

Dear Chancellor,

I am writing to you ahead of your much-anticipated Budget Statement next week, which will address the issue of productivity. The latest figures showing a 0.3% increase in productivity are encouraging, but the UK's productivity still lags behind other countries. We support your focus on this important issue.

As a leader in global skills development, the City & Guilds Group is committed to our purpose of helping people develop skills for personal and economic growth. We recognise that people should have the opportunity to develop their skills so that they can get into a job and develop on the job. We also share the Government's drive to meet the skills needs of businesses and improve productivity.

The City & Guilds Group recently undertook some research with the Cebr, looking into the economic impact of investment in vocational education. It revealed the following:

- A 10% increase in vocational education enrolment by upper secondary school pupils – those aged 16-18 – would lead to a 1.5 percentage point drop in the youth unemployment rate.
- A 1% increase in vocational skills would uplift GDP by £163bn in a decade's time.
- The annual productivity gains from training an apprentice are £10,280 per year per apprentice.

As our research shows, vocational education is a worthwhile investment. That's why we are very supportive of the Government's ambitious goal of three million apprenticeships. If achieved, it would mean 600,000 new apprenticeship starts every year for the next five years. It sends a clear message about the importance of vocational training and helps to overcome the misguided view that apprenticeships are a choice for those who aren't 'clever' enough for university.

However, while the apprenticeship pledge is progress, it still means that even if all of the new apprenticeships were taken by 16-18 year olds, it would equate to just 3.8% of the 10% increase in enrolments we need to make a noticeable difference to youth unemployment. If we want truly to see an increase in productivity in the UK, we need to broaden vocational provision.

This should include alternatives to a purely academic curriculum at 14 or 15, such as the City & Guilds TechBac. If there isn't enough provision for these individuals at the right stage in their education, they risk being forced into a route that isn't right for them, which could lead to unemployment or underemployment.

Furthermore, it's important that funding is allocated appropriately. The current budget for 16-18 year-olds is ring-fenced by the Department for Education, yet elsewhere we expect funding cuts rather than investment. Likewise we know there will be no growth in over-19 provision such as vocational qualifications and employability

support. This impacts on those individuals who are either long-term unemployed, or who are already working and want to enhance their skills.

Even the money that has been put aside for apprenticeships isn't substantial enough. As Professor Alison Wolf, Baroness Wolf of Dulwich highlights in her recent report for the Social Market Foundation, there needs to be more funding to ensure a high-quality apprenticeship system. She explains that three million apprenticeships would leave funding of £2567 per apprentice; at the moment, just two out of the 200 apprenticeship frameworks receive under £3000 in Government support. Unless there is more funding – or indeed a new funding system – to meet the three million apprenticeship target, quality will suffer and the Government's good work over the past five years will be undone.

Broadening high-quality vocational education provision can make a substantial difference to employment, productivity, and therefore our GDP. In your Budget next week, you have an opportunity to invest in skills and make a long-lasting impact on our economy.

I would welcome the opportunity to discuss this, and our research - which launches fully in autumn – in more detail.

Yours sincerely,

Chris Jones
Chief Executive, the City & Guilds Group