Association of Employment and Learning Providers

# AELP Parliamentary Newsletter

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## Pandemic skills training incentives working well but extension beyond September needed

The pandemic has not been kind to apprenticeships. New starts on the flagship work-based skills programme for 16 to 18 year olds in the first quarter of 2020-21 were 43% down on the previous year due to the lockdowns. For 19 to 24 year olds, they had slumped by 31%. And it was just as grim for entry level apprenticeships; level 2 starts had fallen by near half (45%) and level 3 were down by a third (33%). In the Budget, the Chancellor increased the Plan for Jobs employer incentives to £3,000 per new apprentice for all ages. AELP was confident that this would have a positive impact and the latest official data bears this out. Over 79,000 incentive claims have now been submitted by employers for new apprenticeship starts. The really good news is that 76% were for 16 to 24 year olds, while level 2 and 3 starts accounted for 82% of them. The employer incentive scheme for apprenticeships is due to expire on 30 September. AELP recommends that it is extended but for young apprentices only where the incentives are most needed and where, it seems, they are having the greatest impact.

Although 40,000 young people have started a Kickstart placement, ministers recognise that a failing in Kickstart is that no skills training is mandated as part of it and therefore we need to find ways to get Kickstarter completers onto apprenticeships and traineeships. While there will be no new starts on Kickstart after December, this still leaves a 6-month window in the first half of 2022 when we should be progressing the final cohorts of Kickstarters on to apprenticeships or traineeships and here a continuation of the apprenticeship employer incentive could make a really positive difference. We also need to see more evidence of the DfE and DWP working more closely together on this to create a joined-up approach on the various programmes which form part of the incentives. Employers find them confusing, resulting in some not engaging with them at all.

Peers are using the passage of the Skills and Post-16 Education Bill to call for a review of the apprenticeship levy and while AELP believes that the government is right to assert that the levy should only fund apprenticeships rather than other types of training, a rebalancing of the levy funding system is required. Before Covid arrived, the levy's introduction had seen total apprenticeship starts fall sharply from 509,000 a year to 393,000 and the starts split between levy paying and non-levy (SME) employers is now 66:34 in percentage terms – almost a complete 180 degree turnaround since the levy was introduced in April 2017.

This is important because it is SMEs who have historically offered most apprenticeship recruitment opportunities to young people and at entry levels. As the economy recovers, the large levy-paying employers will start using up the levy again and this is why we need a separate standalone apprenticeship budget for SMEs. Like other forms of 16-18 education, the government should fund training for 16 to 18 year old apprentices from the Department for Education budget, rather than requiring employers to make this additional investment in training.

## Spending Review 2021: Funding of adult education needs complete overhaul

The funding system for adult education in England is irretrievably broken and the Spending Review is the right moment to start reaching for radical solutions along the principle that funding should follow the learner. It is true that since 2010, the adult education budget (AEB) has halved to £1.34bn but it is difficult to argue for a restoration to previous levels if the current budget is not being spent. Year after year including pre-pandemic, the current funding system results in underspends which can result in Treasury clawbacks. Independent training providers (ITPs) have to take part in procurements for the chance to deliver only 9% of the non-devolved AEB and they always spend close to 100% of their allocations or sometimes more.

The government is moving to an adult learner loan system for learning at levels 4 and above. For level 3 and below, the Education select committee has rightly recommended in its December 2020 report that individual learning accounts should be brought back for adult learners to exercise choice over approved courses with approved providers. With public finances under strain again, learners and the taxpayer deserve better than a retention of the inefficient and ineffective status quo.

## Chancellor's huge Traineeship investment let down by government inaction

Starting with last July's Plan for Jobs, the Treasury has made a sustained investment of £237m in traineeships, a highly effective skills programme which supports young people, often from disadvantaged backgrounds, into apprenticeships or jobs. The investment up until July 2023 included an employer incentive of £1,000 for each new trainee taken on as part of the pandemic recovery effort. Despite the programme's 79% success rate, starts on the programme from a peak of 24,100 in 2015/16 had fallen to 12,100 by the end of 2019/20 and so the previously modest funding was given a boost to triple the volume of young people on the programme.

This year we have seen some signs of recovery for the 19 to 24 age group but starts for under 19s actually fell in the first two quarters because a promised 'market entry exercise' to invite more training providers with strong employer links to deliver traineeships for 16 to 18 year olds hasn't materialised. 110,000 people aged 16 to 24 are unemployed and have been looking for work for more than a year - a 63% increase on last year – and a further 112,000 young people have been unemployed for six months to a year. Yet ITPs are reporting that Jobcentre work coaches are referring young people to Kickstart which may not be appropriate in every case, especially as skills training is not mandated under Kickstart. AELP calls for the ESFA to undertake the promised market entry exercise as soon as possible to enable more 16 to 18 year olds to be recruited into traineeships.

## Government case for Local Skills Improvement Plans unconvincing

The government has recently announced the 16 pilot areas for Local Skills Improvement Plans (LSIPs), each to be led by the local chamber of commerce, as one of the initiatives under January's Skills for Jobs white paper. LSIPs will be given statutory backing by the Skills and Post-16 Education Bill, but when their introduction was debated by the Lords at the Bill's committee stage, peers felt that the government's proposals were confusing and lacking in clarity. The government has not allayed AELP's original concerns that LSIPs could be both a closed shop in terms of whom are consulted locally and a trojan horse for channelling funding to favoured colleges and providers. MPs are urged to give this part of the Bill careful scrutiny when it reaches the Commons.

## Skills Bill could squeeze out small high quality training providers against learners' interests

Under the Skills Bill, the government wishes to establish a new 'list of relevant providers' as a means of providing an extra layer of protection to learners in the event of a provider making an exit from the market. To be on the list, a provider must meet certain conditions, including taking out a form of insurance which doesn't currently exist! While no one seeks to minimise the importance of protecting learners' interests, peers have branded the government's approach as taking a sledgehammer to crack a nut. The government recognises that the list's registration fee and the additional insurance costs could have a "significant impact" on smaller providers, many of whom many are either specialist providers offering niche provision or serve areas out of easy reach of a local college.

There are 1,186 towns but only 170 FE colleges in England and ITPs are very good at reaching out to small businesses and individual learners in small towns and rural areas which do not have a local college including the Chancellor's Yorkshire constituency and some red wall areas. They have a major contribution to make to the levelling up agenda. The imposition of significant new costs could reduce the number of ITPs in the market and this would not serve the interests of local young people or adult learners at all. In AELP's view, the government should not be writing preconditions into primary legislation without consultation, including a form of insurance which doesn't even exist.

## Levelling up should mean a better focus on learning at level 3 and below

AELP was far from alone in believing that the Skills for Jobs white paper did not give enough priority to learning at level 3 and below. Lord Kenneth Clarke and other peers have said this as well during the Skills Bill's passage in the Lords. The Lifetime Skills Guarantee with its free first level 3 qualification entitlement has been welcomed but it doesn't properly address the issue of retraining as part of the recovery effort. The government should either co-fund or fully fund this in sectors with acute skills shortages. Only a modest number of ITPs have been awarded contracts to deliver the Guarantee and this needs to change if ministers want it to have a nationwide impact. Specifically on level 3, the government wants T levels to be the preferred alternative to apprenticeships as a non-academic option for young people after school, but we share FE sector concerns that learner choice on vocational qualifications might become unnecessarily restrictive.

**Contact AELP CEO Jane Hickie:** janehickie@aelp.org.uk or **Aidan Relf**: 07710 305182
www.aelp.org.uk @AELPUK