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Society of Maritime Industries · UK

Apprenticeships & The Industrial Strategy

SMI Response to Call for Evidence by the All-Party Parliamentary Group on Apprenticeships

July 2026

Submission

Question 1: To what extent do you welcome the skills reforms initiated by this Government? Please rate on a scale of 1–10, where 1 = do not welcome at all, and 10 = fully welcome the reforms.

Rating: 5. SMI welcomes the direction of travel towards a more flexible Growth and Skills Levy, but the withdrawal of public funding for Level 7 apprenticeships for learners aged 22 and over, in effect since 1 January 2026, cuts directly against the workforce needs of the maritime sector and, in our view, against the logic of the Industrial Strategy itself. The sheer pace and volume of reform is also hard for employers to track. Professions central to the UK's maritime industrial capability, including naval architecture, marine surveying and marine engineering, require postgraduate-level training, and the Level 7 apprenticeship route was the principal means by which employers developed that expertise in work. A reform programme that expands flexibility at lower levels while closing the advanced route for adult learners gives with one hand and takes with the other.

Question 2: Set out your initial view on the performance of Skills England and its policy development process.

As a trade association, SMI does not consider itself well placed to assess Skills England's performance at this early stage: our members' direct experience of its processes varies considerably, and a single organisational view would not do that variation justice. We have therefore encouraged our member companies, including major employers with dedicated skills teams, to submit their own evidence to this inquiry so that the APPG hears their operational experience first-hand.

Question 3: How important are apprenticeships to delivery and innovation within the Government's Industrial Strategy? Please rate on a scale of 1–10, where 1 = Not important at all, and 10 = Extremely important.

Rating: 10. Maritime sits across several of the eight growth sectors, most obviously advanced manufacturing, defence and clean energy industries, and in each of them delivery depends on a technical workforce that apprenticeships are uniquely placed to supply. The Transport Select Committee's report on Skills for Transport Manufacturing, to which SMI gave written and oral evidence, reached the same conclusion the maritime industry has long argued: skills investment, industrial resilience and sovereign capability are inseparable. A shipbuilding pipeline, a clean maritime technology cluster or an autonomous systems capability cannot be sustained without the apprenticeship routes that produce the engineers who build them.

Question 4: How closely do the current Apprenticeship Standards reflect the specific technical requirements of the eight priority sectors identified in the Industrial Strategy? How responsive is Skills England to skills needs in these sectors?

The standards relevant to maritime are broadly sound at craft and technician level, but the framework fails the priority sectors at its upper end, where the removal of Level 7 funding for learners aged 22 and over has severed the apprenticeship pathway into precisely the professions the Industrial Strategy depends on. Two improvements would make the system materially more responsive. First, standards and funding policy should recognise that advanced technical professions recruit and retrain adults. House of Commons Library analysis of Department for Education data shows that in 2024/25 over half of all apprenticeship starts in England (51.3%) were by learners aged 25 or older, a proportion that has risen from 48.4% the previous year. Level 7 is the clearest case: 62% of Level 7 starters are aged 25 or over. Maritime draws heavily on career changers and Armed Forces leavers, who are typically well past their early twenties when entering civilian careers. Second, Skills England should give greater weight to the transferability of technical qualifications between maritime, offshore energy, defence and renewables, where core mechanical and electrical engineering competencies underpin careers across multiple Industrial Strategy sectors. Denmark, Norway, Germany and the Netherlands offer instructive models here, combining broad engineering foundations with employer-led specialisation so that a qualification earned in one discipline carries recognised value across the wider industrial base. (Source: House of Commons Library, Apprenticeship statistics for England, CBP 06113, and Degree apprenticeships, CBP 8741).

Question 5: How can the Local Skills Improvement Plans (LSIPs) be better integrated with national Industrial Strategy goals to prevent regional skills disparities?

Maritime employment is concentrated in coastal and post-industrial regions, from the Solent and the South West to the North East, the North West and Scotland, and the evidence shows those communities are less well served. ONS analysis of Census 2021 found that people aged 16 to 64 in coastal built-up areas were less likely to be in work than those in non-coastal areas (68.7% against 71.0%), and fewer held higher education qualifications at Level 4 and above (28.7% against 34.5%). LSIPs in these areas should be explicitly mapped against the national Industrial Strategy sectors present in their local economies, with maritime clusters recognised as strategic assets rather than legacy industries. The Scottish Affairs Committee's report on industrial transition, to which SMI also gave evidence, warned of the consequences when communities lack support through such transitions: entrenched worklessness and a shrinking specialist skills base. The Isle of Wight illustrates the gap: an island with no university, limited local training and costly, difficult transport to the mainland. One member could not place an engineering apprentice for a year, partly because the national course directory listed provision that the named universities did not in fact run. Government should examine the specific barriers facing island and remote coastal regions. A maritime equipment manufacturer or clean technology spin-out cannot be relocated. The skills, approvals, test facilities and supply chain relationships are rooted in place, and skills planning should treat them accordingly. (Source: ONS, Coastal communities, characteristics of built-up areas, Census 2021).

Question 6: To what extent will levy reform alleviate friction in the apprenticeships system? Please rate on a scale of 1–10, where 1 = will not alleviate friction at all, and 10 = will greatly alleviate friction.

Rating: 3. It is too early to judge the Growth and Skills Levy in operation, and our members' experience to date is mixed. Indeed, one reform compounds the problem. From 1 August 2026 the co-investment rate for levy payers who exhaust their funds rises from 5% to 25%, so an employer pays a quarter of the cost of any apprentice starting after that date once its levy balance is spent. For firms that regularly spend beyond their allowance, this operates as a de facto cap on apprentice numbers. Reform will alleviate friction only if it addresses the three points set out at Q7: restoration of Level 7 funding for adult learners, a longer expiry window, and simpler access for supply chain SMEs. Absent those, flexibility at the margins will not resolve the frictions that matter most to long-cycle manufacturing sectors.

Question 7: What is your view of the Growth and Skills Levy and, if it should be improved, how?

SMI supports the principle of greater flexibility, but three improvements are needed for the levy to serve the Industrial Strategy sectors. First, restore levy funding for Level 7 apprenticeships for adult learners in growth-driving sectors, ending an age-based restriction that sits at odds with a route that should turn on skills need rather than age. The Education Committee recommended this in September 2025, having found the evidence to its Further Education and Skills inquiry largely opposed to the removal. The Transport Select Committee concurred in January 2026, warning that the change risks jeopardising the supply of experienced and highly skilled workers to transport manufacturing. The Government rejected both, confirming in May 2026 that it has no plans to reintroduce Level 7 levy funding in the Industrial Strategy sectors. Two select committees reaching the same conclusion on the evidence of different sectors points to a structural problem rather than a sectoral complaint, and we urge the APPG to test it again. Second, extend the expiry window on levy funds, which at 12 months is poorly matched to the planning horizons of long-cycle manufacturing industries. Third, improve access for supply chain SMEs, who make up the substantial majority of the maritime industrial base but face disproportionate friction in drawing down or receiving transferred levy funds. (Source: Transport Committee, Engine for growth: securing skills for transport manufacturing, 28 January 2026, paragraph 42, and the Government response of May 2026).

Question 8: Which sectors stand to benefit most from apprenticeship units?

Members report that the purpose of apprenticeship units, and the material surrounding them, remains unclear. SMI has not yet gathered sufficient evidence from across its membership to offer a considered cross-sector view on apprenticeship units, and we are wary of speculating on a question best answered by employers using them. We have urged our members to respond to this call for evidence directly, and we would welcome the opportunity to feed maritime employers' experience into the inquiry as it develops.

Question 9: Will the current 12-month expiry window for levy funds facilitate or hinder workforce planning across IS-8 sectors? Please rate on a scale of 1–10, where 1 = significantly hinders workforce planning, and 10 = strongly facilitates workforce planning.

Rating: 3. On this timescale the principal beneficiary appears to be the Exchequer, which reclaims unspent funds sooner. Maritime programmes run on multi-year cycles: a shipbuilding contract, a refit programme or a technology development project will span several years, and workforce planning follows the same rhythm. A 12-month expiry window forces employers to plan training around the levy's clock rather than the programme's, and funds that could support a coherent multi-year apprenticeship intake are lost instead.

Question 10: How can the relationship between HM Treasury and the Department for Work and Pensions/Department for Education be improved to deliver a sustainable budget for skills in England?

SMI is not best placed to comment on machinery-of-government arrangements, but we would make one observation from the maritime sector's experience: skills funding decisions taken on a single-year fiscal logic sit poorly with industries that plan on multi-year programme cycles. Multi-year settlements for skills, aligned with the Industrial Strategy's own time horizon, would do more for workforce planning in the growth sectors than any change to departmental responsibilities.

Question 11: How can the Government's funding mechanism for the skills budget be better devised and communicated to employers and training providers?

The recent changes to Level 7 funding illustrate the communication problem: significant changes announced with limited lead time leave employers with apprentices in the pipeline and no viable route to fund them. Members also stress the need for stability in the funding regime itself. Where change is unavoidable, it should be clearly articulated and made easily accessible to employers and providers. Funding changes should be announced with sufficient notice for employers to adjust workforce plans, accompanied by clear transitional arrangements, and communicated through sector bodies who can translate them for the SME supply chain.

Question 12: To what extent do you see apprenticeship units as meeting the upskilling needs of innovative sectors compared to full apprenticeship programmes?

The relative merits of apprenticeship units and full programmes for innovative sectors turn on delivery experience that sits with employers rather than with SMI as an association. We have therefore asked our members, particularly those in digital and advanced technology fields where the upskilling question is most acute, to contribute their views to this inquiry directly rather than have us generalise on their behalf.

Question 13: Please set out your view on the Government's reform of End-Point Assessment.

Members observe that the reform appears to have paused while attention shifts to apprenticeship units, and that mixed messaging has caused some confusion. SMI does not hold a collective position on the reform of End-Point Assessment, as our members' experience of assessment arrangements differs widely by standard and provider. We have encouraged members with direct experience of EPA to submit evidence to this inquiry, and we would be glad to help the APPG connect with maritime employers able to speak to it in detail.

Question 14: How can SMEs be incentivised to take on apprentices?

The maritime supply chain is overwhelmingly composed of SMEs, and their experience is that the barriers are less about willingness than about cost, cash flow and administrative burden. Moving smaller employers onto full levy funding will ease some of this, but the wage and supervision costs of hosting an apprentice remain. The marginal levy payer, just over the threshold, also risks being overlooked despite standing to gain from levy transfer. Simplifying levy transfer from primes to their supply chains, reducing the administrative overhead of taking on a first apprentice, and providing cost-sharing support for smaller employers in Industrial Strategy sectors would each make a material difference. The precedent from other areas of industrial policy is that modest, well-targeted public support for SMEs generates disproportionate returns, and skills is no different. Underlying all of this is confidence in future work. Primes and their SME supply chains commit to apprentices when the forward order book supports it. In maritime that points to the National Shipbuilding Pipeline, and procurement decisions that place government-funded tonnage overseas weaken the very demand that sustains apprentice recruitment.

Question 15: How can schools' careers advice be improved to promote the apprenticeships pathway?

Maritime suffers acutely from 'sea blindness' in schools' careers provision. The sector supports 1.17 million jobs across the UK, and its marine engineering and science base alone employs 80,600 people directly, rising to 199,400 once indirect and induced effects are counted, yet maritime is barely presented as a career destination. Maritime UK's State of the Maritime Nation 2025 makes the same point, noting that public familiarity with the sector has fallen behind its reality as a growth engine and an increasingly inclusive employer. SMI has invested in addressing this directly, through its SMIFutures early careers network and its Maritime Career Path Map, which sets out the routes from school into maritime engineering, science and technology careers. Careers advice should present apprenticeships, including higher and degree-level apprenticeships, as a route of equal standing to university, and should draw systematically on sector bodies' resources to make industrial careers visible to students and, just as importantly, to their teachers and parents. There is also a case for embedding practical, work-based learning earlier, in the academic phase. The Scottish Foundation Apprenticeship model, which lets senior phase pupils undertake work based learning alongside their studies, offers a route worth examining. (Source: WPI Economics for Maritime UK, State of the Maritime Nation 2025, November 2025).

Question 16: To what extent are local authorities and other devolved government structures responsible for the success of the apprenticeships system? Please rate on a scale of 1–10, where 1 = not at all responsible, and 10 = highly responsible.

Rating: 4. The levers that determine whether the apprenticeships system succeeds (funding rules, levy design, standards and eligibility) sit with national government, and the recent Level 7 changes illustrate that no amount of local effort can compensate for a route being closed nationally. That said, local and devolved structures matter for delivery in a sector as geographically rooted as maritime: as set out at Q5, maritime clusters in coastal and post-industrial communities depend on LSIPs, local colleges and devolved skills bodies understanding and prioritising them. Responsibility for the system's success is therefore shared, but weighted decisively towards national policy, and local structures can only be held accountable for outcomes to the extent that national funding rules allow them to act.