

Review of NCUB Skills Policy in light of Covid-19

13th October 2020

Introduction

The Covid-19 pandemic has had a substantial impact on the UK's labour market, the implications of which are likely to be felt for many years to come. Employment levels have weakened, with the October ONS labour market statistics finding 673,000 fewer employees on UK payrolls in September 2020 compared to March. Redundancies increased in June to August 2020 by 113,000 compared to the same period in 2019, the largest annual increase since April to June 2009.

Young people have been particularly economically affected. In the September ONS labour market statistics, younger workers (those aged 18-24 years) experienced the largest decrease in employment and largest increases in unemployment, with 156,000 fewer employed people aged 16-24.

The economic impact on younger workers has severely damaged their aspirations. A [survey from the NCFE](#) found that only 18% of young people feel positive about their future career prospects. Meanwhile, a [survey from The Prince's Trust](#), found that more than half of young people (55%) say the coronavirus crisis has made them fearful for their future, while 46% say thinking about their future makes them feel "hopeless". 58% of young people are "scared" of being unemployed, while 48% of those not in education, employment or training worried they would never get a job.

To recover from the pandemic and its economic impact, businesses will depend on a talented and adaptable workforce. Many businesses will not return to a pre-Covid normal, but will instead evolve new work practices and adapt to changes in consumer behaviour and demand. This will have a profound impact on the competencies and skills employers need. The Covid-19 crisis is likely to accelerate rapid technological change that has already transformed the UK's labour market significantly.

The Government has introduced welcome measures since the start of the crisis, including the Kick Start Scheme and more details on the National Skills Fund. However, the level of disruption to the labour market and the level of support needed especially for young people requires an urgent step change in ambition.

The National Centre for Universities and Business sits at the important interface of employers and higher education providers. As the collective voice of our universities and business leaders, the National Centre for Universities and Business understands and shapes collaboration to help deliver the future talent the UK needs. The measures recommended to the Government below are designed to support recovery from the Covid-19 crisis and develop a strong future workforce. The recommendations outlined are:

- Temporarily abolish National Insurance Contributions for young people under the age of 25
- Introduce a 50% wage subsidy for people under the age of 25 undertaking an apprenticeship, including a degree apprenticeship
- Amend the apprenticeship Levy so it can be used to cover the real cost of an apprenticeship to businesses.
- Establish an independent body to analyse current and future skills needs of the UK
- Attract, train and upskill diverse, talented people and teams
- Waive the student debt of graduates in occupations with significant skills shortages
- Lift loan restrictions on Equivalent and Lower Qualifications (ELQ)
- Introduce greater flexibilities to the Apprenticeship Levy

1. Help employers employ young people to avoid losing a generation of talent

The Covid-19 crisis has disproportionately affected young people. The Resolution Foundation [has warned](#) that youth unemployment could rise to around 17%, the same level as the early 1980s peak. Policy interventions following the 2007-08 financial crisis came too late, with many graduates experiencing long-term wage detriment that last to this day.

Without support, young people will face unemployment and lower wages, and employers will lose out on the innovative, talented workforce they need to recover. To help young people into employment and help employers to retain talent and valuable entry level jobs, the Government should **temporarily abolish National Insurance Contributions for young people under the age of 25**. Employers should no longer have to pay secondary Class 1 (employer) National Insurance contributions (NICs) on earnings up to the Upper Earnings Limit (UEL), for employees under the age of 25. This enhances existing exemptions that apply to young people under the age of 21.

To maintain opportunities to learn and train, the Government should **introduce a 50% wage subsidy for people under the age of 25 undertaking an apprenticeship, internship or work placement (including as part of or during a degree)**. Restrictions on uses of the Apprenticeship Levy should also be relaxed so it can be used to cover the real cost of an apprenticeship to businesses.

Internships, placements and other forms of work experience are an important way to prepare young people and graduates for future employment. Many businesses have continued to offer internships and placements throughout the crisis, but report that this may become more difficult in the future.

2. Support national upskilling and retraining to prepare the future workforce employers need

The Covid-19 crisis is likely to accelerate changes to an already rapidly evolving labour market. The UK urgently needs to prepare for automation and the fourth industrial revolution. In order to do so, there is an urgent need to develop clear policies and funding to support retraining and upskilling into sectors that are predicted to grow in the next decades.

To help people retrain and pursue new careers, the Government should **provide targeted support for part-time provision and flexible adult learning**. The announcement that higher education loans will be made more flexible was very welcome but the Government should go further and **remove the restrictions for Equivalent and Lower Qualifications (ELQ)**.

The apprenticeship levy was introduced to create new apprenticeship opportunities and provide more employer led pathways towards education and training. In practice, many Apprenticeship Levy payers are primarily using their levy to upskill existing employees rather than taking on new, young apprenticeships. Both possible functions of the levy – to train and educate young people and to retrain and upskill existing employees – are valuable and should be encouraged. **Flexibilities should be introduced that allow employers to more easily use part of their apprenticeship levy to fund appropriate training for existing employees, including through degree apprenticeships**. This would allow business' to use their levy for important retraining purposes, but would also protect part of the levy to create new apprenticeship opportunities for young people.

3. Address long-standing skills shortages that will hinder recovery and rejuvenation

For many years, employers have been reporting large numbers of hard-to-fill vacancies at professional level, from nursing to teaching, to engineering and software development. The Covid-19 crisis is likely to exacerbate existing skills shortages and hinder long-term recovery.

Governments have considered policies to address the UK's professional level skills shortages, but these measures have not gone far enough. Recently, the Government has suggested introducing differential fees in order to incentivise students towards certain degrees in line with economic or societal needs. Universities and students have warned that differential fees would have considerable unintended consequences, including constraining student choice, reversing progress on social mobility and unintentionally generating new skills shortages.

Differential fees to address skills shortages is an impractical approach in an age where technologies are evolving quickly, and the skills and competencies required by employers are transforming rapidly. To address the UK's professional level skills shortages, the Government should **develop a clear process of waiving the student debt of graduates in occupations with significant skills shortages**. This will not simply incentivise students to undertake degrees that may prepare them for a skill shortage occupation, but will also help employers to attract graduates to those occupations and retain them in the longer-term.

Trying to generate a common view on what skills and competencies people should develop and courses they should take during their degree will always risk some reductionism. Universities need to respond appropriately to ever changing student and employer demand, as well as balancing nurturing soft skills, creativity and independent learning against specific technical and competency skills. More feedback should be collected, on a national and local level, from graduate employers to help assess the preparedness of graduates for employment.

4. Widen the remit of the Office for Talent to help grow and deliver domestic talent, alongside attracting global talent, to coordinate national skills and talent policy and steer the UK to a more research intensive knowledge economy

Since the closure of the UK Commission for Employment and Skills (UKCES) in 2017, the UK has lacked a national body dedicated to gathering labour market intelligence to guide policy making. The Migration Advisory Committee (MAC), which advises the government in immigration policy, has played an important role in determining the short to medium term skills needs and shortages of the UK. However, it does not have a remit to forecast the longer terms skills needs of the economy and cannot make recommendations related to domestic training and education.

New technologies have led to significant skills shifts since at least the Industrial Revolution, and it seems like the adoption of automation and artificial intelligence, coupled with the impact of Covid-19 on operations, is only going to accelerate the pace of shifts. As the UK prepares to refocus the economy towards more R&D intensive activity, skills and talent demand are likely to change even further and even faster.

The Office for Talent, announced in the [R&D roadmap](#), is a welcome step towards attracting and retaining the most promising global science, research and innovation talent to the UK. This recognises the importance of a cross-cutting approach, that works across the remits of, government departments

and regional bodies, to attract global talent. However, **a similar cross-cutting approach needs to be taken to develop, upskill, retain and retrain domestic talent and expanded to cover all areas of the economy.**

Rather than establish a second body, the Government should **expand the remit of the Office for Talent, with a wider remit to include domestic talent.** The Office for Talent would strategically assess current and future talent needs, and recommend policy solutions to Government across education, training, research, immigration and diversity and inclusion policy. It should:

- Be empowered to provide advice to all Whitehall departments, devolved government, regulators and funders, businesses, and education providers based on evidence and insight.
- Work closely with Skills Advisory Panels and local government to establish the skill needs of local areas and how central government can work with local government, local education providers and local business to make sure we have the workforce for a successful economy.
- Drive collaboration between government, universities and business in discussing the challenges of the current labour market.
- Work closely with the Migration Advisory Committee and the Department for Education's Skills and Productivity Board.

The Office for Talent should evaluate the short, medium and long-term skills and competency needs of the UK, specifically, those required to deliver a more research intensive, innovative economy.

Without strong data collection, it will be near-impossible to assess and respond to changing talent demands. Understanding current talent capabilities is critical, building on the insights generated by the MAC to determine both the nature, scale and location of talent availability and gaps in the UK.

5. Support universities through the crisis so they can continue to educate the future workforce

Universities play a fundamental role in the UK's education system. In our knowledge intensive economy, universities deliver the higher-level technical skills and competencies that employers need and value. Universities are dispersed across all parts of the UK, driving regional growth and helping local employers access talent. However, Covid-19 has had an unprecedented impact on parts of the university system and certain universities in particular, with many universities having to rapidly change their operations and facing a likely drop in international student numbers.

The decision to allow all students who achieved the required grades to be offered a place at their first choice university must be welcomed. However the late movement of students between institutions will have unintended consequences for the university sector. There is an urgent need for financial support to ensure the financial stability of institutions suffering from a loss of students and to offer further support to maintain and build capacity where needed. Failure to support universities through this crisis could prevent employers in all parts of the country from accessing the talent they need in the future.