

Could the UK's new industrial strategy solve the conundrum of skills and migration?

Blog post by Adviser Tom Smith, 13 January 2017

UK immigration minister Robert Goodwill's comments were very rapidly dismissed by his prime minister this week when he floated the idea of extending the proposed £1,000 a year charge on skilled migrant workers to workers from the European Union after the UK has left the EU. Aside from the now familiar sight of ministers being put back in their boxes after speculating on life after Brexit, this usefully drew attention to the big question of what a UK government might be tempted to do to reduce pressure on migration.

Goodwill waved a stick, but there are also forms of carrot, chiefly in the form of better UK skills policy. The upcoming publication of the government's draft industrial strategy later this month may suggest some. To make much of a difference in this respect, the strategy would need to go above and beyond current focus on apprenticeships and technical education.

One possibility is evolution of the UK's current apprenticeship levy and digital voucher system. At present, the system that will come online later this year in the UK relies on employers to drive increasing investment in skills training. UK ministers believe the scheme will work as it charges larger companies upfront for training costs but there is every chance that many employers will write-off the apprenticeship levy as an additional tax burden, and that SMEs, which will also have to contribute to training costs but do not pay the levy, will be less incentivised to participate.

The focus on apprenticeships might already not be working; a CBI survey at the end of last year showed that two-thirds of companies viewed the skills gap as the chief threat to competitiveness, but only 30% were expecting to increase apprenticeship numbers. For well over a third of UK businesses, the apprenticeship model is not their weapon of choice in closing the skills gap.

An interventionist industrial strategy could turn this on its head, with the government taking a more forceful approach and focusing far more on skill and sector. This would mean a rigorous assessment of skills gaps and then channelling funds to the relevant training courses rather than apprenticeships only. At a headline level, if the industrial strategy grapples seriously with the domestic skills problem, businesses should probably expect heavy government intervention on how employers structure training, recruitment and retention. This will inevitably be seen as an additional (or alternative) headache by many businesses. It might have a silver lining if it reduces the political pressure to make the new migration system squeeze flows harder, or cost businesses more.