



## **Inquiry response**

### **Engineering UK – Engineering & technology apprenticeships**

#### **“Fit for the Future”**

**February 2023**

The Nuclear Skills Strategy Group (NSSG) is the nuclear industry’s employer-led strategic partnership for skills planning.

Members include:

- major employers who have the plans and the expenditure to drive the major developments in the nuclear sector
- government departments responsible for nuclear development and skills leadership
- a representative of the trade unions in the nuclear industries

This consultation response is provided on behalf of the employer members of the NSSG.

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## Q1. Opportunities

Apprenticeships are a popular route for recruiting new talent into the nuclear sector, and increasingly as a route to upskilling existing staff. In common with other engineering and technology sectors, the nuclear sector has an ageing workforce and is already seeing significant proportions of skilled experienced people retiring each year. The apprenticeship route allows employers to replace those people with new entrants as well as to improve the age, gender and social diversity of the workforce.

The apprenticeship route combines subject matter knowledge learning with practical, on-the-job experience overseen by employers themselves, often with the additional attraction to the individual of achieving valuable academic qualifications while earning. It is this combination that makes it an excellent option to produce the suitably qualified and experienced personnel that the sector needs.

The nuclear sector has always tended to recruit via the apprenticeship route in disproportionately higher numbers than most, and it is an established route to career development. It is very common to find that some of the most senior personnel in nuclear sector companies have undergone apprenticeships during their careers.

## 2. State of Play

Evidence from the Nuclear Apprenticeship Survey <sup>1</sup> and the Nuclear Workforce Assessment <sup>2</sup> show that apprenticeship numbers have been relatively stable in recent years. There was some decline from approximately 2017 to 2019, although discussion in the sector at the time suggested that this was driven more by workforce demand and business need than the introduction of the Apprenticeship Levy and English Apprenticeship Standards that were happening around the same period. Since then, apprenticeship recruitment rates have recovered – the effect of the COVID-19 pandemic tended to be mainly about delays in arranging recruitment, rather than cancellations or reductions overall.

Apprenticeship recruitment is particularly sensitive to forecast demand for skilled people, especially where there is uncertainty as to developments for the employers in the medium term. Recent evidence given by the nuclear sector to Parliamentary inquiries has stressed the need for certainty in public policy decisions that underpin investment decisions. The recruitment of an apprentice is a multi-year investment in developing a person into a skilled and competent contributor to the workforce, so the decision needs to align with reasonable expectation that their skills will be needed at the appropriate time.

One of the reasons that the information gathered through the NSSG for the nuclear sector may show a different picture from other sectors is that it consists mainly of large organisations. Analysis of the places where numbers have declined more suggest that it is mainly affected by small and medium-sized enterprises (SMEs); although these are a feature of the supply chain to the nuclear sector, they do not form a large source of the data we have on workforce or apprenticeships.

<sup>1</sup> <https://www.nssguk.com/media/2723/nuclear-apprenticeship-survey-2020-21-final.pdf>

<sup>2</sup> <https://www.nssguk.com/media/2018/nuclear-workforce-assessment-2019-full-report-final.pdf>

Across all sectors of the economy, the number of individual companies registering apprentices has dropped 36%. This has been predominantly driven by a 38.9% drop in the number of SMEs registering apprentices, compared to a 4.6% drop in large businesses over the same period. So the primary reason behind the overall decline in apprenticeship starts in recent years is the significant number of SMEs that have disengaged from the system entirely.

Figure 6 within the call for evidence document shows this is driven by a 39.2% drop in engineering-related apprenticeships at SMEs (0-249 employees) over the same period. If we look specifically at starts within smaller businesses (0-49 employees), the data shows a significant 56% drop.

The most likely explanation as to why large organisations are performing better than SMEs is the Apprenticeship Levy. Levy payers have a greater incentive to engage with the apprenticeship system. If they do not, they lose access to the often-substantial funds they have contributed. Despite access to public 'co-investment' funding that covers up to 95% of apprenticeship training costs, smaller organisations are not incentivised in the same way; the money is not 'theirs' to lose.

### Q3&4 – Barriers & solutions

Nuclear sector employers have noted the following areas where barriers could be removed or changes made that would encourage them to recruit more apprentices:

- Off the job training, and flexibility in the 20% off-the-job training requirement. In sectoral discussions on this issue, nuclear employers have been clear that they understand the need to ensure that apprentices are given time away from their role to fulfil learning requirements, but believe that this off-the-job element should have greater flexibility. In technical roles such as those typically seen in the sector, a high proportion of the necessary skills, knowledge and behaviours are best learned on the job. For some occupations, it would be preferable to consider how the functional skills requirements for English & Maths link to competence in a role, to ensure that they are supportive and do not act as a barrier.
- Flexibility of Levy – Some employers would increase apprenticeship takeup if there were more flexibility in use of the Levy. Current restrictions on Levy use allow it to be used only for external training and assessment costs. This excludes significant other costs associated with employment of apprentices in the nuclear sector, such as supervision, backfilling productive posts, personal protective equipment, travel, and engagement with training providers and end point assessment organisations.
- Funding bands, training costs and time to spend Levy - Nuclear sector employers are keenly aware of the comparison between costs and available funding, which affects commercial decisions on apprenticeship recruitment. The current system requires employers to spend Levy funds within 24 months of incurring the liability through payroll, which places a time pressure on expenditure that might not meet the pattern of business requirements. The outcomes of funding band reviews published so far by the Institute for Apprenticeships have, more often than not, seen reductions in funding. Employers in the sector have said that they believe this general downward pressure on funding will lead to lower use of the Levy, and make it more difficult for them to make the commercial case for uptake of apprenticeships.
- Transfer of Levy – An increase in the amount that employers can transfer to the Levy accounts of other organisations would allow more flexibility in dealing with supply chain organisations and FlexiJob Apprenticeship Schemes, to improve the number of apprenticeship starts.

**Q5 - Do you have any other final insights or evidence not already covered in the previous questions?**

*Non-apprenticeship training*

The Apprenticeship Levy was introduced to “create long term sustainable funding for apprenticeships and to give employers more control to provide their staff with a range of training opportunities.” The Nuclear Apprenticeship Survey shows us that 43% of the Levy paid by respondents in the sector could not be spent on their apprentices, and was returned to HM Treasury, a figure close to that seen across the economy.<sup>3, 4</sup>

Apprenticeships are not always the most appropriate way to reskill or upskill workers. Apprenticeship programmes must be at least a year in length, and those at higher levels can take several years. Off-the-job training requirements are often not conducive to business needs, with many organisations struggling to lose employees for long periods.

Large organisations have a substantial financial obligation to pay the Levy, with restrictions limiting their ability to spend it on the training that works for them. It is now clear this means that many contributing employers will continue to lose access to vast amounts of their funding while the Levy remains restricted only for use on apprenticeships.

*Tutor recruitment*

Providers and colleges serving the nuclear sector and others have noted the difficulty of recruiting suitable tutors while funding rates are being squeezed. They report problems in finding people with suitable knowledge and experience while salaries are lower than they are for people who remain in industry.

<sup>3</sup> HM Revenue & Customs: Annual Report and Accounts 2020 to 2022

<sup>4</sup> [https://www.whatdotheyknow.com/request/apprentice\\_levy\\_transfer\\_usage#incoming-2059541](https://www.whatdotheyknow.com/request/apprentice_levy_transfer_usage#incoming-2059541)