

# National Retraining Scheme

## What is the National Retraining Scheme?

### What is it and who runs it?

1. The National Retraining Scheme (NRS) was first announced by the Government at the 2017 Autumn Budget. It was announced in response to support workers retrain as the economy changes, in particular in light of automation and Artificial Intelligence (AI). The NRS is being led by the CBI, TUC and Government, which is known now as the National Retraining Partnership.

### What has the Government committed so far?

2. While there was little detail upon its announcement, at the 2018 Autumn Budget the Chancellor committed £100m to begin the initial roll out of the NRS. This money was to test and learn about a possible service that aimed at supporting those workers whose jobs may be at risk of redundancy in the future due to automation and AI.

### What are the objectives of the Scheme?

3. The NRS is aimed at responding to structural changes to the labour market (such as AI and automation) as well as the increasing need for lifelong learning and training (people working longer and changing careers). The Scheme aims to achieve this in a three step process:

- It takes individuals at risk of their jobs changing or disappearing as a result of automation
- It then facilitates them gaining the skills they need to move into a new occupation
- Then allows them to move into more stable, high-productive jobs.

### Who is it targeted at?

4. In addition to targeting those whose jobs are at risk of automation, the NRS is currently being targeted at those aged 24 and above, who don't have a degree level qualification.

## What is happening in manufacturing?

### Are jobs going to be lost in manufacturing?

5. The NRS is being put in place now with the expectation that some employees may lose their jobs in the near future due to changes due to automation and AI. Make UK recently surveyed its members about whether they expect job losses due to the adoption of digital technologies and techniques. Our survey found that:

**31%** of manufacturers expect some Low skilled jobs to be displaced in the next 5 years due to technological change.

**38%** expect no Low skilled jobs at this level to be displaced.

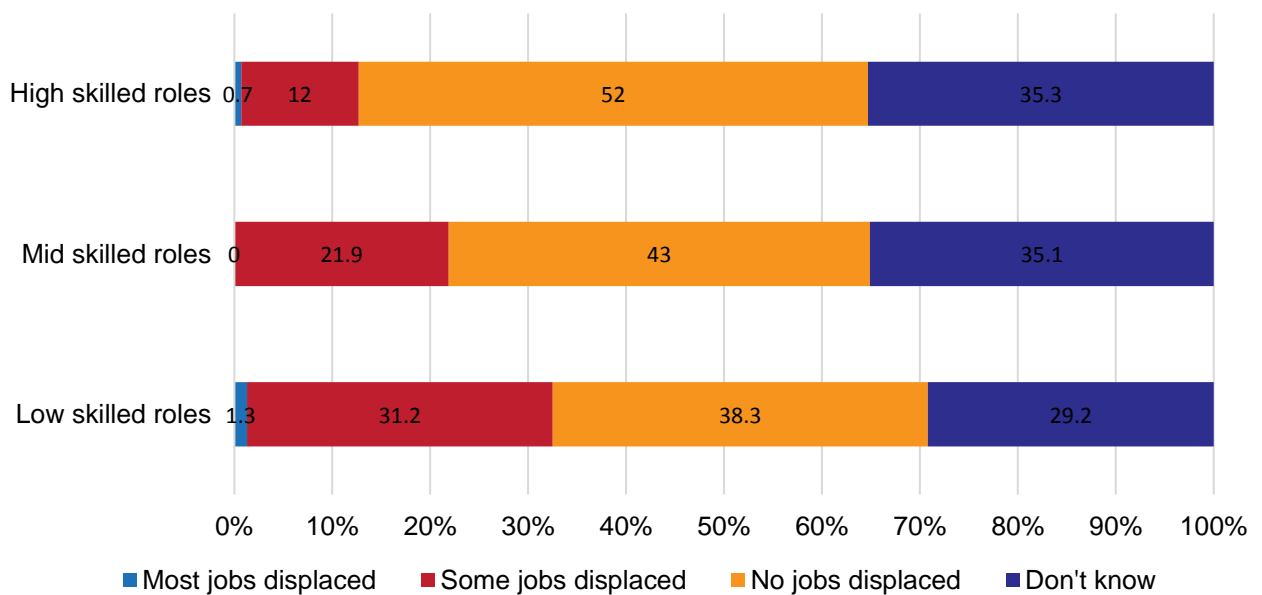
**22%** of manufacturers expect some mid skilled roles to be displaced.

**43%** expect no mid skilled roles to be displaced.

**12%** expect some higher skilled roles to be displaced.

**52%** expect no higher skilled roles to be displaced.

**Chart 1: Manufacturers expect some job losses, predominantly at the lower level, % companies stating that they expect most, some or no job losses based on skill level**

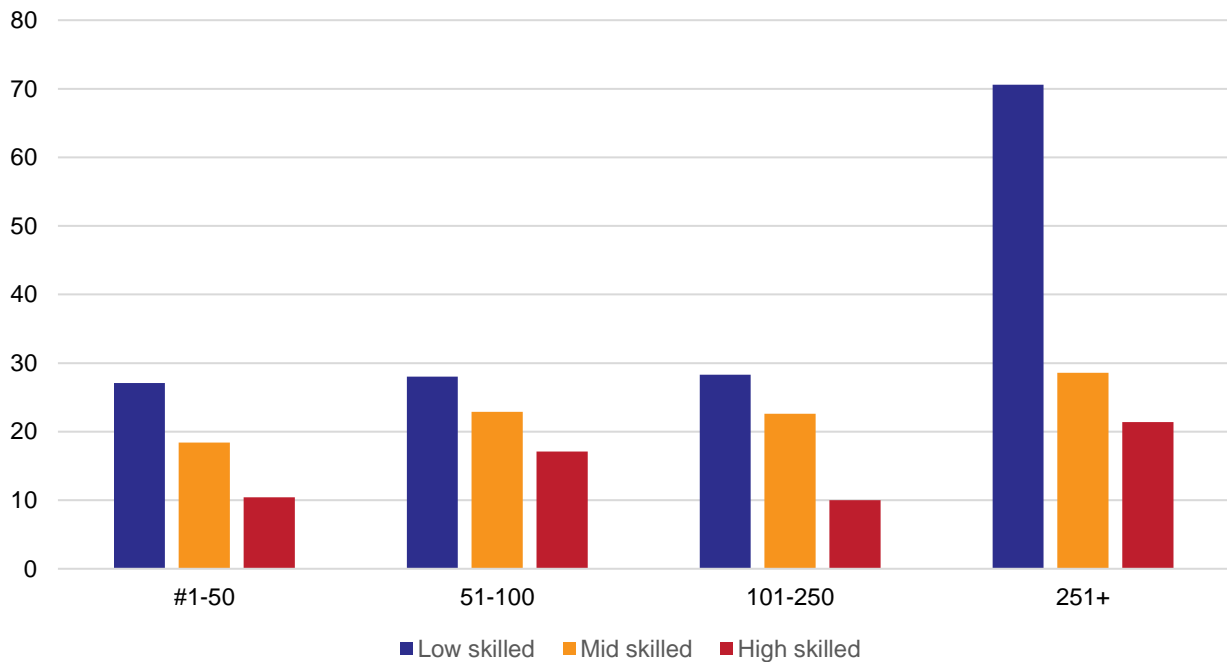


Source: Make UK, Education and Skills Survey (2019)

## Variation by company size

6. There is quite a different dependent on company size. This is likely to be due to the fact that larger companies (those with over 250 employees) are more likely to be further ahead in the adoption of digital technologies and techniques. For example, while 27% of the smallest companies (less than 50 employees) expect some job losses within low skilled roles, this increases to 71% for larger companies (with over 250 employees).

**Chart 2: Larger firms are more likely to be anticipating job losses** % companies stating that either most or some job losses are expected by company size



Source: Make UK, Education and Skills Survey (2019)

## Why are some manufacturers expecting job losses and others not?

7. As the Made Smarter Review<sup>1</sup> highlighted, there remain concerns from the public, government and industry about the potential loss of jobs arising from digitisation, automation and AI. Indeed it is for this reason that Government is keen to introduce the NRS to mitigate some of those fears. However, there is also conflicting research, while some reports point towards excessive job losses from digitisation, automation and AI, others point towards job growth. This is reflected in our survey data and also feedback from manufacturers such as the below:

*“We do not expect job losses, rather we see opportunities to grow. Through the continued adoption of automation we would expect the same number of people, but more advanced plant and digitisation to allow a higher output.” – Plastic Fabrication Manufacturer*

8. The Made Smarter Review pointed towards the positive impacts from digitisation which it predicted would result in the creation of new jobs. The Review went on to highlight the threat of whether *“the UK can equip*

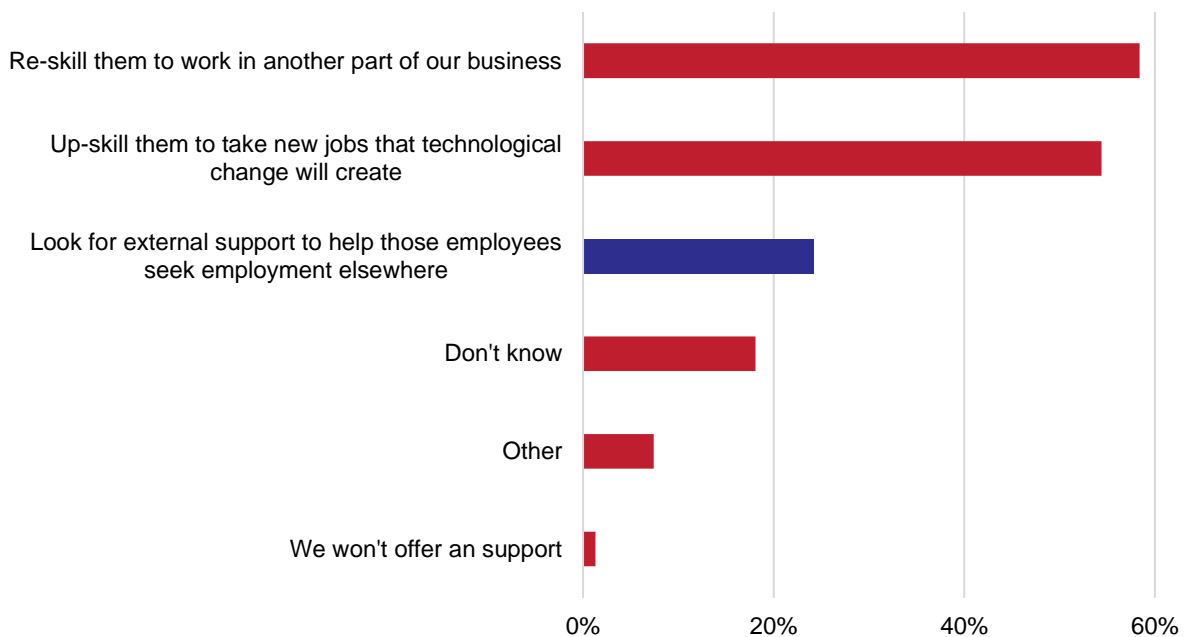
<sup>1</sup> Made Smarter Review (2017)

*manufacturing workers with the new digital skills that they will require in the future.” This again aligns to our own findings. Those employees at most risk are those in lower skilled roles – whereby tasks (as opposed to jobs) will be replaced with digital technologies and techniques. The task then is to support those employees. Our survey suggests that manufacturers to plan to support these employees, as we outline below.*

## How do manufacturers plan to support these employees?

9. The National Retraining Scheme is going to be targeted at supporting those employees who lose their jobs, but do manufacturers already have plans to offer support to those at risk? The answer is overwhelmingly yes, with just 1% of manufacturers saying they do not plan to support those employees at risk. Instead companies are focused predominantly on reskilling their employees so they can work in other parts of the business (58%), upskilling their employees to fill the job roles that the new technologies will create (54%) and 24% would look for external support to help those employee secure jobs elsewhere.

**Chart 3: Manufacturers plan to up-skill and re-skill employees whose jobs are at risk** % companies stating their plans to support employees those jobs are at risk



Source: Make UK, Education and Skills Survey (2019)

### Re-skilling and up-skilling

10. Almost six in ten manufacturers said they would re-skill their employees to work in other parts of the business and 54% would up-skill their employees to fill job roles that the new technologies when then create. This is a common approach when speaking directly to manufacturers:

*“Our approach has always been to promote from within the business, which involves training where appropriate. We expect to up or re-skill some of our existing employees to keep pace with the advancing technologies, rather than the risks to their employment due to advancing technology.” Manufacturing SME*

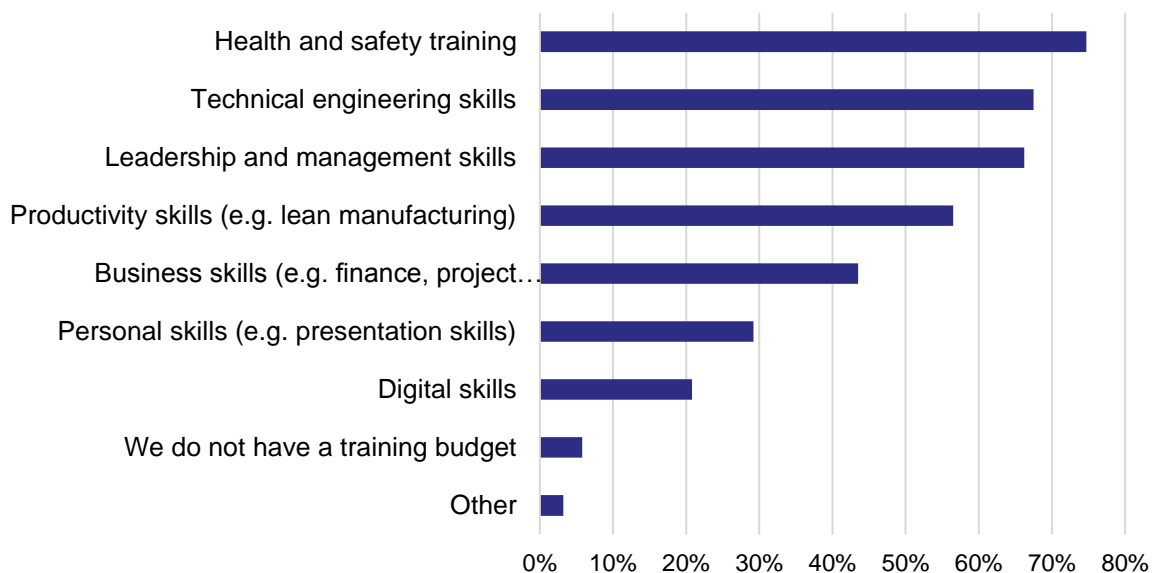
## Looking for external support

11. Almost a quarter (24%) of manufacturers are looking for external support for their employees to seek employment elsewhere. This is where the NRS could play a role. Currently there is no obvious initiative or “go to” funding stream to help employers support their employees. Instead, the majority of initiatives are more likely to sit within the Department for Work and Pensions (DWP). There is therefore potential for the NRS to fill this gap, as we discuss below.

## How are manufacturers targeting their training spend?

12. Some manufacturers are predicting some job losses across the manufacturing sectors in the next five years and as a result have plans to up-skill and re-skill their employees. This action will need to happen now to be effective, but where are companies planning to spend their training budgets?
13. Unsurprisingly, over two-thirds of manufacturers plan to spend some of their training budget over the next 12 months on technical engineering skills. Some of this will undoubtedly be through apprenticeships, which almost eight in ten manufacturers currently offer. But some of these technical engineering skills will also be for those existing employees that need to continuously up-skill in order for manufacturers to take full advantage of 4IR. Aligning with these future needs, 57% of manufacturers plan to spend some of their training budget on productivity skills for example lean manufacturing training. Of some concern are the lower numbers of companies that plan to spend any of their training budgets on digital skills with just over one in five (21%) planning to do so. These skill-sets will be fundamental for the future workforce, and particularly those employees whose jobs may be at risk due to automation and AI and need to be up-skilled to work in the new jobs that these technologies will create. (See Chart 4).

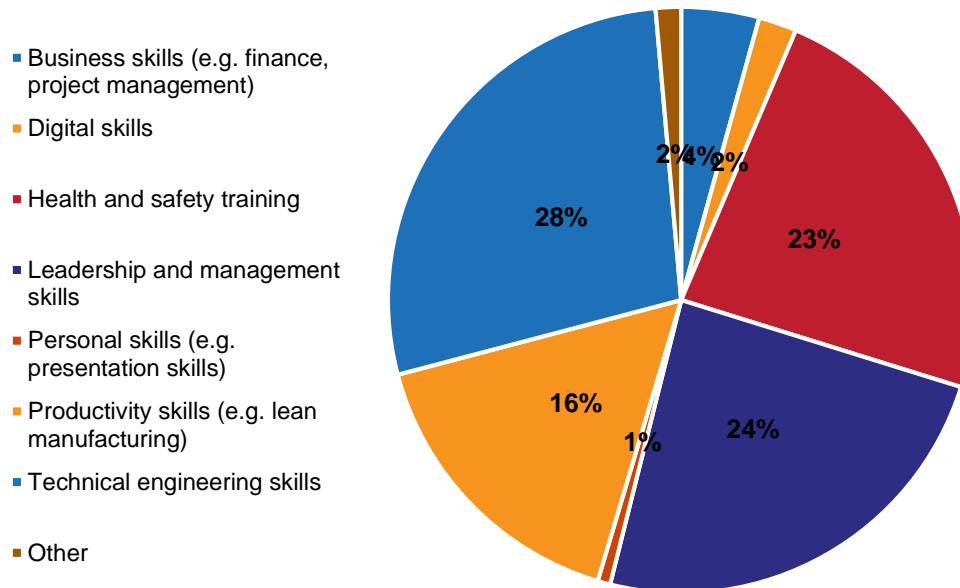
**Chart 4: Manufacturers training budget spending plans are aligning to wider business plans** % companies stating what their company plans to spend their training budget on in the next 12 months



Source: Make UK, Education and Skills Survey (2019)

14. When looking at where companies will spend the highest proportion of their training budget, again the main focus is on technical engineering skills (28%) and this is reflective of the highest cost of such training. Almost a quarter (23%) say health and safety training and similarly 24% saying leadership and management skills. Productivity skills are lower down the list with 16% of manufacturers saying this will be where they are spending most of their training budgets and digital skills far down at just 2%. (See Chart 5).

**Chart 5: Most of the training budget will be targeted at technical engineering skills, health and safety and leadership and management skills** % companies stating where they will spend the highest proportions of their training budget



Source: Make UK, Education and Skills Survey (2019)

## Could the NRS work for manufacturers? How could it work better?

15. Taking stock of what our survey has found, the two questions to be asked are: what is the role for the NRS and if so could it be improved? In short, the answers are both yes. There is a gap in support which the NRS could usefully fill in particular for those companies that will be actively looking for external support. But also those that are looking to retain their employees through up-skilling and re-skilling. For the latter to work however, the current proposals for the NRS need to evolve. As a starter for ten and basis for discussion we have summarised these as follows:

### 1. Communication

There has been limited information on the NRS to business representative organisations and even less information to employers directly on the proposed NRS. Make UK will commit to sharing and cascading information to its members on the NRS as it continues to evolve. There will need to be a significant communications campaign to ensure employers as well as employees understand what the “offer” is.

## 2. Criteria

Currently, the NRS is very limited, targeted at only those aged 24 and over, with a below graduate level qualification and individuals who have lost their jobs due to automation and AI. While there may be a case for the first two criteria (given that there are other initiatives can fill the gaps particularly for those under the age of 24), the proposed requirement for the funding to be available only to support those made redundant due to employers investment in automation and AI is too restrictive.

## 3. Potential

The Scheme has potential. For example, recent announcements by larger companies who are expecting job losses for a combination of reasons, including those linked to Brexit. Under the NRS such employees would not be able to utilise the fund as the job losses were not directly linked to AI and automation. Yet there seems to be a gap in support here. We would ask whether the NRS could expect its scope to look at offering provision to these employees on a sector basis.

The other area of concern is the current proposal that the individual must be retrained to then work in another company. We see the case that Government (public) funding cannot fund all “up-skilling” which is often left to the employer and that this is different to “retraining” but if individuals can be retrained and stay within the business, we see this as far more beneficial to both the individual and employer. Government could look then, to at least, in part support employers who want to retrain employees and keep them within the business. Manufacturers are more than willing to pay their way and will invest in training. However, Government should also acknowledge that with many training budgets now consumed within the Apprenticeship Levy, companies are more limited on training spend than they were previously.

### For further information contact:

Verity Davidge  
Head of Education and Skill Policy  
020 7654 1572  
[vdavidge@makeuk.org](mailto:vdavidge@makeuk.org)

Alice Tranter  
Education and Skills Policy Adviser  
020 7654 1588  
[atranter@makeuk.org](mailto:atranter@makeuk.org)

Blog: [www.MakeUK.org](http://www.MakeUK.org)  
Twitter: @MakeUK\_  
LinkedIn: [www.linkedin.com/company/makeuk](http://www.linkedin.com/company/makeuk)