

# YOUNG PEOPLE AND WORK REPORT: CALL FOR EVIDENCE – MAKE UK RESPONSE

## Introduction

UK manufacturers are making the difference on the issues that matter. From pioneering renewable energy solutions that will secure the UK's future as a clean energy superpower, to creating the next generation of medicines and medical equipment to make the NHS fit for the future, our sector is essential to innovation, progress, and prosperity for all. By increasing the manufacturing sector from 10% of UK GDP to 15%, we can add an extra £142bn to the UK economy, increasing exchequer contributions to fund public services, while also driving a substantial uplift in long term domestic and foreign investment.

Manufacturing is not just the catalyst of economic change, helping the UK achieve the highest sustained growth in the G7. It's an engine for social advancement, providing high-skill, high-paid, jobs in every region and nation of the UK. Our members are committed to breaking down barriers to opportunity by investing in skills and ensuring a diverse and inclusive workplace. They invest in young people in their local communities, providing a range of opportunities for employment and training for those who are often hardest to reach. **Two-thirds of manufacturers' investment in skills training is targeted at people under the age of 21 to bring them into skilled work in the sector.** Achieving growth in manufacturing is central to increasing young people's participation in the labour market through secure and well-paid skilled jobs. Manufacturers stand ready to work with the Government to address the challenge of young people not in education, employment or training.

## About Make UK

Make UK, The Manufacturers' Organisation, is the representative voice of UK manufacturing, with offices in London, every English region and Wales.

Collectively we represent 20,000 companies of all sizes, from start-ups to multinationals, across engineering, manufacturing, technology and the wider industrial sector. Everything we do – from providing essential business support and training to championing manufacturing industry in the UK and internationally – is designed to help British manufacturers compete, innovate and grow.

From HR and employment law, health and safety to environmental and productivity improvement, our advice, expertise and influence enable businesses to remain safe, compliant and future-focused.

## Summary of our response

1. Manufacturing accounts for 2.6 million well-paid, secure jobs across the UK. Employers in the sector are committed to providing skilled employment and work-based training opportunities for young people in their communities, and welcome the Government's focus on addressing the challenge of high and rising number of young people who are not in education, employment or training. Employers of all sizes across the sector want to work with the Government to recruit, retain and train more young people in their local communities and reduce the number of NEETs.
2. We have set out a range of challenges below from an employer perspective which are making it more difficult to recruit, train and retain young workers. To avoid high levels of economic inactivity among young people becoming a structural feature of the labour market, the Government must take addresses these challenges seriously.

3. These include:

- a. **Overall employment costs** – this is the most significant concern for manufacturers in 2026, and overall hiring appears to be slowing as a result of higher costs
- b. **Constraints on apprenticeships** – a lack of the right local provision and increasing training and employment costs are limiting employers' capacity to offer apprenticeship opportunities
- c. **Wider skills and technical education** – insufficient exposure to vocational and technical routes, lack of CEIAG and employer engagement from schools is limiting awareness and understanding of skilled employment opportunities for young people in sectors like manufacturing
- d. **National Living Wage and National Minimum Wage** – consistently high increases in the NLW and age-based NMW rates, plus the proposed reduction of the NLW age threshold to 18, risk restricting opportunities for young people
- e. **Labour market regulation and the Employment Rights Act 2025** – measures such as the right to guaranteed hours may limit opportunities for young people to be employed flexibly.

4. Policy interventions which would make the biggest difference to youth participation include:

- a. **Improving apprenticeship provision by supporting training providers with additional capacity for delivery, capital investment and recruitment and retention of teaching staff; and no cost increases for employers**
- b. **A stronger focus on life and employability skills, Ofsted requirements for promotion of vocational and technical routes and employer engagement with schools in the pre-16 education system**
- c. **Pausing the decision to lower the NLW age threshold to 18 and setting no further long-term targets for the NLW**
- d. **Limiting the scope of the right to guaranteed hours and supporting more employer investment in workforce health and wellbeing interventions.**

## 1. What is stopping more young people from participating in employment, education or training?

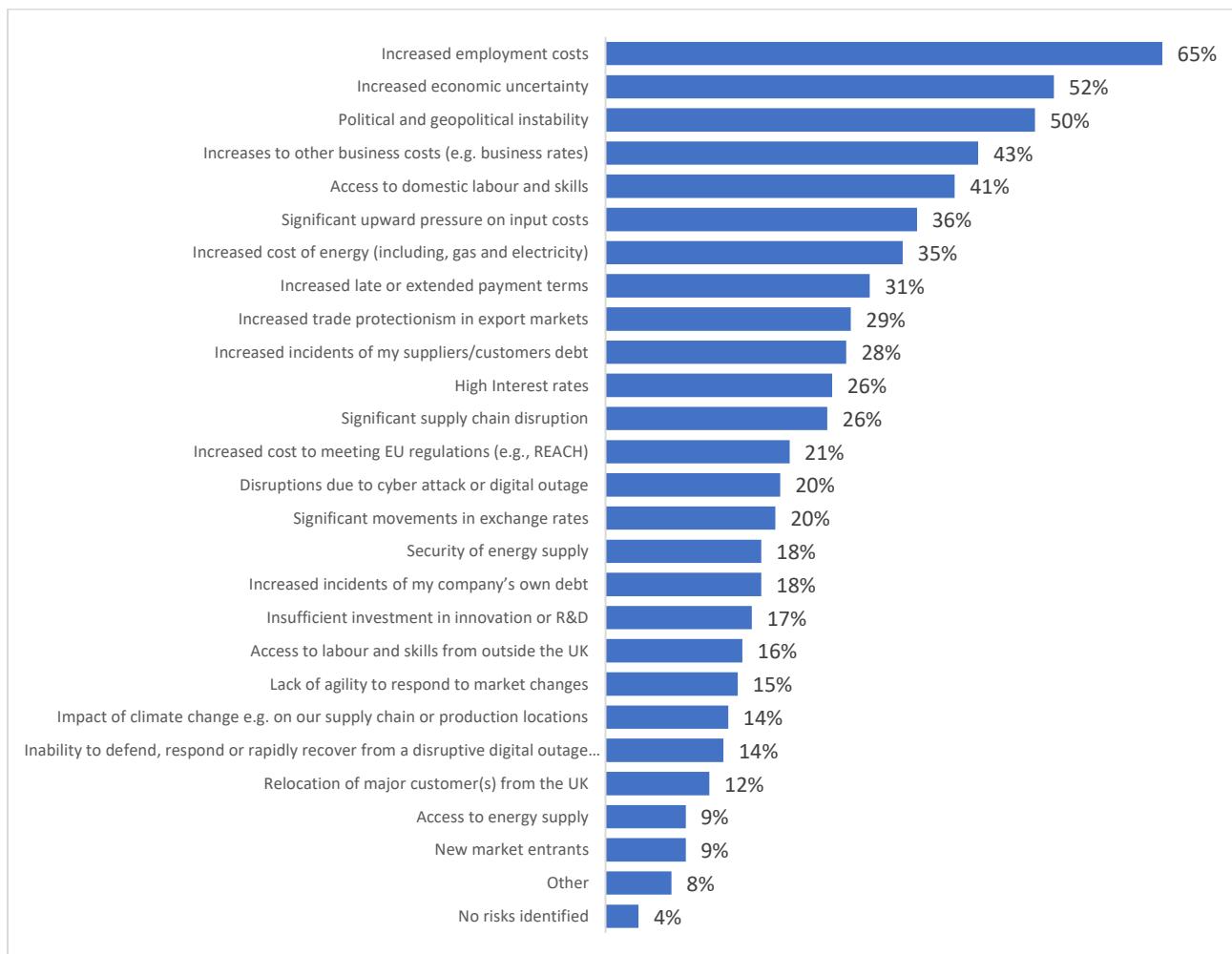
### Overall employment costs

1. Over the last two years, manufacturers have consistently identified rising employment costs as their most pressing concern. Annual increases in the National Living Wage and National Minimum Wage – typically well above the rate of inflation, and consequently average pay settlements across the sector – combined with the increase in employer National Insurance contributions in April 2025 and measures from the Employment Rights Act 2025, such as reforms to Statutory Sick Pay entitlement, have all contributed to concerns about the cost of recruiting and employing skilled workers of all ages.

**Which of the following has your company identified as risks to your company's growth in 2026?<sup>1</sup>**

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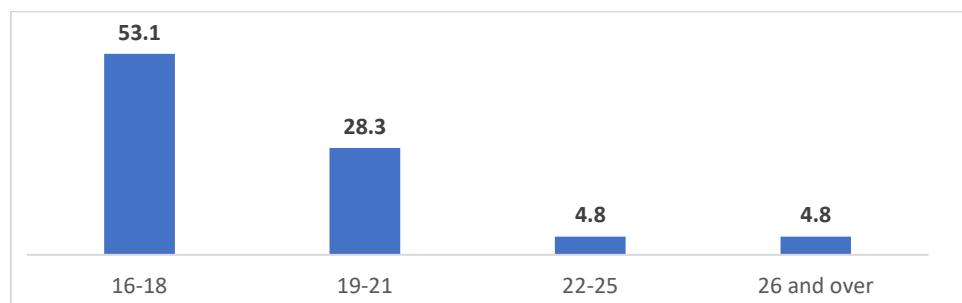
<sup>1</sup> Make UK Executive Survey 2026



## Apprenticeships and work-based training for young people

2. Apprenticeship training is the most common route for young people into skilled occupations in manufacturing and engineering. A majority of manufacturers' investment in apprenticeship or other work-based training is directed towards people aged between 16 and 21, usually at RQF levels 2 and 3 but increasingly geared towards level 6 and above to reflect growing demand for higher-level technical skills.

### ***At what age do apprentices typically start in your business?<sup>2</sup>***



<sup>2</sup> Make UK 2030 Skills survey, September 2022

3. Since 2017/18, the total number of apprenticeship starts in engineering and manufacturing has declined by 41%, mostly accounted for by a steep fall in the number of starts at levels 2 and 3 where young people will typically make up cohorts.<sup>3</sup> There are a range of factors which account for this decline, explored by Make UK's Industrial Strategy Skills Commission in 2025.<sup>4</sup>

### ***Employer engagement with apprenticeships***

4. One of the key barriers to employer engagement with apprenticeships is a lack – or perceived lack – of internal capacity to support on-the-job training, particularly for SMEs. This can include:
  - a. **Financial cost** – including significant increases in the apprentice rate of the National Minimum Wage (NMW) in recent years, often felt particularly keenly during periods early in the apprenticeship in which a significant portion of off-the-job training is being completed; this can also include capital and other costs not covered by programme funding such as investment in dedicated equipment and machinery.
  - b. **Time** – while more prevalent for older workers who might be participating in apprenticeship training to upskill or retrain, employers still report that both the time taken for apprentices to achieve full occupational competence and the resources required to manage and supervise the work of apprentices make it more difficult to make on-the-job training work while fulfilling order books with an already stretched workforce.
  - c. **Supervision** – in addition to the time requirement, manufacturers also note a shortage of leadership and management skills in their businesses, and this can manifest in a lack of confidence internally in relation to line management and supervision of apprentices. While the opportunity to work with an apprentice can be an extremely productive way of upskilling a member of staff to take on line management responsibilities, a general lack of confidence and awareness of more formal upskilling opportunities for managers means that employers can feel they lack the right skills and experience in the team to provide the right supervision for an apprentice. In this context, it is important that the Government improves access to leadership and management training rather than seeking to restrict apprenticeship funding in this area.
5. Related to supervision, there is a wider question of how young people can be effectively mentored and supported during their transition from compulsory education to employment, further study or work-based training. It is essential for young people to have engaging and relevant role models or exemplars from industry to whom they can relate and aspire – whether their educators and line managers in their apprenticeship from whom they are learning formally, or opportunities outside of education and training from other adults – and there is the potential for sector bodies like Make UK to work with relevant organisations to explore opportunities for mentoring of young people interested in engineering and manufacturing.
6. Another key factor is the operation of the apprenticeship programme and the system used by employers. The administrative aspects of recruitment, employment and training the apprentice are still felt to be burdensome and confusing, despite the positive progress made in recent years to simplify the system. The proliferation of new 'products' in the apprenticeship programme recently – such as foundation apprenticeships and apprenticeship units – are well-intentioned and could make a positive contribution to filling more entry-level vacancies in manufacturing over time, but in the short term they risk creating more confusion between programmes and increasing the administrative work to be done by employers.

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<sup>3</sup> Make UK analysis of apprenticeships statistics published by Department for Education, January 2026

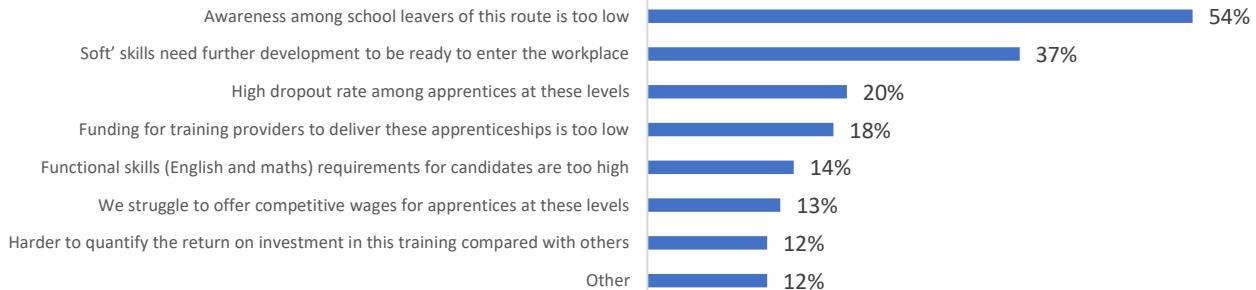
<sup>4</sup> Make UK Industrial Strategy Skills Commission report, 2025

7. More broadly, there is some concern currently about the current programme of reforms to the apprenticeship programme and their ability to command the confidence of employers. The commitment set out in the Post-16 Education and Skills white paper to a 'pro-employer' system is felt to be a step back from the previous government's intention of an 'employer-led' system, and the lack of employer engagement in the early days of Skills England on issues such apprenticeship assessment reform, while technical in nature, risk undermining businesses' confidence in apprenticeships and consequently reducing further their ability and willingness to use the programme.

#### ***Skills system capacity to deliver apprenticeships***

8. Another of the most common challenges in recruiting and training young apprentices cited by employers is finding the right training provision locally. We often hear evidence from manufacturers that valuable engineering and manufacturing apprenticeship provision is being scaled back or withdrawn by training providers due to a combination of the following factors:
  - a. **Inadequate funding for delivery** – employers and providers report that for a number of key apprenticeship standards, the relevant funding bands either have not been or cannot be revised upwards to reflect increases in training costs. This includes training in areas such as welding, fabrication and CNC machining – all of which relate to occupations recently identified by the Migration Advisory Committee as critical to IS-8 sectors such as advanced manufacturing and defence, and which Make UK data shows are currently in shortage. Demand for these occupations is due to increase further, meaning there should be significant opportunity for secure, well-paid work for young people undertaking apprenticeship training in these areas – especially if overseas recruitment continues to be restricted – but in many parts of the country there is insufficient capacity in the training market to meet this demand. For those areas cited, Skills England is unable to revise funding bands upwards as they are already at the £27,000 maximum funding band set in primary legislation. This also adds to the capacity challenge on the employer side, leaving the employer to make up the shortfall in the cost of training left by the funding band set too low, restricting further apprentice recruitment.
  - b. **Capital funding** – the need to purchase, install and maintain up-to-date, industry-standard equipment and machinery is a significant contributing factor in the high cost associated with delivering apprenticeship training in engineering and manufacturing. Providers have reported finding it difficult to invest in the right equipment for learners to use during their off-the-job training.
  - c. **Teacher recruitment and retention** – for those providers who are able to access capital funding and provide new equipment and machinery, they report challenges in recruiting and retaining tutors who have the skills and knowledge to teach learners on this equipment. Frequently providers are having to compete directly with industry employers for skilled staff, with the latter typically able to offer better pay and progression to meet their own immediate needs for technically skilled workers. There are examples of SME manufacturers such as Warren Services in Norfolk who have successfully seconded skilled members of staff to their local FE college to support with training delivery. Such activity can help to engage young people effectively in both their on-the-job and off-the-job training – apprentices feel they are being taught by people with 'real experience' of working in the occupation and come to see the employer as a destination of choice. The Post-16 and Skills white paper refers to a workforce exchange, and it should consider how e.g. financial incentives can be used to support more employers and providers to replicate this example.

**What are the barriers to recruiting apprentices at levels 2 and 3 specifically?<sup>5</sup>**



9. Taken together, the barriers faced by both employers and providers in offering apprenticeship training are significantly constraining the number and range of opportunities available for young people to participate in high-quality, high-value work-based training.

**Wider skills and technical education challenges**

10. The principal challenge that manufacturers identify in thinking about recruitment of young apprentices is the lack of awareness and understanding among school leavers of vocational and technical education routes. There are three issues which are usually cited as part of this challenge:

- Careers education, information, advice and guidance (CEIAG)** – manufacturers lack confidence in the CEIAG available in the pre-16 education system and worry that there is insufficient accurate information about employment and training opportunities in engineering and manufacturing. It is welcome that the Government has recently updated statutory guidance, and organisations like the Gatsby Foundation and Careers and Enterprise Company continue to do excellent work in improving CEIAG, but there is much more to be done to improve the prominence given to vocational and technical routes into employment in sectors like advanced manufacturing. There should be stronger monitoring of how successfully schools are meeting both the Gatsby Benchmarks and the Baker Clause, and a fuller evaluation of schools' compliance and their impact – potentially increasing the number of employer encounters expected to be facilitated, and using pupil destination data to ensure that CEIAG is not just compliant but effective and impactful.
- Employer access to and engagement with schools** – many manufacturing employers, particularly SMEs, report significant difficulty in engaging with their local schools, where both capacity for and understanding of employer engagement is low. Manufacturers report wanting to see stronger incentives through Ofsted inspection and assessment to facilitate stronger employer engagement and focus on vocational and technical routes post-16. Ofsted's new inspection framework includes more weight being placed on how well schools prepare pupils for employment, work-based training and further study – this could be strengthened further in relation to vocational and technical routes by requiring clearer reporting on and assessment of how effectively

<sup>5</sup> Make UK Sustainable Workforce survey, October 2024

these routes are promoted, and using pupil destination data to evaluate the impact of promotion, as well as simply meeting assessment criteria.

- c. **Learner access to relevant subject areas in pre-16 education** – the recent Curriculum and Assessment Review rightly notes the lack of capacity in subject areas such as design and technology, a critical part of STEM education and important for young people who will go on to work in manufacturing. It suggests that the Government carry out further work in this area. Here, a helpful starting point would be to consider the example set by University Technical Colleges (UTCs) in developing pathways in pre-16 settings for learners to engage with technical education, including very strong engagement with employers in curriculum design and delivery.
- 11. Against the backdrop of further reform of the technical education system proposed in the Post-16 Education and Skills white paper – the introduction of V Levels as a third, vocational route at level 3, and a new set of qualifications at level 2 – there is a live debate over the right balance in the post-16 skills system between simplification and choice. We support the underpinning principle of the proposed reforms following the case made in the Curriculum and Assessment Review, but reforms must ensure that there is enough breadth of choice in the available qualifications at levels 2 and 3 at the age of 16 for learners with different levels of attainment to succeed and progress into skilled employment.
- 12. Manufacturers have a positive view of the introduction of T Levels as a rigorous technical route at level 3. While still in its relative infancy, it has been positive to see increasing numbers of learners choosing to study engineering and manufacturing T Levels and securing positive attainment and employment or further study outcomes. Manufacturers such as HepcoMotion in Devon have worked closely with Exeter College to develop a strong T Level industry placement programme which is delivering the technical skills and apprenticeship pipeline that they need – demonstrating the value of T Levels in engineering and manufacturing, and an excellent example in our sector of employers working effectively to increase the number of young people in their business. While there is a strong rate of success in securing industry placements, there remain some constraints on the ability of employers in manufacturing and engineering to provide placements which offer a 'meaningful' work experience. We have continued to call on the Government to allow further flexibility in the rules around industry placements taking place in simulated environments for safety-critical sectors. This could be supported through Growth and Skills Levy flexibility or improved tax relief for employers on investment in skills and young people.
- 13. There is also concern from employers about the extent to which young people are 'work-ready' when they enter the labour market. While often expressed in terms of 'soft', 'life' or 'employability' skills, a notable proportion of manufacturers identify skills such as communication, teamwork, critical thinking and analytical skills as a barrier to recruiting young people on lower-level apprenticeships. While employers understand that they bear some responsibility for developing and honing life skills as part of the value of work-based rather than classroom-based learning, a stronger focus on transferable skills in these areas in the pre-16 education system is felt to be needed.
- 14. The Curriculum and Assessment Review makes some positive recommendations in this regard – recognising that there is a need for stronger focus throughout the curriculum on transferable skills needed for employment and greater scope for enrichment activity which is focused on building effective communication and teamwork. It is important that in reforming both the national curriculum and the schools system itself through the Children's Wellbeing and Schools Bill that the Government ensures that schools have enough flexibility and capacity to improve their focus on these areas as part of better preparing young people for the world of work. Academy schools such as the David Nieper Academy in Alfreton have been successful in

incorporating employment and enrichment activity across subject areas, working with pupils from disadvantaged communities in and around the town. Such activity should be better supported and promoted as the curriculum and schools system are reformed.

### National Living Wage and National Minimum Wage

15. As highlighted above, consistent above-inflation increases to both the National Living Wage (NLW) and NMW rates over recent years have contributed to significant concerns among manufacturers over the overall cost of recruiting and employing people in the UK. While employers in the sector are proud to offer secure and well-paid jobs – the average salary in manufacturing is 8% higher than average salaries across the economy – NLW and NMW increases have added to existing cost pressures in businesses. This applies not only to those employed and paid at the wage floor – manufacturers note that it has continued to squeeze pay differentials throughout the workforce, leading to a combination of further upwards pressure on pay for a number of levels above those paid at the legal minimum and, in some cases, restructuring of the workforce to remove intermediate job roles and freeze recruitment activity.
16. For young people in skilled work, there are three factors to be considered:
  - a. **Increases in the 18-20 NMW rate, and goal of reducing the NLW age threshold to 18** – when first proposed as government policy, we urged the Low Pay Commission to phase in the lower NLW age threshold gradually, and it is welcome that they have agreed with our recommendation as set out following the 2025 Autumn Budget. However, we have increasingly received worried feedback from manufacturers about the impact of this on recruitment of young people, noting the relative lack of skill, knowledge and experience compared with older candidates for the same role who would be required to be paid at the same minimum rate. Manufacturers have supported previous reductions in the threshold – first from 25 to 23, then to the current 21 – on the basis that they pay workers according to experience and skill, and between these ages there is likely to be less variation in these factors that can be attributed to age. Moving down to 18 is seen as a different proposition – there is more likely to be a pronounced difference in skill and experience at this lower age, and as such less justification and return on investment when hiring a candidate in this age group for a skilled role paid at the same rate as an older, more experienced candidate. One SME manufacturer noted to us that an 18 year old candidate could be paid the same as an older worker ‘if they were able to demonstrate the same competency for the same role’, but questioned whether in many cases this would be possible and felt that removing the separate age band would remove an effective incentive for hiring and investing in the training of younger workers to do those skilled jobs.
  - b. **Increases in the 16-17 and apprentice NMW rates** – as noted above, large increases in the apprentice NMW rate have contributed in some cases to a lack of employer capacity to recruit and employ apprentices. While many manufacturers do not use the apprentice rate and choose to pay above it, it often at least serves as a useful baseline for pay. Where it is used, this is most likely to be for young people on a level 2 or 3 apprenticeship. For the latter, the apprentice rate is a useful starting point for the first year, where off-the-job training may be frontloaded (meaning less time in the workplace) and the apprentice makes less of a productive contribution to the business. Increases in the apprentice rate have made this initial investment a more difficult cost to meet, reducing appetite to take on young people to participate in that training. As the LPC has consulted on removing the apprentice rate, we have encouraged them to consider a sliding rate for apprentices according to their progress through the training,

targeting increases in the NMW at those later on in their apprenticeship (i.e. a higher minimum rate for year 3 than in year 1).

- c. **Impact of NLW increases on overall cost and investment priorities** – it is worth noting the impact that NLW increases across the rest of the workforce have on employers' recruitment and investment priorities when it comes to young people. Given that consistently large increases in the NLW affect a larger proportion of the workforce than those paid at that level, there is an impetus behind employers investing more in improving the productivity of those workers to reflect their higher pay. Combined with faster increases in the NMW for younger workers and apprentices, it reinforces the reduced risk appetite to recruit and train those younger people for higher pay – where the return on investment may only be realised further down the line – and instead prioritise shorter-term productivity gains from the workers they already employ in skilled jobs whose pay has had to increase consistently above the rate of inflation and/or other pay settlements in the sector.

### **Labour market regulation and the Employment Rights Act 2025**

- 17. In the Government's own words, the new Employment Rights Act is the biggest change to employment law 'in a generation'. Make UK has supported the principle of the legislation – addressing poor employment practices where they exist and promoting secure, well-paid jobs. We are proud that many such jobs already exist across the country in manufacturing.
- 18. However, there have been a number of challenges raised by manufacturers with some of the measures included in the Act. They are concerned that the Act will result in a much less dynamic labour market, with higher costs and more restrictive regulation for employers which will ultimately lead to reduced hiring, especially among groups of people currently or at risk of being outside of the labour market – including young people who are NEET.
- 19. There are two particular areas of concern in relation to young people from the Act:
  - a. **Right to guaranteed hours** – the use of zero and low hours contracts can provide helpful flexibility for young people moving into work, including part-time work alongside further study. In committing to an obligation for employers to offer a guaranteed hours contract rather than a right for the worker to request or claim a contract, employers are significantly less likely to offer this kind of flexibility, thus largely removing an option for flexible employment for young people. The measures on protection from unfair dismissal as set out below are also likely to dissuade employers from using fixed-term contracts as an alternative.
  - b. **Protection from unfair dismissal** – the Government's decision to move the qualifying period for the right to protection from unfair dismissal to six months rather than day one of employment represents an extremely positive compromise and allays many employers' concerns about the impact of a day one right on hiring. It is a change for which Make UK had long argued and is the most helpful amendment to the Act the Government could have made. However, there remains the possibility that the six-month qualifying period is seen as incompatible with, for example, longer internships for young people and may still slightly reduce employers' appetite for hiring younger, less experienced workers compared with the current two-year qualifying period.
- 20. Employers are already taking steps to prepare for the above changes to be introduced formally in 2027, and with measures on unfair dismissal applying retroactively and a high degree of complexity around the functioning of the right to guaranteed hours, measures from the Act are already starting to feed into employers' decisions about hiring.

21. It is also worth noting in the context of wider labour market policy that we welcome the outcomes of the Keep Britain Working Review led by Sir Charlie Mayfield, and believe its findings reflect a number of the key challenges employers face in supporting the health and wellbeing of their workforce. Around one-fifth of manufacturers noted that mental ill health had been a factor in skilled workers leaving their business in last 12 months, and a slightly higher proportion cited physical ill health among workers as a reason for losing staff. For workers of all ages, better support for health and wellbeing – whether employer-provided or external – is a key part of improving attraction, retention and productivity. Manufacturers are keen to see the Review's proposals implemented and stronger intervention from the Government to support treatment and prevention of health conditions which limit young people's ability to participate in the labour market. The Review's measures give a helpful focus on facilitating workers' return to work after sickness absence.
22. The Employment Rights Act expands entitlement to Statutory Sick Pay, removing the three-day waiting period and lower earnings limit. Taken alongside the measures from Keep Britain Working which should better enable employer interventions to prevent and treat work-related health conditions, we believe that the intention behind SSP reform is right, and could support more opportunities for young people in sectors like manufacturing. However, we are concerned that SME manufacturers in particular are likely to struggle with the increased cost burden of this. To avoid adding further to rising employment costs which could further constrain hiring, we have called for the Government to introduce an SME rebate scheme for SSP.

## 2. What would make the biggest difference to support more young people to participate?

### Improving access to apprenticeships

23. To improve the opportunities available for young people in manufacturing, the most important priority the Government can have is resolving the current challenges employers face in engaging with the apprenticeship system. Make UK's Industrial Strategy Skills Commission emphasised the importance of apprenticeship training at levels 2 and 3 to securing employment for young people entering the sector cannot be understated, and it is critical that these challenges are addressed. As noted above, there are issues both directly on the side of the employer, and on the side of providers which constrains employers' access to training.
24. To improve the availability of apprenticeship training for employers, the biggest difference would be made by:
  - a. **Reviewing and increasing funding for delivery.** The Industrial Strategy and Advanced Manufacturing Sector Plan committed to reviewing funding bands for critical standards in priority sectors. The starting point for this should be in the Level 3 standards related to occupations already in shortage, where a high level of replacement demand due to retiring workers presents opportunities for more young people to participate in training. This will require the Government to legislate to increase the current £27,000 limit. Additionally, following the recent decision to withdraw almost all level 7 apprenticeships from Growth and Skills Levy funding, this process should ensure that no more standards are defunded – including for leadership and management skills.
  - b. **Increasing flexibility on capital funding.** The previous government launched an apprenticeship growth sector pilot, intended to support providers with the higher capital costs associated with delivering apprenticeship training in areas like engineering. A

similar approach could be taken on the basis of the IS-8 sectors and in conjunction with the rollout of Technical Excellence Colleges to support wider availability of training.

- c. **Developing a post-16 workforce strategy.** The Post-16 Education and Skills white paper notes the intention to create a workforce exchange between providers and industry. We have seen examples of where this has worked well on a voluntary basis – employers seconding members of staff to their local provider – but with employers already facing their own shortages of skilled staff, this appears difficult to achieve on a wider scale. The Government should explore a proper strategy for the post-16 teaching workforce to increase recruitment and retention, and ensure that there is enough capacity to deliver off-the-job training.

25. To achieve this, the Government should commit to all revenue from the Growth and Skills Levy and Immigration Skills Charge being used to invest in the skills system. Currently, in excess of £1 billion of revenue is left unallocated while providers and employers struggle to deliver apprenticeship training. The first steps should be:

- a. Reviewing funding bands for standards critical to IS-8 sectors and occupations already in shortage.
- b. Providing easier access to capital funding for providers delivering those apprenticeship standards.
- c. Support for providers to invest in recruitment and retention of teachers, and financial incentives/support for employers to second members of teaching staff to local providers.

26. Manufacturers have strongly welcomed the Government's announcement of the Youth Guarantee, but are not confident that current constraints on apprenticeship training will mean it is possible to 'guarantee' apprenticeship places where they are needed. To support employers with making more apprenticeship places available, the biggest difference would be made by:

- d. **Limiting further increases in employment costs.** This includes an explicit commitment not to increase employer NICs further, maintaining the current NICs exemption for apprentices under the age of 25, and exploring a gradient for the apprentice NMW rate which allows for a lower baseline in the early stages of training.
- e. **Further streamlining the administrative burden.** In reforming the apprenticeship programme to date, the Government has shown little interest in easing the regulatory burden on employers. The Government should review where simplifications can be made to make it as simple as possible to recruit, train and retain apprentices. Employers – particularly SMEs – cite examples such as the initial requirements for registration on the digital system, duplication of data to be submitted across different forms, and the documentation needed for compliance on e.g. training and assessment plans. It is important that in seeking to address some of this – e.g. where the Government is currently reforming apprenticeship assessment – that efficiency measures do not undermine employer confidence in the system but focus on time and cost saving.

### **Wider skills and technical education challenges**

27. The publication of the Curriculum and Assessment Review and the Post-16 Education and Skills white paper present an ideal opportunity to go further in considering how routes into skilled employment can improved for young people.

28. As highlighted above, we support the intention behind the proposed reforms at levels 2 and 3 in the white paper, and believe these have the potential to create more effective routes directly into skilled employment or work-based training as long as the right balance is struck between simplification of the landscape for employers and preservation of choice for learners at all stages of their development.
29. Alongside the proposed reforms, the following would make the biggest difference in supporting employers to offer more opportunities for young people:
  - a. **A stronger focus on 'life' and 'employability' skills.** Make UK's Industrial Strategy Skills Commission saw excellent examples of employer-sponsored academies developing and delivering employability education focused on fostering communication, collaboration and analytical thinking. The outcomes of the Curriculum and Assessment Review should reinforce this, which also relies on preservation of academy freedoms on the national curriculum.
  - b. **Improving pre-16 technical routes.** The Government should set out how it will act on the Curriculum and Assessment Review's view of design and technology and address its concerns. It should also consider the Baker Dearing Trust's 'UTC Sleeve' initiative which would enable a larger number of schools to adopt the UTC model, supporting a broader range of young people to engage with technical education from an earlier age and into skilled employment further down the line.
  - c. **Better CEIAG and infrastructure for employer engagement with schools.** The Government should build on new statutory guidance for CEIAG and ensure a much stronger role for vocational and technical routes. This includes a stronger requirement for Ofsted to properly inspect and assess the extent to which those routes are promoted – not just whether schools are compliant, but using pupil destination data to evaluate effectiveness and impact, and a stronger focus on the impact of the Baker Clause and Gatsby Benchmarks by increasing the number of encounters with employers and again using destination data to ensure that interventions have a materially positive impact.

#### National Living Wage and National Minimum Wage

30. As employment costs rise, the Government's proposals around the NLW and NMW provide an opportunity to consider in depth the impact on employment opportunities for young people. The following would make the biggest difference in ensuring that employers have the capacity to hire and invest in young people:
  - a. **Pause the lowering of the NLW age threshold to 18.** While the LPC has taken a sensible approach to implementing this (operating within the bounds of the remit it is set by the Government), employers are increasingly nervous that this will severely restrict their ability to hire younger, less experienced workers by effectively pricing them out of the labour market in comparison with more experienced workers paid at the same rate. Our data has historically shown that manufacturers have supported previous reductions in the age threshold as long as young workers can show the same level of competence for the same job role, but many have reported that they believe this is significantly less likely to be the case when lowering to 18 than 23 or 21, increasing the risk of deterring hiring. The Government should reconsider the policy – implementation should at least be paused, and further work should be done with the LPC to determine the extent to which it is feasible to close the gap between age-based rates without further impacting young people's employment prospects.

- b. **Avoid setting a long-term target for the NLW.** While in theory a long-term target (such as that set by the previous government to reach two-thirds of median earnings by 2024) has the benefit for employers of providing visibility of future increases, in practice this has been undermined by high levels of inflation and other external political and economic factors making the LPC's annual recommendations unpredictable. Employers feel that the target set by the Government was politically motivated rather than based on a judgement of what would be economically sustainable, meaning the NLW has effectively been set at a higher level than it should. To restore employer confidence, ensure that decisions are based on the condition of the economy and labour market, and reduce the risk that employer appetite to hire and invest in young people is harmed, the Government should not set any long-term target for the NLW or expand the current remit of the LPC.
- c. **Monitor impact of the NLW and NMW on the Jobs Guarantee.** Manufacturers have given a strong welcome to the Jobs Guarantee element of the Youth Guarantee, but are concerned that the rising NLW and NMW – especially if the age threshold is lowered – will mean that they lack resource to retain candidates once the initial six-month placement has concluded. As the programme is rolled out with employers, the Government should work with industry to avoid potential cliff-edges in recruitment and retention once six-month placements end.

#### Labour market regulation and Employment Rights Act 2025

- 31. As measures from the Employment Rights Act are introduced over the next two years, the Government must take care to monitor its impact on youth employment and employers' ability to hire and retain the skilled workers they need. As the details of implementation are finalised, the following would make the biggest difference in preserving opportunities for young people:
  - a. **Limiting the scope of the right to guaranteed hours.** The reference period for the right to guaranteed hours should be expanded to 52 weeks from the Government's proposal of 12 weeks, and the hours threshold should be set at a high enough level that it remains possible for workers to be engaged flexibly. This would ensure that employers are still able to offer zero and low hours contracts where they are agreed to be mutually beneficial to the business and worker.
  - b. **Monitoring the impact of the reduced qualifying period for protection from unfair dismissal.** The Government has made the right compromise in allowing a six-month qualifying period, but it should make sure that this is not adversely affecting employers' ability to offer longer work placements for young people coming into employment where these enable businesses to offer such opportunities.
  - c. **Introducing an SSP rebate for SMEs.** This would help employers to invest more in effective workplace health and wellbeing interventions, and avoid further increases in employment costs which risk reducing opportunities for young people.
  - d. **Implement in full the measures from the Keep Britain Working Review.** The proposals from the review would help to improve employers' confidence in e.g. fit notes, providing more effective support for workers to return to work after sickness absence. This would help reduce and prevent the number of young people out of work for health-related reasons, and reassure employers about the impact of SSP changes by better promoting returns to work and more effective prevention of sickness absence from work.

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