark /certification process should be established and endorsed across the economy, to recognise employers that invest in skills and embed skill promotion throughout their business models. This score should be credited in public procurement.
- Businesses should be encouraged to increase transparency in their reporting on workforce training and development.

Public procurement and progression

Since January 2021, all major government procurements have been required to evaluate social value, where appropriate, rather than just considering it. The BCC is encouraged by the government's decision to set up a network to share best practice through the Social Value Network; however there is further work that can be done to demonstrate commitment to social value.

The weighting given to social value is currently set at a minimum of 10% for public purchasing teams, with the option to increase the weighting where it is relevant and proportionate to do so. We believe that government should publicly fund the deployment of this option, at an increased minimum acceptable ratio of 30%, to signal how seriously it takes the delivery of social good. More weighting should be given to evidence of businesses supporting social mobility through apprenticeships, health and workplace equity.

- The government should consider extending the weighting given to social value in public procurement to 30%.

e. MAKING UNIVERSAL CREDIT WORK

In October 2023 there were 6.2 million people on Universal Credit, compared to 5.5 million in March 2022^{xxvii}. Of these, 2.3 million (38%) were in work, while another 1.4 million were seeking work. However, according to Learning and Work Institute, only one in ten out of work or disabled people are currently receiving government support to find a suitable job^{xxviii}.

The government's action to date has cut the taper rate and introduced a range of in-work incentives, which is welcome^{xxix}. However, there is more the government can do, including further adjustment of taper relief and more incentives and support around in-work progression.

Skills Bootcamps

We welcome the government's announcement to provide another £34 million for Skills Bootcamps from 2024 to 2025. Surpassing the 16,000 target for new starts is also positive^{xxx}. However, providers have struggled to recruit learners. While many courses generate significant interest and lead to high recruitment, others, particularly in construction and engineering, have not met their recruitment target^{xxxi}.

- The government should maintain funding for skills bootcamps beyond 2025 to help reskill those on Universal Credit and take further action to promote awareness, given low take-up rates. The government should amend KPIs to bring Skills Bootcamps into line with similar training programmes to ensure they are realistic and meet the needs of learners, training providers and employers.
- The government should use Local Skills Improvement Plans to drive uptake on Skills Bootcamps and secure employer buy-in.



f. HELPING OUT AT HOME: REMOVING BARRIERS TO WORK

Childcare

A lack of access to high quality, affordable childcare is a barrier to accessing employment and in-work progression.

In 2023, BCC research of over 4,000 individuals revealed that two-thirds (67%) of female respondents who have had childcare responsibilities in the last 10 years felt they had missed out on career development, pay rises and/or promotions. 35% of male respondents who have had childcare responsibilities also believed they missed out.

When parents are forced to leave or reduce work, businesses lose vital skills and experience. Firms' ability to maintain a diverse and equitable workforce is also hit, as many women, having reached middle management levels, feel unable to apply for progression opportunities. Some may leave the workforce entirely. Despite this, only 21% of over 1,200 employers surveyed in 2023 had introduced any initiatives or adjustments to support employees with childcare responsibilities^{xxxii}.

Employers can do more to help parents by adopting a broad range of flexible working options, including hybrid working. SMEs without inhouse HR support may need help to adapt their recruitment and training practices, including training managers in the skills required to manage hybrid teams inclusively and effectively.

At the same time, the government can do more to reduce barriers to childcare for working families. According to the OECD, the UK has the third highest childcare costs in the world^{xxxiii}, now estimated at an average £14,836 p.a. for a child under two^{xxxiv}. While costs have risen by nearly 6% over the past year, availability of places has fallen^{xxxv}. Polling by the Trades Union Congress shows that one in three parents of preschool age children spent more than a third of their wages on childcare, while a 2019 report by the Young Women's Trust found that more than three in four of young mums (78%) aged 18 to 30 said a lack of flexible and affordable childcare was a barrier to finding employment^{xxxvi}.

While the government's plans to expand access to free childcare later this year is very welcome, the sector has been sounding alarm bells that the policy is not sustainable. Acute staffing shortages in the early years sector have long been apparent, with 95% of councils reporting difficulty recruiting childcare workers with the right skills and experience to do the job, and private providers experiencing staff turnover rates of 20%^{xxxvii}. It is estimated that to deliver the government's childcare expansion, there needs to be an additional 24-27,000 more practitioners. The scheme must be backed up by sufficient funding to attract and recruit staff and prevent nurseries from having to limit access to the scheme.

Help for parents transitioning into work has also been made available through the Flexible Support Fund, offered by local job centres to cover the cost of childcare up front until the claimant receives their first wage. We would like to see this provision expanded to allow parents to claim support for longer.

- Employers can do more to fully embrace flexible and hybrid working, and modernise their practices in recruitment, retention, and training.
- Government must ensure the policy to extend early years childcare provision is properly funded and address issues with staff retention, pay and recruitment to ensure the success of the roll out.
- Build on the extension of support for up-front childcare costs through the Flexible Support Fund to help those in work looking to take on more hours.

Universal Credit and childcare

As of August 2022, 2.1 million households with children were receiving Universal Credit (UC) in the UK, while 73% of families with children on UC — more than 1.5 million households — have just one parent^{xxxviii}. It is crucial that these families are getting the support with childcare they need, both to support them into work, and to help those already in employment.

Under current UC rules, up to 85% of actual childcare costs can be reimbursed. However, claimants need to pay costs upfront. According to the latest Department for Education (DfE) data, the number of disadvantaged two-year-olds registered for early years provision has fallen to 124,208 from 154,956 in 2018^{xxxix}. This suggests disadvantaged parents are not taking full advantage of their entitlement, impacting their career progression.

- Raise awareness of childcare support available on Universal Credit to ensure that parents on UC are aware of the support available to them and can make informed choices related to their careers.
- Consider the introduction of a new payment system to replace the current upfront payment process to reduce immediate outlay costs for working parents on UC.

Wraparound care

Parents, especially those on low pay, often need greater flexibility and wraparound support outside of normal office hours than can easily be offered. When surveyed, parents consistently say that they want to see cheaper childcare and more flexible hours^{xl, xli}.

Expand subsidised wraparound childcare support. Expand School Breakfast Club eligibility to all schools, not just the most disadvantaged and introduce funding for Local Authorities for after-school programmes for up to 6pm for all schools.



g. THE ROLE OF THE EMPLOYER IN IMPROVING HEALTH AND WELLBEING

Keeping people in work

The UK's workforce is in worse health than ever. The number of people on long-term sick leave is currently at a record high of 2.6 million^{xlii} with sick days costing the economy £150 billion each year^{xliii}. 185.6 million working days were lost in 2022 alone, the highest on record since 2004, impacting productivity^{xliiv}. Meanwhile, more than 40,000 working-age adults are beginning a disability benefit claim every month, compared to less than 20,000 pre-pandemic.

In January 2023, the Bank of England's chief economist Huw Pill warned that long-term sickness, and a shrinking workforce, was a contributing factor to the UK's persistent inflation. Mental health and musculoskeletal (MSK) issues are the top causes of long-term absence^{xliiv}. With waiting lists for planned treatment at a record 7.8 million high, the NHS should not be left as the last line of defence to fix the nation's health problems.

Businesses have a vital role to play in enabling their employees to live healthy working lives by offering workplace health support services. Employees stay healthier, get back to work quicker and avoid the life-changing consequences of being off work long-term. Businesses increase talent attraction and retention, improve productivity and morale, and spend less on statutory sick pay.

A recent report showed that the healthcare mutual sector delivered £1bn in savings for the NHS, welfare state and employers in 2022^{xliiv}. Yet the BCC's 2022 Workforce Survey showed that only 36% of employers offer wellbeing or occupational support to employees, while only 27% offered healthy lifestyle benefits. SMEs are half as likely to have a standalone wellbeing strategy compared to organisations with 1,000+ employees^{xliiv}.

While tackling ill health in the workplace is on the government's agenda, current proposals are aimed only at increasing Occupational Health (OH) take up, and supporting those already out of the labour market to return to work – rather than prevention and maximising employer health and wellbeing services.

- Introduce a SME workplace occupational health business support service. This will support businesses to take advantage of the benefits of occupational health, many of which are often poorly understood by companies who lack the time and expertise to implement efficient health and wellbeing policies. Driving demand for products and services that improve workforce health outcomes, particularly amongst SMEs, is key to reducing rising health-related economic inactivity. Yet evidence from the Institute of Employment Studies^{xlviii} found SMEs are not driven to seek OH services unless there is a live issue. The BCC's 2022 Workforce Survey found that only around a third (36%) of organisations surveyed – mostly SMEs – reported that they offered occupational support to employees. A similar proportion (30%) said they don't offer any well-being programmes at all, falling to only 7% of larger firms – highlighting the disproportionate pressure and lack of information smaller businesses have.
- Ensure that any incentives for OH enable and support employer choice over which services to put in place to meet employees' need.

We welcome the government's OH Consultations via HMT and DWP, which look to encourage and incentivise take up of OH services. However, implementing narrow measures of incentives for OH only will limit employer choice, pushing demand away from wider services that may better suit employees' needs.

While OH provides an important service for employers, it is only one part of the workplace health market and is often only focussed on assessing people's ability to work. We recommend that insurance is included in the scope of the OH consultations for the added value it brings in terms of preventing ill health and rehabilitating workers. It is also an effective route to OH, since the insurance model of procuring and pooling OH along with other health services is cost effective and well suited to SMEs. Health insurance delivers immediate impact – in a typical year, in a company of 1,000 people, a health insurer will treat around 236 people for ill health. Cheaper health insurance policies known as health plans help employers cover the cost of everyday healthcare such as GPs, dentistry, or physiotherapy via a small monthly premium. The better affordability of cash plans means they encourage whole workforce cover for big business and SMEs and can therefore play a role in tackling health inequalities.

- Introduce a national health at work standard and take a tiered approach. We support the government's proposal for a voluntary national health at work standard for employers, embedding a baseline for quality workplace health provision and best-practice sharing. A tiered approach should be considered, with insurance (both PMI and cash plans) included, ensuring expectations for different employer demographics are affordable and proportionate and incentivising employers to go beyond the baseline.
- Introduce tax incentives to encourage firms to offer health and wellbeing solutions by lowering the prohibitive cost.

Insurance is an important model for the provision of OH services but faces excessive tax barriers. The total tax burden on health insurance currently adds between 50-72% to premiums before tax, between employers and employees^{xix}. At the same time, the double taxation of group income protection inhibits take up through salary sacrifice. These regressive taxes work in opposition to government aims by creating a barrier to health support at a time when record numbers are unable to work for health reasons and the NHS is under unprecedented pressure.

The Association of British Insurers recently surveyed over 2,000 members of the public, and 54% agreed that employers should receive tax incentives to provide these types of benefits to their employees (only 11% disagreed, the remaining were neutral). Insurance should be considered in the scope of tax incentives as a route to Occupational Health provision.

Consideration should be given to targeting tax incentives at both employees and employers. Only considering tax treatment targeted at employees is too narrow. While it is likely to drive employee service utilisation, it is likely to have a negligible impact on business demand.

- Reduce Insurance Premium Tax (IPT) for insurance products that support workforce health. IPT has doubled to 12% since 2015 and the UK has one of the highest rates of IPT for health products in Europe. The IPT is a tax collected by insurance companies and is paid directly to the government. The 12% tax is added to the cost of products. High rates of IPT will therefore be a prohibitive factor in both the general public building health cover for themselves, and employers providing cover for their employees.
- Extend Benefit-in-Kind exemptions to encourage more employees to invest in health insurance products.

STATUTORY SICK PAY (SSP)

The Covid-19 pandemic underlined the urgency of reforms to improve the financial safety net for employees – and especially the self-employed – who are unable to work when sick. Despite reform of SSP being a key focus of several UK government consultations^l, there are no plans to take forward any substantive proposals. SSP reforms are needed to help people have a phased return to work and public policy and employer practice should work together to support people's health and employment outcomes^{li}. Any SSP reforms must be affordable for all businesses.

h. TACKLING UNDERREPRESENTATION

The need for flexibility and workplace equity

Flexible working is increasing, helping to improve diversity and inclusion, boosting workforce engagement and productivity and ensuring employers can access the talent they need.

Research by BCCⁱⁱⁱ reveals 76% of employers are now offering flexible working in some form. But employers in sectors, particularly those relying on in-person operations or service delivery roles, may feel unable to provide the full range of options.

Other surveys have found that almost nine out of ten workers (89%) would welcome greater flexibility. Of these, 16% of workers would even be willing to accept a pay cut or salary decrease in order to work fewer daysⁱⁱⁱ. The desire for flexibility cuts across all genders and ages. Data from LinkedIn shows that 52% of women, for example, would consider leaving, or have left, their role due to a lack of flexibility^{iv}. To help retain workers and skills, as well as boost employee wellbeing, the government should further champion flexibility in the workplace.

Boosting workplace flexibility should be coupled with developing a more equitable workplace culture. Employers need enhanced support to harness the skills and potential of individuals facing job access barriers. For example, extending Gender Pay Gap reporting to include ethnicity could help create more equitable workplaces and tackle barriers faced by a large cohort in our workforce. While pay gap monitoring should be encouraged in all businesses, it should remain voluntary.

Businesses care about their communities and want to provide employment opportunities. By modernising recruitment and retention practices, and increasing training, mentoring and sponsorship programmes, employers can help boost workplace equity, in-work progression and social mobility.

The government can support with targeted initiatives to help firms recruit ex-armed forces veteran and reservists, care leavers and carers, disabled individuals, and other talent pools. BCC's Workplace Equity Commission is investigating how SMEs can be helped to create more equitable workplaces and will report in 2024^{iv}.

- Businesses can do more to embrace flexible working and develop a culture of workplace equity, helping to recruit and retain a diverse, skilled workforce and ensure more people can access work.
- The UK government must do more to champion flexibility and equity in the workplace, ensuring that individuals who are balancing work around caring commitments or health conditions can still access opportunities.
- The UK government should consider the extension of Pay Gap reporting in large firms to cover ethnicity to help break down barriers for a large cohort in the workforce. Requirements for monitoring and reporting should remain voluntary for firms with less than 250 employees.

Older workers

The workforce is ageing and employers risk losing skills and experience if older workers choose leave the workforce or feel unable to continue. In BCC's 2023 workforce survey, 32% of businesses reported a net increase in the number of employees aged over 50 in the last three years. Faced with pervasive skills shortages, it is vital that employers support the return and retention of experienced older workers and encourage them to remain in work for as many years as they would like to. Once again, the adoption of flexible and hybrid working, and inclusive recruitment and training practices, is key to retaining and fully utilising the skills, experience and potential of older workers, particularly those who have childcare or other family caring responsibilities, or lifestyle preferences that require a different working arrangement to the traditional model.

For people in their late thirties onward, progression out of low pay is proving difficult. Older individuals who were low-paid in 2006 were less likely to have escaped low pay in 2016 than 16- to 20-year-olds^{vi}. We need a range of actions that help employers overcome age-bias in recruitment and ensure older people remain competitive in the labour market, with the skills and support they need to thrive.

We recommend that employers of all sizes and in all sectors use the ‘mid-life MOT’ model to help their older workers assess health, work, skills, finances, and other career needs. Recent government action to update the mid-life MOT, including a digital MOT offering, is welcome, but it can – and should – go much further. Evidence suggests that mid-life MOTs can help retain experienced staff, boost employer brands, increase productivity and reduce costs through their health and wellbeing implications^{lvii}. Health-related gaps in the mid-life MOT should be addressed. During the MOT individuals should be encouraged to check what health-related cover they have through their employer and what preventative services are available to them.

- Businesses should further embrace flexible and hybrid working, and adapt recruitment and training practices, to attract and retain the skills of older workers.
- Encourage businesses, potentially through working with Chambers of Commerce and trade bodies, to promote and use mid-life MOTs, and share best practice.
- Offer support and access to off-the-shelf or open-source MOTs, particularly for smaller organisations with financial or resource constraints.
- Job Centre Plus should provide tailored services to older job seekers. Improve and expand the DWP in-person mid-life MOT services, sharing knowledge across the public, private and third sector providers.
- Roll out the expanded, holistic mid-life MOT offer beyond the three initial pilot areas.



i. AN IMMIGRATION SYSTEM THAT SUPPORTS BUSINESS

Occupation shortages

An effective immigration system can play an important role in supporting businesses and economic growth. When an employer has done everything possible to recruit and train for urgent skills needs from the local and wider UK workforce, the immigration system must be an effective backstop.

The BCC supports the government's ambition for a high-skilled, high-wage economy, but the UK's labour market has tightened dramatically since 2020, creating new challenges. The current immigration system does not help firms solve the immediate skills shortages they are facing.

It has become too expensive for businesses (especially SMEs)^{lviii}. In 2023, the government significantly raised the minimum salary threshold for skilled workers, removed the 20% going rate salary discount and increased visa fees and surcharges. While the £1.5bn immigration skills charge is meant to be used to address long-term skills shortages and fund training initiatives for the UK workforce, there is a lack of transparency in how this is being used.

The government needs to be honest about short-term labour market challenges, including low-skilled shortages. Youth mobility visa agreements with countries such as New Zealand will help but are not enough on their own^{lx}. At the very least, these schemes need to be expanded and we would welcome a similar agreement with the EU.

The BCC would also welcome additional flexibility across the immigration system, to support businesses where seasonal or short-term demand arises, such as the fruit picking industry^{lxi}.

Longer-term, the government must support businesses by addressing systemic skills shortages across the domestic labour market by ensuring initiatives are in place to help with training and upskilling where businesses need help most.

- Ensure the new Immigration Salary List accurately reflects skills shortages and links to funding to address urgent, critical skills needs within the UK economy through the domestic skills system.
- Use the £1.5 billion Immigration Skills Charge fund to establish a comprehensive training initiative targeted at where UK skills shortages are most acute.
- Expand Youth Mobility Schemes including an agreement with the EU.
- Review visa fees and surcharges, to ensure these are proportionate and that the system is accessible for SMEs.

CONCLUSION

Ensuring business has the skilled workforce it needs, now and in the future, requires planning, investment and commitment by government and employers. As increased digitisation, automation and greener policies change our workplaces, we need to plan for skills at a national, sectoral, local, employer and individual level.

From the outset of their journey through the education system, and across their working lives, people need the essential skills, knowledge, behaviours and support to be successful. Access to career opportunities, development and progression will require a better balance of academic and technical skills, a hunger for lifelong learning and personal flexibility and resilience.

Helping individuals to overcome the personal challenges and barriers they may face along that journey is also critical, so the economy has the people it needs for growth and productivity. Young people, older workers, parents, carers, those with health conditions or disabilities, and disadvantaged and underrepresented groups, are all crucial to creating a diverse and robust workforce. With three in four businesses who are trying to hire reporting recruitment difficulties, the government and employers must create the right conditions for people to enter, return, thrive and progress in work.

This report makes recommendations for government and employers on many of the key issues affecting people and work, but there is more to do. We aim to explore these, and other related priorities, in future reports.

Through their leadership of Local Skills Improvement Plans, and delivery of business support initiatives, Chambers of Commerce will continue to support employers to address the issues raised in this report. Government must work with business to help solve the UK's productivity problem and put the economy on a strong footing to take full advantage of the opportunities ahead.



APPENDIX

CASE STUDIES

Apprenticeships are jobs with training to industry standards in a recognised occupation, involving a programme of on- and off-the-job training with the apprentice's competence tested by an independent, end point assessment.

Employer-led apprenticeships mean that the employers set the standards, create the demand for apprentices to meet their skills needs, fund the apprenticeship, and are responsible for employing and training the apprentice.

CASE STUDY

SJD ASSOCIATES

THE PARTNERSHIP

SJD is a small business and a proud employer of apprentices. The business has helped the Institute for Apprenticeships and Technical Education design and update the Installation and Maintenance Electrician apprenticeship. This apprenticeship is the most popular in the sector with over 7,000 starts in 2022-23. The company's outstanding work with apprenticeships saw them receive a special National Apprenticeship Award in November 2023 and their Managing Director received an MBE for services to apprenticeships in the New Year's Honours.

THE BENEFITS

The business reports the apprenticeship programme has resulted in positive, long-lasting impact on the people who are training and the commitment they then show to the company. Investing in apprentices has driven sustained growth for the business over several years.

CASE STUDY

BAE SYSTEMS AND BLACKPOOL & FYLDE COLLEGE (B&FC)

THE PARTNERSHIP

BAE Systems and Blackpool & Fylde College (B&FC) have had a thirteen-year long partnership co-developing world-class higher education programmes, and have delivered the project managers and engineers of the future. The overall aim is to provide BAE Systems with outstanding education, training and apprenticeships that support current and future business requirements.

BAE Systems and B&FC co-created Foundation and Honours Degrees in Project Management, Aerospace Engineering and Nuclear Engineering, pioneering high quality qualifications which are embedded within Degree Apprenticeships, whereby apprentices receive support through the BAE Systems Training Centre, and undergo formal education at local colleges.

As part of the partnership, B&FC provides higher education programmes to a select group of high performing students, selected by BAE Systems for their academic excellence, technical aptitude, and communications skills. The students stay on the programme for up to five years, completing a Higher Apprenticeship, consisting of a Level 4 NVQ (non-vocational qualification) and Foundation Degree, leading to a bachelor of engineering in Aerospace Engineering.

THE BENEFITS

The partnership with BAE Systems provides direct industry expertise to B&FC to ensure that its infrastructure is corporately aligned, and employer focused.

The programme provides three substantial apprenticeship routes for individuals who would not normally have considered an apprenticeship pathway to employment, and wider opportunities for non-BAE Systems full and part-time students to engage with the programmes created.

The first cohort of trainees graduated with Honours: 36% achieved 1st class honours and 45% achieved Upper 2nd class honours degrees, both of which significantly exceed the national average.

The partnership's success was nationally recognised when B&FC received the Queen's Anniversary Prize for Higher and Further Education, and the college's higher education was awarded the highest gold rating in the government's Teaching Excellence Framework.

B&FC has helped BAE Systems to design and deliver innovative and highly successful education and training programmes for their employees, providing a catalyst for the company's current and future project professionals.

The programme has a levelling up effect, boosting skills and training for local students in the North West, and also opening career opportunities across the region.

CASE STUDY

EDF ENERGY AND BRIDGWATER & TAUNTON COLLEGE

THE PARTNERSHIP

Bridgwater & Taunton College (B&FC) and EDF Energy established a partnership 10 years ago to map and deliver the workforce requirement for the new nuclear power station under construction at Hinkley Point C.

Through collaborative working and joint investment in skills training, together they have developed an apprenticeship programme and created a sustainable legacy of skills training for nuclear energy that will act as a blueprint for future nuclear new builds. The skills centre has been funded and is supported by many high-profile parties, including EDF Energy, the Nuclear Decommissioning Authority and the National Skills Academy (Nuclear), alongside further industry support from EnergySolutions, the Kier Group and Sedgemoor District Council.

Not only does this work to tackle the green energy skills gap of almost 200,000 people needed to meet the UK's energy transition goals and deliver on long-term energy security, but also to reduce construction costs and the price of electricity for consumers as a result^{xii}.

THE BENEFITS

The partnership with BAE Systems provides direct industry expertise to B&FC to ensure that its infrastructure is corporately aligned, and employer focused.

The programme provides three substantial apprenticeship routes for individuals who would not normally have considered an apprenticeship pathway to employment, and wider opportunities for non-BAE Systems full and part-time students to engage with the programmes created.

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CASE STUDY

TAYLOR WIMPEY AND CHICHESTER COLLEGE

THE PARTNERSHIP

Crawley College (part of the Chichester College group) entered into partnership with Taylor Wimpey in 2017, which provides the biggest cohort of apprentices enrolled from a single employer. Through the partnership, the college responds to the skills needs of a major construction employer but also provides opportunities for young people in the local community.

The partnership shows the development of a long-term relationship with a well-established company within the construction industry. This is a sector that has been hit with skills shortages since the Covid-19 pandemic and resulted in over half of UK construction firms struggling to hire the skills they need due to the impacts of Brexit and an ageing workforce.

The partnership's apprenticeship recruitment, training and delivery has worked to mitigate shortages which have contributed to a damaging impact on UK infrastructure delivery and affordable housing programmes.

THE BENEFITS

Apprentices have been given the opportunity to work for a well-established national company which also offers them strong career pathways, from apprentice to site manager. It has also provided students on construction courses with a clear progression route into employment.

The partnership has also enabled Chichester College's teaching and assessment staff the opportunity to work with large cohorts, exposing them to increased assessment opportunities. One of the greatest benefits of the scheme has been its popularity and success, which has helped encourage more students and employers to consider apprenticeships.

Taylor Wimpey said that the main benefit was the attention given to learners - there is a dedicated person at the college who provides them with weekly updates on attendance, behaviour and conduct of all the apprentices and who is available to handle queries.

The programme has also made the recruitment of apprentices easier. The employer can now approach the college who then has the first opportunity to submit candidates.

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British Chambers of Commerce | 65 Petty France, London, SW1H 9EU
britishchambers.org.uk | @britishchambers | 020 7654 5800

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