

Submission to the Sub-Committee on Education, Skills and the Economy inquiry into apprenticeships

March 2016

Introduction

Balfour Beatty is a leading international infrastructure group. With 20,000 employees across the UK and over 100 years' experience, we provide innovative and efficient infrastructure that underpins our daily lives, supports communities and enables economic growth. Balfour Beatty finances, develops, delivers and maintains the increasingly complex infrastructure that underpins this country's daily life – in transportation, power and utility systems, social and commercial buildings: from Crossrail and the Channel Tunnel Rail link, Heathrow T2b to the M4, M5 and M6 smart motorways; Sellafield and soon Hinkley B nuclear facilities; and the Olympics Aquatic Centre.

Balfour Beatty invests in apprenticeship programmes across a broad range of disciplines, employing over 150 apprentices each year in the UK in addition to the 320 currently under training in a diverse range of roles across the business¹. We employ around 700 more young people on graduate and part-time higher education / degree schemes. We are also members of the 5% Club, and are committed to the aim of ensuring that 5% of our UK workforce are apprentices, graduates or sponsored students on structured education programmes within the next five years. We recognise the valuable contribution our apprentices make to our business and as the pipeline of future talent.

By investing in growing numbers of apprenticeships, we believe that we are not just helping young people build productive careers and successful lives, but also making a sound investment in our own future.

1. The target of three million apprentices by 2020, how the Government proposes to achieve this and how this may affect the 'skills gap'

Balfour Beatty welcomes and supports the government's ambitious plans to create 3 million more apprenticeships by 2020. We believe that the government's commitment to this agenda had led to some important and timely changes, including the development of degree apprenticeships and apprenticeship trailblazers and the protection of the term apprenticeship by law.

However, we do not believe that the target and apprenticeship levy alone will be enough to meet the shortfall in skilled workers the infrastructure industry needs.

Training, apprenticeships and up-skilling are vital in maintaining our businesses and the economy as a whole. However, the demand for higher-level skills in British industry is set to increase in the years ahead, with high-growth, high-value sectors central to future growth, including construction and engineering, predicted to be particularly hard-pressed. Already, skills shortages are impacting industry, with knock-on impacts for the price customers pay and implications for the government's

¹ <http://www.balfourbeatty.com/index.asp?pageid=364>

infrastructure investment plans. For example, in construction, skills shortages pushed up wages by 6% in 2015, with pay increases in the industry running at three times the national average of 2%². The same survey highlighted that labour shortages were reported by 66% of construction professionals to be the most significant barrier to growth in the last quarter of 2015.

We believe therefore that we need to both raise overall skill levels in the workforce and respond to the specific skills needs of growing sectors. Apprenticeships alone may not be enough. However, retraining individuals could be a viable way for the UK to meet some of the skills shortages across the construction and engineering industries, with support for re-training members of the Armed Forces and ex-offenders.

There are other points that could be considered in addition to the existing apprenticeship plans to tackle the skills shortage in key industries and meet the higher skills requirements of our future economy. For example:

- The most important statistic to focus on is apprenticeship completions, rather than starts. It is the number of completions that shows that the training is right for apprentices, while simultaneously delivering the workforce trained with the skills that employers are looking for. Government figures show that over thirty per cent of those starting an apprenticeship fail to complete their courses, with the success rate having dropped year on year since 2012³, although this is likely to be, in part, linked to the government's welcome drive to improve standards by introducing new rules increasing the length of time apprenticeships must last and the fact that they must include off-the-job training. In our view, it should be a key role of the new Institute for Apprenticeships to focus on increasing the numbers of completions of high quality schemes, in addition to its role in safeguarding the quality of apprenticeships.
- Business needs confidence in the quality of the infrastructure pipeline in order to ensure it can invest in the skilled staff for some of the specialist roles in major projects. This is especially the case where new skills are required for innovative schemes, for example in new nuclear build. It can take a decade from starting an apprenticeship for someone to gain all the skills they need to work in this area and in other specialist areas. Early, firm decisions are needed to enable us to invest in the people we need over the long-term.
- We believe that regions should be able to develop their own skills base organically. Other ideas should also be considered, such as giving communities power over skills budgets so they can shape the training for their young people; and developing better links between educators, employers and Local Enterprise Partnerships, so that young people can access apprenticeships and training.
- We would like to see some mechanism which prevents companies from rebranding existing training schemes as apprenticeships as this will artificially boost the numbers of apprenticeship starts without improving the skills balance in the overall economy, which is what industry needs.
- Through cross sector collaboration, skills shortages can be addressed universally, rather than on an industry basis. Such an approach would enable the development of general skills which could be transferred across industries.

2. The proposal for an apprenticeships levy and how this may be implemented

² RICS UK Construction Market Survey, January 2016

³ BIS, Further education and skills: statistical first release – February 2016

Balfour Beatty welcomes the proposed apprenticeship levy. If it is well-designed, the levy could be a practical way of contributing to the government's ambition to create a high-quality apprentice system in the UK. However, there is of course also a risk that, poorly implemented, the scheme could add costs to employers without increasing either the quantity or quality of apprentices recruited.

There has, as yet, been little concrete information released about the structure of the scheme and how it will work. It is our understanding that the details of how the levy will operate, how firms will get the money via the digital accounts and what types of training will qualify will not be published until the end of 2016. If this is to be the case, this will pose a problem for some businesses: April 2017 is not that far away and budget setting and business planning for the next year will need to take these details into account. In order to plan, businesses need maximum clarity as soon as possible. For example, it has not yet been firmly announced how the scheme will be run, whether companies will be allocated training credits, or vouchers to use on government-approved training courses, or how the refund system will be different for firms located and/or operating in those parts of the UK which already run their own apprenticeship systems. Business needs greater clarity on how the levy and funding will work in the devolved administrations. Additional points:

- We believe that employers should have as much discretion as possible over when and with whom to spend the digital vouchers which seem to be the most likely option. We therefore urge the Government to review the 24 month spend period currently suggested and to ensure that industry has the clarity it needs on the value of vouchers and available top-ups.
 - Furthermore, in our view, the new scheme must ensure growth in level 3 and 4 apprenticeships to ensure quality as well as focussing on quantity. If the majority of the apprenticeships are at level 2 because of over-prescription in the way the money can be spent, it will not address the areas where there are skills shortages.
3. The institutional architecture of current provision and how this may be affected by the proposed Institute for Apprenticeships

Balfour Beatty believes that the Institute for Apprenticeships should enable maximum employer choice over how to spend their vouchers, either via registered providers or appropriate in-house training. This would facilitate the truly competitive market amongst training providers which employers seek.

We support industry suggestions that there should be a consultation on the remit and structure of the proposed Institute for Apprenticeships.

4. Take-up of apprenticeships amongst 16–19 year olds and steps that can be taken to make more young people aware of available opportunities

We believe that there are three key steps that need to be taken to improve the awareness and take-up of apprenticeships amongst 16-19 year olds:

- *Addressing the lack of knowledge and information:* Pupils should have full access to high-quality, impartial careers information about all post-16 education and training options, including apprenticeships and technical and professional education (TPE). In our experience, this is not currently the case. While businesses such as Balfour Beatty try to address this via school outreach programmes, there is more that business, government and schools can do to ensure that the relevant information is available.
- *Changing attitudes in schools:* It is well-documented that there remains a view amongst some schools and teachers that apprenticeships are for those who are less intelligent. This leads to the

outcome that apprenticeships and other TPE are only recommended to the lowest-achieving pupils. This serious misconception must be tackled as a matter of urgency in order to create the high-skilled economy the government – and industry – desire. Some of the highest-growth and most economically important sectors, such as engineering, construction and manufacturing require intelligent individuals and offer rewarding, stimulating careers.

- *Educating and informing parents:* There remains a view amongst some parents that a degree is the most desirable qualification. While we are supportive of university education, we believe that it is vital that parents understand that it is not the only fulfilling option: apprenticeships should be seen as being on a par with degrees as a route into a high skilled, high value career. We believe that there is a need a wider public information campaign on this issue to champion technical, practical and vocational learning and to tackle the fact that 63% of parents say they would not be able to explain apprenticeships to their child⁴.

5. The process of applying for apprenticeships

In our view, apprenticeships currently lack a coherent entry route, particularly compared to colleges and university. The recruitment process is therefore a key obstacle to building an effective apprenticeship system. To this end, we support the findings of the City and Guilds Industry Skills Board report⁵: Balfour Beatty believes that the process should be simplified as much as possible, ideally via a centralised system for apprenticeships such as the UCAS university application process. The UCAS system enables school-leavers to fill out a single UCAS form to apply for several universities at a logical point in their final year of full-time education. Creating a parallel system for apprenticeships would further assist in putting apprenticeships on an equal footing with university education.

6. Routes for progression to higher qualifications for current apprentices

The government has outlined its aim to make higher apprenticeships available to more businesses, an ambition Balfour Beatty welcomes and supports. We partner with 12 universities and colleges to deliver Trailblazer Higher and Degree Apprenticeships in areas including Civil Engineering, Construction Management, Building Services Engineering, Design Co-ordination and Quantity Surveying. We believe that these qualifications mark an increasingly professional approach to apprenticeships, enabling entrants to the industry to move more quickly into management roles where a further skills shortage is emerging.

In order to deliver the government's ambition to increase the number of higher apprenticeships, we believe that any voucher system relating to the apprenticeship levy should reflect the increased value and increased costs associated with these longer apprenticeships. This would support the employers providing these options and encourage more employers to offer them.

7. The quality of, and minimum standards for, apprenticeships, and how standards can be enforced

Balfour Beatty has been active in the trailblazer scheme, which aims to drive up the quality of apprenticeships. The trailblazers develop new-style apprenticeships with a focus on rigour, quality and simplified standards setting out the outcomes employers want apprentices to achieve. We value this scheme and believe that the government should ensure that it continues.

We also support industry suggestions that those providing training should be registered with and inspected by the Institute for Apprenticeships in order to assess the quality of their training provision.

⁴ Association of Accounting Technicians

⁵ City and Guilds, Industry Skills Board: Making Apprenticeships Work, The Employers' Perspective, October 2015

This should be a requirement in order for them to qualify for funding. Maintaining a high quality of training is critical to the success of the government's apprenticeship ambitions.

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