

Future-Ready Skills Commission

Apprenticeships

Technical paper
September 2020



Recommendation

The Apprenticeship system needs national review to make it work more effectively, and this should include recognising and resourcing areas as the key route to employers and individuals

Ambition Statement:

The national Apprenticeship system is rebalanced to ensure funding supports people to train in businesses of all sizes in entry level roles and progress through the apprenticeship route in a range of economically valuable and locally relevant careers for now and the future. The role of regions is recognised as supporting individuals from disadvantaged backgrounds into apprenticeships and coordinating employer engagement and investment in the region.

Rationale:

An Apprenticeship is a blend of on and off-the job learning which develops skills, knowledge and behaviours needed to perform a job, preparing the candidate for an occupation and forward career. Typically the government funds the training and development, while an employer pays the salary and supports an apprentice during their programme. In the UK apprenticeships are recognised as the key route to undertake and technical training while learning within a working environment. Substantial reformation of the system has taken place to increase employer ownership and design. This included new employer designed 'Standards' to replace old Frameworks and a revised funding system which included: a 0.5% Levy on large employers; ringfencing this money for apprenticeship training fees only; mandatory cash investment from SMEs (currently at 5%); funding caps for provision which allow negotiation and increase the likelihood of employer input into training programme delivery.

There is widespread public debate about the reforms. They have increased employer ownership and investment in the apprenticeship system; however, they have also led to unintended consequences. While the objective of increasing the number of higher-level apprenticeship starts has been achieved, this is in the context of a reduction of overall participation, and in level 2 starts. Young people have also been adversely affected by this despite it being an important entry route into employment. If left unaddressed, this shift in provision will compound the impact the of the Covid-19 economic shock on young people and their opportunity to train for and enter career pathways.

The increase of higher level and degree apprenticeships is welcomed, given the national need to increase the number of people skilled at Level 4 and above, and the productivity increase that these skill levels have on economies. However, there are concerns that this offer predominantly focuses on Leadership and Management programmes, which although vital for a productive economy, are potentially displacing previously purchased training programmes, rather than focusing funding on truly additional skills development. Acknowledging that these are economically valuable schemes, it should be considered whether an apprenticeship is the right route for developing competency.

The availability of funding for SMEs has also been limited in this timespan, stifling opportunities for apprenticeships in the small and medium sized companies which are vital to regional economies and local employment opportunities. The government had anticipated a greater proportion of Levy funds expiring and being made available to SMEs, however a shift to more expensive apprenticeships has resulted in just 22% of the funds being made available for SMEs.¹ The new Standards have been developed by employer groups including SMEs, but with a proportionately larger voice from big employers who have the resource to prioritise involvement. Given the varied nature of SME activity, and the need to develop standard role profiles, the occupations defined in Standards do not always transfer easily to SMEs, who by their nature need multi-talented people, and multi-faceted roles. Furthermore, there is a lack of financial support to help SMEs to support an apprentice in the workplace, for example, with pastoral support, helping to practice and develop new skills, management supervision. Unlocking financial incentives could unblock take up for SMEs.

From an individual's perspective, the funding principles for apprenticeships do not align to the Adult Education Budget, Adult Learner Loan system or the Higher Education system – in that a second qualification at any level is fully funded for the individual regardless of their previous attainment level. While the opportunity for individuals is welcomed, this exposes that lack of similar opportunity and therefore the inequality in the wider system.

The complexity of the system should not be underestimated, and we acknowledge that existing and extensive reviews about the national system are being undertaken, including the government's own review. These reviews must ensure that apprenticeship funding is developing the workforce skills needed in for the future, and not just meeting immediate gaps.

To date, there has been less debate about the regional role in a reformed national apprenticeship system. Increasingly, there have been a number of nationally commissioned campaigns to promote work based routes such as apprenticeships and T-levels to employers, often displacing or confusing regional activity and increasingly frustrating employers - especially SMEs who often require highly personalised support due to their lack of capacity to perform a HR function in comparison to large employers.

Employers are often locally rooted, and local areas are best placed to engage employers and support government's ambitions to put into place apprenticeship opportunities and T-levels placements. Areas also have a role in expanding the supply of potential of apprentices, and in particularly focusing on underrepresented to groups to tackle their area inequalities. More autonomy should be created in the system, with areas credited with the authoritative role in speaking with business, supporting employer take-up of apprenticeships and promoting them to people of all ages and backgrounds – with funds to influence and incentivise delivery to economic priorities.

¹ Bridging the gap: next steps for the apprenticeship levy; Stephen Evans & Joe Dromey, October 2019 (https://www.learningandwork.org.uk/wp-content/uploads/2019/10/Apprenticeship-Levy_FinalReport.pdf)

<p>Key facts:</p> <p>Since the introduction of the 2017 reforms:</p> <ul style="list-style-type: none"> • Apprenticeship take-up has fallen markedly, and young people have been hit the hardest, with 16-18 take up of apprenticeships falling by 23% • 74% of Apprenticeship providers working with small firms said they have insufficient funds to meet demand • Starts at level 2 have dropped by more than 50%: Availability of level 2 provision has declined during the move to the occupationally focussed standards, removing the 'first rung on the ladder' for new entrants. • The number of higher apprenticeships more than doubled in the past two years, with the number of degree apprenticeships increasing by a factor of 12.

Current Roles and Responsibilities

National	Regional	Local / Neighbourhood
<p>Sets apprenticeship policy and funding rules</p> <p>Manage finance system through ESFA</p> <p>Control Standard development through the IfATE</p>	<p>No formal role</p>	<p>Employers choose apprenticeships for workforce based on skills needs: negotiate fees and training programme.</p> <p>Providers deliver apprenticeships based on staff capabilities, demand and funding viability.</p>

Proposed Roles and Responsibilities

National	Regional	Local / Neighbourhood
<p>The Apprenticeship system should remain national in its priority setting, with Policy qualifications and quality standards set nationally via DfE and IfATE.</p>	<p>Influence and shape provision within the local area through SAPs and statutory skills plans, ensuring there are clear progression opportunities in key economic areas.</p> <p>Coordinate skills brokerage, embedded within business support</p> <p>Investment pot to influence and incentivise take-up by addressing local barriers</p>	<p>Employers make informed decisions and create demand for apprenticeships based on workforce skills needs & productivity</p> <p>Providers are encouraged and supported to deliver apprenticeships based on economic need</p> <p>Support for individuals, particularly those from underrepresented groups, to access apprenticeships</p>

	<p>Adopt formal targets around take-up of apprenticeships and technical education in region</p> <p>Act on Levy usage data to maximise investment of skills in the area</p> <p>Feed into DfE/ IfATE reviews, particularly on systemic issues</p>	<p>Feedback mechanism via SAPs on suitability of Standards and End Point Assessment, to inform development and review</p>
<p>Funding:</p>		
<ul style="list-style-type: none"> • The Government’s review of the apprenticeship reforms must address: <ul style="list-style-type: none"> ○ The decline in 16-18 starts ○ The shortage of funding for SMEs ○ The disparity of funding eligibility in comparison to other funding streams • The review should ensure that the levy develops the technical skills needed by local labour markets and addresses the current access issues • Discretionary and flexible funding available to areas to incentivise targeted employers and individuals to take up apprenticeships, as appropriate to their needs • Areas are funded to broker support and promote apprenticeship and T-level placements with employers and individuals in their area 		
<p>Data considerations:</p>		
<ul style="list-style-type: none"> • Information on Levy payers and their proportion of Levy spend should be made available to areas to enable them to support their businesses to maximise training opportunities and support supply chain transfers • Timely provision of skills data on apprenticeship starts and completions needs to be made readily available to areas and commissioning authorities to inform need, demand, gap analysis and therefore programme design. • The earning and expenditure of Levy by geographical area should be transparent 		
<p>Government to:</p>	<p>Regions (and local) to:</p>	
<p>Incorporate Skills Commission thinking into their Apprenticeship system review, including:</p> <ul style="list-style-type: none"> • set core funding priorities nationally to ensure a consistent education system across the UK 	<p>Play a leadership role in promoting apprenticeships (e.g. via S106) and integrate key messages to employers through local campaigns that resonate with business</p>	

<ul style="list-style-type: none"> • a national review of funding rates – particularly where low funding rates and delivery viability have affected the take up of economically significant sectors. • protection of funding for SMEs – simplify access to funding, especially via levy transfer • prioritise and fund areas to perform the employer and individual engagement and promotion role at a local labour market level, including the opportunity to tailor key messages to businesses and underrepresented individual groups such as BAME and low socio-economic groups • address the decline in 16-18 starts • recognition of local areas as the key route to employers and individuals – providing funding and powers to facilitate this through brokerage and incentives. 	<p>Have discretionary funding to influence and incentivise employer take-up of apprenticeships needed by local labour market and support SME engagement with the Digital Apprenticeship System</p> <p>Play a lead role in promoting apprenticeships as a key learning route into work for 16+, ensuring fair access and that they are embedded in the careers offer</p> <p>Support business with levy transfer</p> <p>Contribute to national conversation about how to overcome barriers within apprenticeship system</p> <p>Have visibility of Levy usage and control to ensure unspent Levy is utilised to the benefit of the local economy it was raised, including through flexible use of levy for shorter vocational courses based on labour market need</p>
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Find out more

skillscommission@westyorks-ca.gov.uk
futurereadyskillscommission.com

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westyorks-ca.gov.uk
@WestYorkshireCA
customerfeedback@westyorks-ca.gov.uk
+44 (0)113 251 7272

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