

## Apprenticeship levy must work for social mobility

Britain's training providers remain unequivocal supporters of the apprenticeship levy and it is far too soon to consider using its proceeds for other forms of training. The levy should be for apprenticeships only.

Apprenticeships are vital to improving workforce skills and productivity across all sectors. They are also rightly available for people of all ages and at all levels. About 12,000 large levy paying employers, including the 400 largest, are claiming the levy back to fund their own apprenticeships and many of them are engaged in the programme for the first time. This is a major advance and the higher level apprenticeships offered by household name companies are adding to the prestige of the programme.

Degree apprenticeships have really taken off, with at least 100 universities registered to offer them. An apprenticeship with work experience, a job and without £50,000 of debt attached to it is a really attractive option for a young person. At the Association of Employment and Learning Providers (AELP), we hear of an increasing number of employers changing their recruitment practices to taking on more degree apprentices instead of graduates, because the apprentices learn on the job with the most up-to-date technologies and techniques.

But there is no hiding from the fact that total apprenticeship starts (the number of people taking up apprenticeships) has fallen dramatically since the levy came into effect. AELP is particularly concerned that starts for 16 to 18 year olds have fallen by 38% in the last 12 months and starts at intermediate level (level 2) have halved. In this sense, the programme reforms are acting as a force for social immobility, which is in direct contradiction to the Education Secretary's priorities. In written answers, ministers say that they remain committed to the government's target for 3 million new apprenticeships in England by 2020, adding that progress towards achieving it is 'broadly on trajectory'. However, numbers are below previous volumes let alone on the target, and our estimate is over 180,000 starts a quarter are needed for the next two years instead of the 110,000 achieved in the latest recorded one. Every month another big drop in starts is announced (31% down in January on a year ago) and yet the government has done nothing to arrest the decline. AELP believes that it is not the levy itself that is responsible for this but the manner in which it has been introduced.

## The action needed now to reignite apprenticeship starts

Taking responsibility for manifesto targets is not a concern for AELP, but a successful roll-out of the levy in terms of better workforce productivity, improved social mobility and meeting Brexit labour market challenges certainly is. It is vital that non-levy paying SMEs have access to apprenticeships, but our training provider members report that two elements of the reforms are adversely affecting the number of new starts. Firstly, the rule that requires 20% of apprenticeship training to be 'off the job' across all sector standards and levels is inflexible. Training providers must work hard to persuade employers that the rule in practice does not mean a day release for the apprentice every week and while AELP has provided guidance to providers and employers on what flexibility exists, greater flexibility within the rule is needed. Secondly, employers who don't pay the levy have to chip in 10% of the cost of the training and assessment, with the government paying for the rest. While 10% doesn't sound much, when wages and supporting staff commitment are added on to the other costs that businesses now face, the attractions of taking on an apprentice are suddenly reduced and progressing them is even less attractive.

Our proposals to ministers are that until April 2019:

1. SME employers outside the levy's scope should not be required to make a financial contribution towards the cost of training new apprentices aged between 16 and 24 for level 2 and 3. The waiver should also apply to the levy paying employers who hire additional apprentices beyond their levy entitlement;

2. a new incentive to encourage more progression from intermediate to advanced levels, again involving the waiving of the financial contribution when an existing apprentice moves on from level 2 to a level 3 programme.

Not only will these temporary measures boost start numbers but they will make a difference for young people's social mobility.

## Ringfenced apprenticeship funding required for SMEs

The government has always calculated that the levy paying employers will not claim back all of the levy proceeds, thereby leaving plenty of money to fund the apprenticeships of SMEs as well. However the steep rise in management and degree level apprenticeships since May 2017, which AELP predicted, points very much to this being an error of judgement. Ministers are right in saying that levy payers are taking their time to strategically plan and implement their programmes but our belief is that the large employers will exhaust the levy pot. And as the Public Accounts Committee noted, this could leave many constituencies that have few or no levy payers with very little funding available for apprenticeships. The issue has been exacerbated by a disastrous government procurement exercise before Christmas which removed at least 200 good or outstanding (often specialist) providers and colleges from non-levy provision. To rectify this gap in provision, a guaranteed £1bn annual budget for non-levy paying employers is required to ensure that there are apprenticeship opportunities available across the whole of the country and all sectors and access to funds for all good and outstanding providers, no matter what size.

## A fair system of apprenticeship funding after April 2019

Ministers are currently deciding how the system for funding apprenticeships should work after April 2019 when SME employers are scheduled to join levy payers on the digital Apprenticeship Service, which should make demand for apprenticeship funding more employer responsive. There are many factors that need to be considered to make this workable and fair for all committed employers although AELP is clear that the final blueprint will require some controls under a finite budget and it should definitely obviate the need for any more government procurement rounds and the current 'clunky' funding agency contracting with providers.

## Ensuring that apprentices are receiving good training and can progress

AELP has expressed concern to the Education Committee that potentially the most damaging aspect of the apprenticeship reforms in terms of the programme's reputation is the government's roll-out of new standards, the assessment arrangements and the funding allocated to those standards where there is a real lack of transparency. Apprentices have started programmes without knowing how they will be assessed at the end – something that wouldn't be tolerated for A Levels and GCSEs. Ofsted's chief inspector is encouraged that 80% of new apprentices are receiving good or outstanding training from providers but she regards as 'destabilising' the fact that around 40% of the standards approved or in development are at higher and degree levels, while only 7% of apprentices work at these levels. In her words, this "makes it more difficult for young people looking for entry-level employment straight from GCSEs" – running again against the social mobility agenda. AELP believes that we urgently need a major step-up in the standards approval process at all levels and in the actual readiness of their end point assessment arrangements. More SME input into their design is also required as the trailblazer process has been mostly dominated by the large employers. Furthermore contrary to the elitist nonsense that we hear from people miles from frontline provision, level 2 apprenticeships can be life transforming for young people's life chances and good for productivity as Barclays Bank has just publicised here: <http://bit.ly/2rzcrav>.

## Post-18 funding review should respond to degree apprenticeship growth

AELP believes that a proportion of the £10bn per annum in higher education fees should be made available for apprentices to support the growth in higher and degree apprenticeships. For these apprenticeships, the government's post-18 review should consider match-funding between the employer (levy) and learner (loans). The AELP submission to the review is available here: <http://bit.ly/2KWQVEK>.

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