

Industry and Regulatory Committee Call for Evidence: Skills for the Future

Please see below Pearson's submission of evidence to the House of Lords Industry and Regulatory Committee's Call for Evidence on '[Skills for the Future](#)'.

Q1) Introduction to Pearson and our reason for submitting evidence

Pearson is the world's lifelong learning company, delivering a wide range of learning and assessment solutions and services in 200 countries. In the UK, we bring a distinctive perspective through our strong presence across the schools, further education, and adult skills landscapes.

We are one of the largest awarding bodies (delivering hundreds of thousands of exams a year), with qualifications that include BTECs, T Levels, HTQs, HNDs, HNCs, Apprenticeships, GCSE, International GCSE, A level, and International A levels, and the Pearson Test of English (PTE). This range of involvement gives us a unique degree of all-through perspective on curriculum and assessment, as well as extensive experience of nationwide delivery, at scale.

Our career-focused qualifications include BTEC from entry level to Higher National Diplomas (HND) and above.

More than six million people have completed a BTEC in the last ten years alone, and BTEC alumni have gone on to form a vital part of the UK and global workforce. Many BTEC students enter the workforce after progressing through vocational higher education. BTEC Nationals are accepted by over 150 UK HEIs and around one in four learners enter HE each year with a BTEC, which amounts to around 100,000 students. One in five students studying nursing degrees hold a Level 3 BTEC National.

We are also actively involved in T Levels. Pearson deliver ten T level contracts, more than any other awarding organisation. These are in Digital (Digital production design and development, Digital business services and Digital support services), and in Construction (Design, Surveying and Planning), Legal services, Finance, Accounting, Craft, Media broadcast and production and Marketing.

Pearson has experience of supporting the devolved regions to develop bespoke training to upskill. Our 'HN Flex' model allows for the delivery of discrete knowledge, skills and behaviour units from Higher Nationals at levels 4 and 5. These units have been approved as part of Higher Technical Qualifications and are therefore closely aligned with current occupational standards. We have worked with, for example, devolved regions such as the Black Country and Marches, to offer units using this model, to ensure employees can develop the skills needed to meet local employer needs.

We have extensive experience of working with apprenticeships as an EPA organisation, a training provider (to the likes of MoD and NHS), and FTSE 100 employer. As an EPA provider we offer a broad range of guidance, training support, and industry driven assessments. We work with 147 customers and over 6,500 employers to deliver EPA. We have supported 20,000 apprentices since 2018 and delivered EPA to 7,500 apprentices across 40 standards in 2023, issued 6,500 Credly badges. We offer 49 on-programme qualifications and hold 35% market share for functional skills as part of apprenticeships. Pearson TQ is an Ofsted rated 'Good' training provider that delivers apprenticeships for employers such as the MoD and the NHS. As an employer we have bespoke

Apprenticeship Teams in our global businesses that look after our apprentices all the way through their programmes of learning and beyond.

Q2) What kinds of skills do you think will be needed for the future of the UK economy? Is the UK's skills and training system capable of equipping increasing numbers of people with these skills?

We need to better define the skills needed for the future of the UK economy and improve the support to our skills and training system to deliver these skills.

- At Pearson we have used proprietary analysis underpinned by details of over five and a half thousand occupations and two and a half thousand tasks within job roles, to create a detailed and predictive [Skills Map](#), looking at the nine regions of England. We have created this using our proprietary AI tool Faethm by Pearson. The analysis explores which jobs are expanding and declining across different sectors in the nine English regions.
- The analysis found that in next five-years there will be more jobs created across the economy, however there will be displacement from declining industries into growing ones. Rather than fewer jobs, there will be different jobs.
- We also looked at the current skills in demand from employers, as well as those growing in importance. The analysis indicates that:
 - 6.7% of jobs across England will be impacted by automation and augmentation by 2027. This means that more than two million workers, of all ages, skills levels and seniority, will need to find alternative roles in order to remain employed, as a result of technological change in their particular sector.
 - There are also regional disparities which government policy will need to respond to. For example, [our data predicts](#) over the next four years financial services will decrease in London by 5%, equivalent to a loss of 20,000 jobs. Yet, in the North West, this sector will decrease by 6%, which will mean a loss of 5,800 jobs. Strategies to address changes in the workforce therefore need to be regional and localised to meet skills needs.
 - Overall, our data shows that although some industries will decrease, others will expand, and the overall workforce will increase. In fact, it shows in the North West, there will be 250,200 more jobs in four years' time. This number increases to 2.08million in relation to England as a whole.
- **The use of our [Skills Outlook](#) data and analysis (based on labour market trends) can help employers and employees stay relevant and adaptable for the long term.** We know that regional workforces are facing significant technological change, and localised insights can help us to navigate this. This data can be used to drive the key steps we need to take to create an effective industrial strategy, from understanding the current labour market and quantifying scenarios for regional and industry strategy, to identifying the jobs necessary to achieve the strategy and projecting the impact of technology and underlying economic factors on the workforce. We can then identify the skills requirements of the projected workforce and the learning pathways from existing or declining jobs to new growing ones,

and then use local planning to develop and fund the right provision for the right people at the right time.

- **When considering the skills needs of the future we must differentiate between vocational education and vocational training.** The former, which tends to be for learners at a younger age, is about learning the underlying key concepts, skills and processes of a domain or profession. These change slowly over time. Vocational training is about the latest industry practice, tools, facts, and techniques. These change quickly, and the learning should be flexible, just-in-time and firmly situated in the workplace as it is primarily about developing one's practice in new fields when one already has a licence to practise.
- **The development of occupational standards must be reviewed so they can support the development of vocational education and vocational training to meet current and future skills needs, and national and regional needs.** The current approach to the development of occupational standards makes it difficult to react quickly to regional and local, and emerging skills needs. On average, it takes nine months for new occupational standards to become available, and further time to appear in the learning / qualifications based on their content. Once the content is set there is no opportunity for flexibility in the delivery to meet local and regional needs.
- **Data can identify key skills for a common taxonomy, supporting small and medium enterprises (SMEs) and tailoring qualifications to diverse needs.** We have the data that would allow for the identification of a core, relatively stable set of skills, and of the most common sets of cross-cutting or multi-sector skills across occupations to produce a common taxonomy that can be utilised consistently across standards. These would support current national needs and help SMEs in particular, whose skills needs may not be heard at a national level. This should be built alongside a more flexible element that can be more adaptive to regional or local, or emerging skills needs. The [Federation of Small Businesses](#) for example, reported in 2022 that compared to five years ago, more small business owners identified the lack of relevant training available locally (16% in 2017 compared with 23% in 2022) as a top barrier to training. A new model would mean qualifications could be built that allow for the tailoring of learner journeys to meet a wide range of employer and learner needs.
- **Regions need flexibility in nationally recognised qualifications to meet regional and local needs.** Qualifications should be designed to be based on a national core, with a flexible element to support regional needs. This way, learners can achieve a nationally recognised qualification whilst also developing skills specific to their regional or local needs. The flexible element can be taken from existing provision or new content can be developed to the same standard as regulated qualifications, informed by occupational standards.
- **Bespoke programmes to support targeted on-demand upskilling should be available to fill local skills needs where existing provision is not available.** These can be taken from existing provision or new content can be developed following occupational standards. Pearson is working with devolved regions on this approach which allows for a joined up

flexible, solution for employees seeking Continuing Professional Development (CPD), looking to upskill and progress in their career or to reskill in new and related sectors. It also allows employees to build on their learning to achieve fuller qualifications where required. The funding rules for the Adult Skills Budget and the LLE should allow for the development of targeted bespoke regional skills provision.

Q3) What is the appropriate level of government intervention in the development of skills policies? What should the Government’s proposed post-16 education strategy include in relation to apprenticeships and training?

Government should set the overarching strategy for post-16 education, set the funding and pay conditions for a successful sector, encourage and support employer engagement in vocational education and training, and support institutions to plan and deliver, but leave specific decisions about provision in the hands of those closest to regions and learners.

It should:

- **Articulate a coherent vocational and technical landscape:**
 - The Post-16 Skills Strategy and the Curriculum and Assessment Review need to be articulated alongside other skills plans to create a coherent whole. For example, proposed changes to the levy will have a significant impact on the availability of 16-18 apprenticeships (i.e. increase numbers via new foundation apprenticeships).
 - The policy of retaking GCSE English and maths until 18 needs an urgent rethink (action is needed to break the cycle of resit failure and fatigue and ultimately in the creation of appropriate post-16 routes for maths and English and that are valued by employers and HEIs).
 - The Lifelong Learning Entitlement, the Adult Skills Budget, and the proposed Growth and Skills Levy could form a coherent package of support for adults looking to reskill and upskill. A joined-up approach to policy and implementation is needed to articulate a coherent landscape.
- **Define a clear and consistent understanding of what we want for the difference phases of education and training.** This should include a clear articulation about the difference between vocational education and vocational training. i.e. be clear about the difference between the needs of young people and adults. Younger learners need a broader educational experience which will give them the foundation they need for work and for life. Adults need to be able to access the same range of provision as younger learners as they may need to reskill in later life. Adults also need access to a broader range of provision to help them get the skills they need to succeed in the workplace. This could include bite-sized learning and be designed to address specific local or regional skills shortages. The British Chambers of Commerce for example, have called for government to ‘boost adult upskilling and retraining through easier access to apprenticeships, technical qualifications and shorter, modular learning opportunities’, and to ‘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’.

- **Ensure the system has the capacity it needs to support the talent pipeline at level 3.** Recent reforms have introduced T Levels, a high-quality, demanding qualification that represent a very stretching blend of specialisation and high-density content. T Level contract volumes to 2029/30 clearly shows that in some sectors, T Levels will not meet the capacity required by the current market. Even if the capacity challenges with T Levels could be resolved, T Levels will not be the solution for every young person following a technical or vocational route. The two-pronged approach to defunding qualifications in the same sector as T Levels is causing the biggest challenge to developing provision that meets both learners need and that of the UK economy. High quality qualifications are being removed for funding in sectors where the rules do not allow for reformed qualification to be developed: In sectors where there are gaps in provision, high quality qualifications currently exist that could fill these gaps. These need to continue to be funded, and awarding bodies need to be allowed to redevelop these qualifications over time in line with the other newly reformed qualifications.
- **Focus on systems and architecture rather than qualification design and development and articulate where decisions are better made locally rather than centrally.** Local institutions need to be empowered to do what they do best – using their vast expertise to identify and deliver the provision that best meets the learner need. The recent Level 3 reforms have, for example, led to the removal of qualifications that colleges and providers find valuable for their learners and these unintended consequences of a central policy decision could lead to significant gaps in provision that will have a detrimental impact on the talent pipeline. We need to better define where decisions are best made; by colleges, schools, and providers as well as devolved authorities, and clarify these roles and responsibilities.
- **Consider the needs of the broad range of learners we are looking to support and focus more on inequalities.** The focus of reform can sometimes be on smaller groups at the expense of broader reform and of tackling persistent inequalities.
- **Consider the broad needs of Level 2 and below learners and support them in gaining the skills they need.** The current Level 2 and below post-16 reforms add further complexity to the landscape. Again, we need to be clear about the options available to 16–19-year-olds and adults as they have different needs. Most 16–19-year-olds at Level 2 and below will need a broad programme which is flexible enough to support a range of progression options. Successful outcomes need to be defined broadly and should include academic, technical or vocational further study or an apprenticeship at level 2 or 3.

Q4) Are existing Government policies on skills, particularly apprenticeships and training, sufficiently clear? Have policies, funding and the institutional set-up been sufficiently consistent over time? If not, what changes or reforms would you recommend?

Existing and new skills policies need to be joined up and better articulated to make them easier for employers and learners to understand.

- We believe that with changes to the apprenticeship levy in train, a move to further devolution, and the planned introduction of the Lifelong Learning Entitlement, now is a

perfect opportunity to ensure funding systems are planned and articulated so they can provide one coherent offer across budgets (i.e. the Adult Skills Budget, the Growth and Skills Levy, and the Lifelong Learning Entitlement). The approval of provision in the Growth and Skills Levy should be linked to Lifelong Loan Entitlement approval at higher levels, and the Adult Skills Fund at lower levels to provide one coherent offer across the three budgets.

- This would help regional institutions to clearly promote opportunities and employers and learners to understand what is on offer and therefore more easily access provision.

Q5) Are the right institutions in place to ensure an effective skills system for the future? Should co-ordinating institutions be national, regional or sectoral, or a mixture of each? What is your view of Government’s proposal to establish a new body, Skills England?

We welcome the introduction of Skills England as a central organising body for skills.

- We are concerned that since the demise of the Sector Skills Councils, we do not have any way of supporting employers to engage collectively with skills issues and is reliant on individual employers engaging in fragmented activities such as Trailblazer Groups.
- The [St Martin’s Group](#) for example (which brings together stakeholders from some of the UK’s leading employers, training providers and awarding organisations including Pearson), calls for the creation of a clear and effective route for employers to input into skills needs regionally and nationally. This would help ensure large employers operating across multiple regions are able to engage where participation across several Local Skills Improvement Plans (LSIPs) is not possible. It would also allow government and employers to agree where engagement is crucial and where it may be better placed with other parties in the system. For example, in the design of skills programmes such as apprenticeships, the use of representative or skills bodies would reduce employer burden and fatigue and accelerate time to delivery.
- We welcome further details on how Skills England will bring together a framework in which regional and local administrations can work with employers, professional bodies and trade unions to deliver the skills we need.

Q6) Concerns have been raised over the operation of the Apprenticeship Levy, particularly in relation to the decline in young people taking on apprenticeships. Is there a case for reforming the levy, for example by ring-fencing more levy funding for training for younger apprentices? If so, what portion of Levy funding should be ring-fenced, and for what ages and levels of qualification?

We welcome the government’s move to broaden the Apprenticeship Levy into a Growth and Skills Levy. We also welcome the ask to employers to rebalance their funding for apprenticeships, asking them to invest in younger workers.

- We recognise that the levy has exacerbated a fall in the numbers of younger apprenticeships, level 2/3 apprenticeships, and those from disadvantaged backgrounds. 16–18 apprenticeships have suffered a particular decline and now make up around only one quarter of apprenticeships. The decline is far more pronounced at Level 2 which fell to

23% in 2022/23. By contrast, higher apprenticeships (level 4 and above) have grown and now make up 33% of total starts. [Analysis](#) has shown that too often large employers paying the apprenticeship levy are choosing apprenticeships to draw down their levy to fund higher-level training for older, existing employees, rather than because it is the best option for them. The decline at Level 2 has hit younger learners far more given around half of 16–18s take level 2. Those from the most deprived backgrounds have been most impacted by the fall in overall numbers, with starts halving between 2016 and 2020 (120,000 to 60,000). They have also been hardest hit by the decline in Level 2. 22.6% of 16–18s on level 2 are from the most disadvantaged backgrounds compared with 16.3% from the least. ([Apprenticeships and traineeships statistics.](#))

- We believe:
 - The new Growth and Skills Levy should be used to better incentivise employers to take on younger learners. If the levy is used flexibly to support older learners to access smaller and less costly provision, more resource can be directed towards 16–18 apprenticeships.
 - Government could also consider fully funding this age group, putting them on an equal footing with all other 16–18-year-olds.
 - To better support all age apprentices, off-the-job training requirement needs to be flexible rather than a mandated 20% percentage of time across all apprenticeships. For younger learners it is critical that off-the-job training includes the learning and pastoral support they need to achieve.
 - In line with thinking about GCSE resits, new level 2 and 3 post-16 maths and English qualifications should be created that are valued by employers and HEIs, allow for the range of prior attainment, are assess-when-ready and criterion-referenced, and provide relevant and realistic content with skills for the workplace and a digital-first approach to learning and assessment.
- To answer the question about the portion of Levy funding that should be ring-fenced, and for what ages and levels of qualification, further analysis, data modelling and research needs to be undertaken to determine volumes by age and level at national and regional level, correlated with job vacancies. It is important to understand how many of the current 850,000 job vacancies in the UK employers could and would potentially fill as apprenticeships if they had the option.
- International examples show the Dutch and Swiss models do not stipulate how many learners should be on apprenticeships. The system is designed so that apprenticeship numbers drop or grow in reaction to economic growth or decline. If the jobs are not available, more learners will undertake full time college courses. When employers are recruiting, the system moves to support more to apprenticeships.
- Given apprenticeships can only be available where jobs are available this analysis, along with incentives for employers to offer younger learners, at lower levels, a chance to kick start a job or career with an apprenticeship, needs to be articulated.