

Up to the job?

Using the Apprenticeship Levy
to tackle the UK's post-16
education divide

Kathleen Henehan

April 2017

@resfoundation



COMPLAINTS ABOUT BRITAIN'S SKILLS AND EDUCATION SYSTEM ABOUND...



School-leavers 'lack essential workplace skills'

UK graduates fail to land grad-level jobs after finishing university

A Brexit recruitment crisis on cards: expert

COMPLAINTS ABOUT BRITAIN'S

SKILLS AND EDUCATION SYSTEM ABOUND...

Skills shortage exposes UK companies to cyber crime

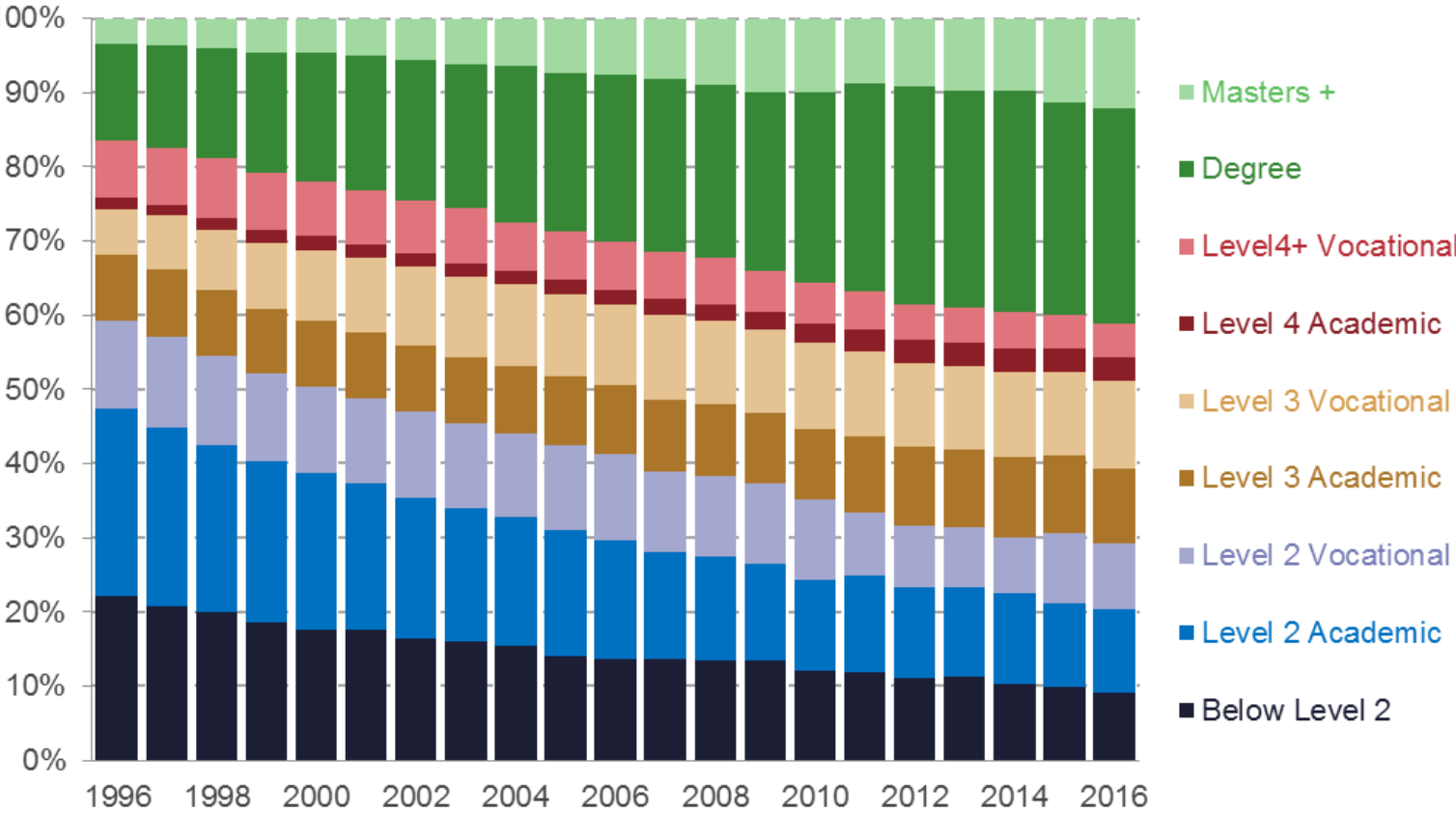
Britain needs to raise its skills

Over 11 million people in the UK still lack Basic Digital Skills



...Yet qualification levels have been rising

Highest qualification held, 22-35 year olds



Qualification levels have shifted strongly towards the top and away from the bottom over the past 20 years

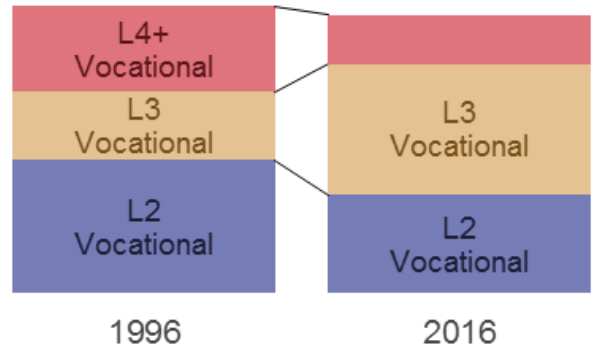
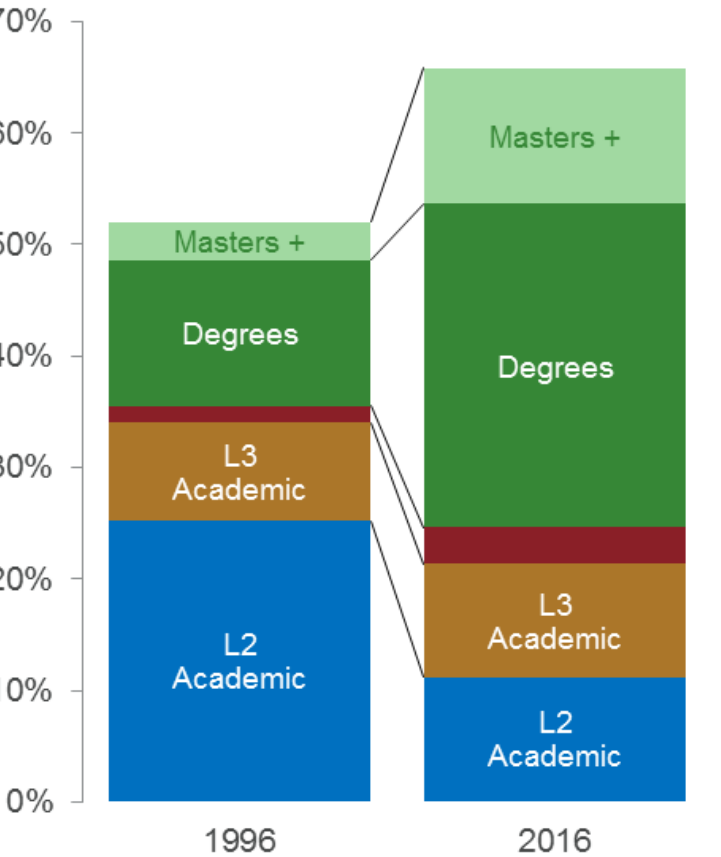
The proportion of those with below Level 2 qualifications (including none) more than halved, while the proportion with degrees+ more than doubled

Source: LFS



With the main expansion coming in relation to higher academic levels...

Highest qualification, 22-35 year olds

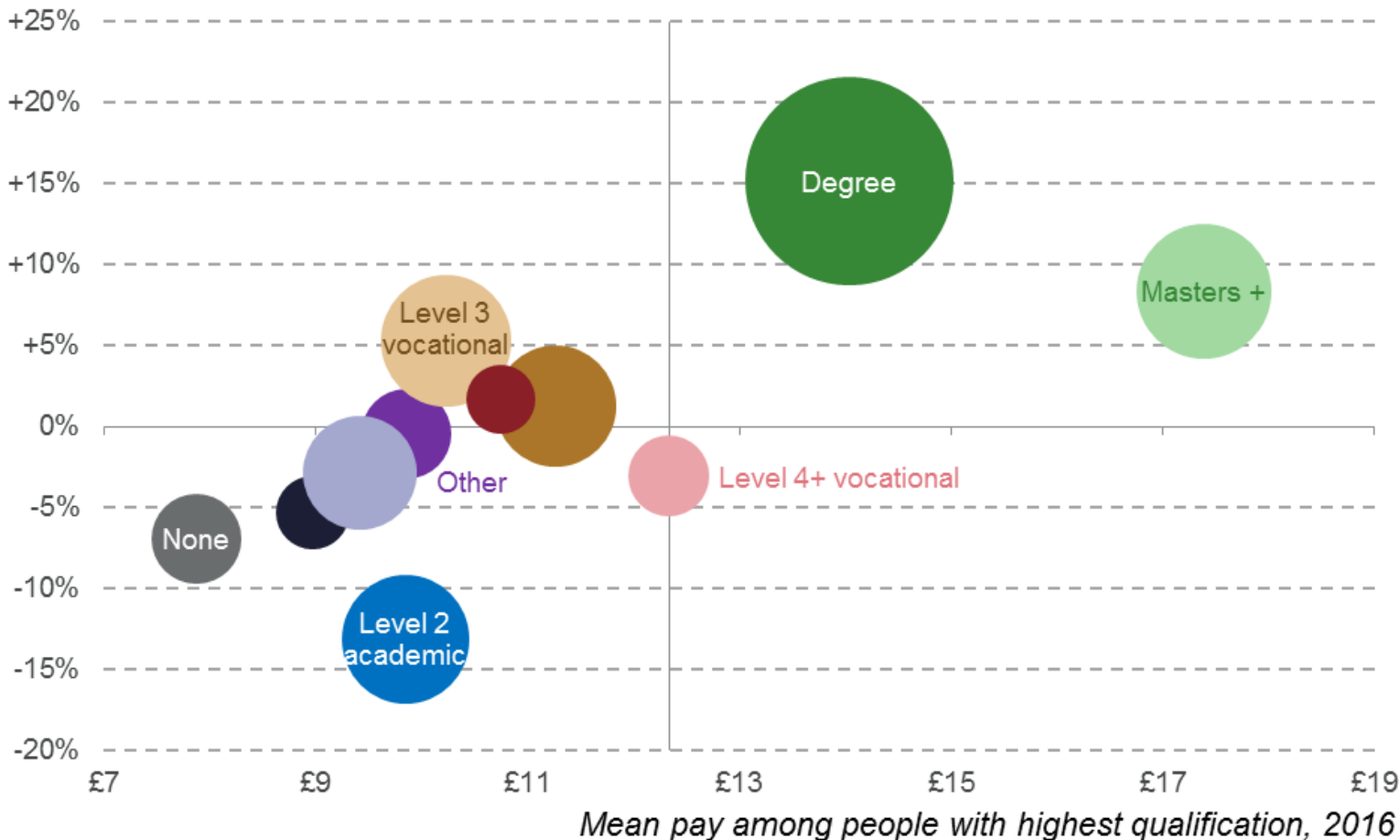


Among 22-35 year olds, the proportion holding a degree or higher has jumped by 25 percentage points

In contrast, the proportion holding vocational qualifications has remained flat – at 25%

...Likely driven by both higher pay associated with degrees...

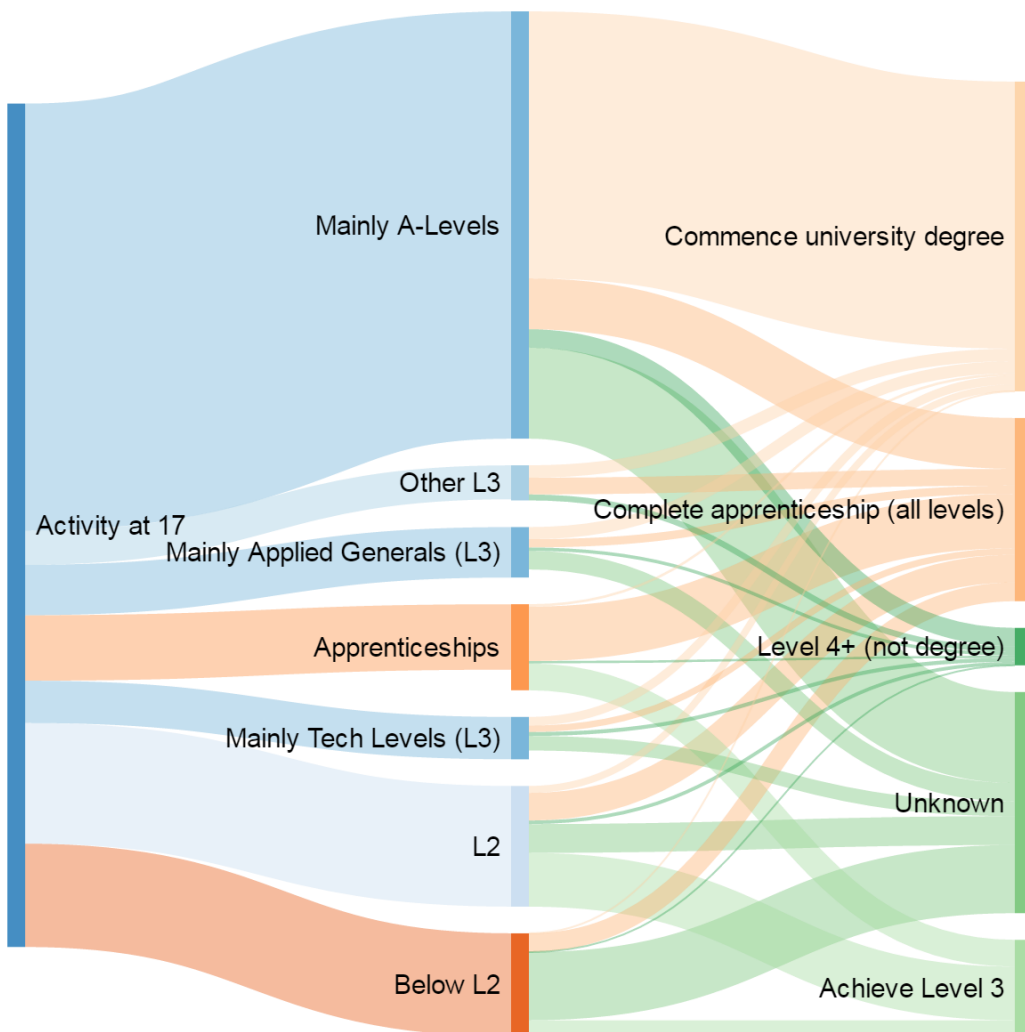
Change in share of population holding as highest qualification, 1996-2016



The increased share of the population holding degrees and above (and the associated fall in the proportion with no or Level 2 only qualifications) has helped to support an overall increase in average pay

...And the fact that things are much less clear outside of the A-level to university route

While a majority of those who study A-levels at 17 embark on a clear pathway to university by age 20, those who study other types of Level 3 and indeed Level 2 and below courses are offered no clear pathway between school and work



Data derived from Hupkau et. al. 2016; outcome figures for each activity at 17 do not add to 100%: some students will have embarked on multiple activities at age 17 (e.g. BTEC and A-Level) and others may have more than one achievement by age 20

So, while vocational education has been reviewed many times – this time is (hopefully) different

- 15 clear pathways for technical education as outlined in the Sainsbury Review of Technical Education and taken up in the Government's Post-16 Skills Plan is a welcome development – though questions remain
- Three themes which the government must have in mind as it rolls out reform:

Quantity: more intermediate and higher-level technical provision

Clarity: clearer pathways for those not following the university route

Quality: higher quality qualifications providing clear signals to employers



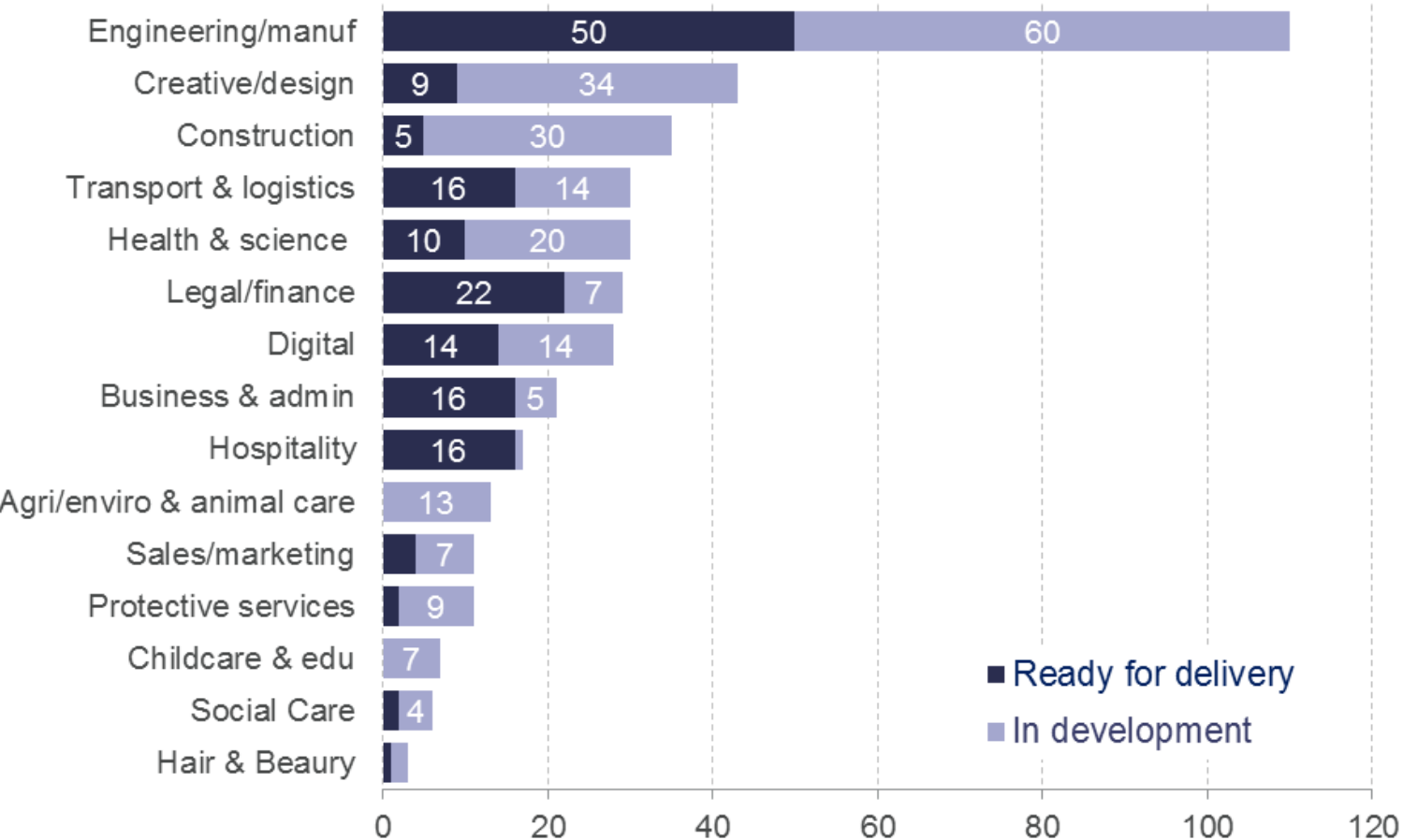
QUANTITY: The Apprenticeship Levy and the 3 million target should incentivise growth in technical provision

- Three million new apprenticeship starts between 2015 & 2020
- Large employers contribute 0.5% of their pay bill for those with a pay bill in excess of £3m
- Aggregated funds placed into a 'digital voucher' scheme for training apprentices
- Voucher will cover 100% of training costs along with a 10% co-investment from Gov't; Gov't will contribute an additional 90% for training spend in excess of levy pot



CLARITY: Too many overlapping standards will confuse employers and would-be apprentices

Number of new apprenticeship standards: ready for delivery and in development by sector, April 2017



Richards Review (2013) called for the replacement of “overly detailed” apprenticeship frameworks with “preferably one [standard] per occupation”

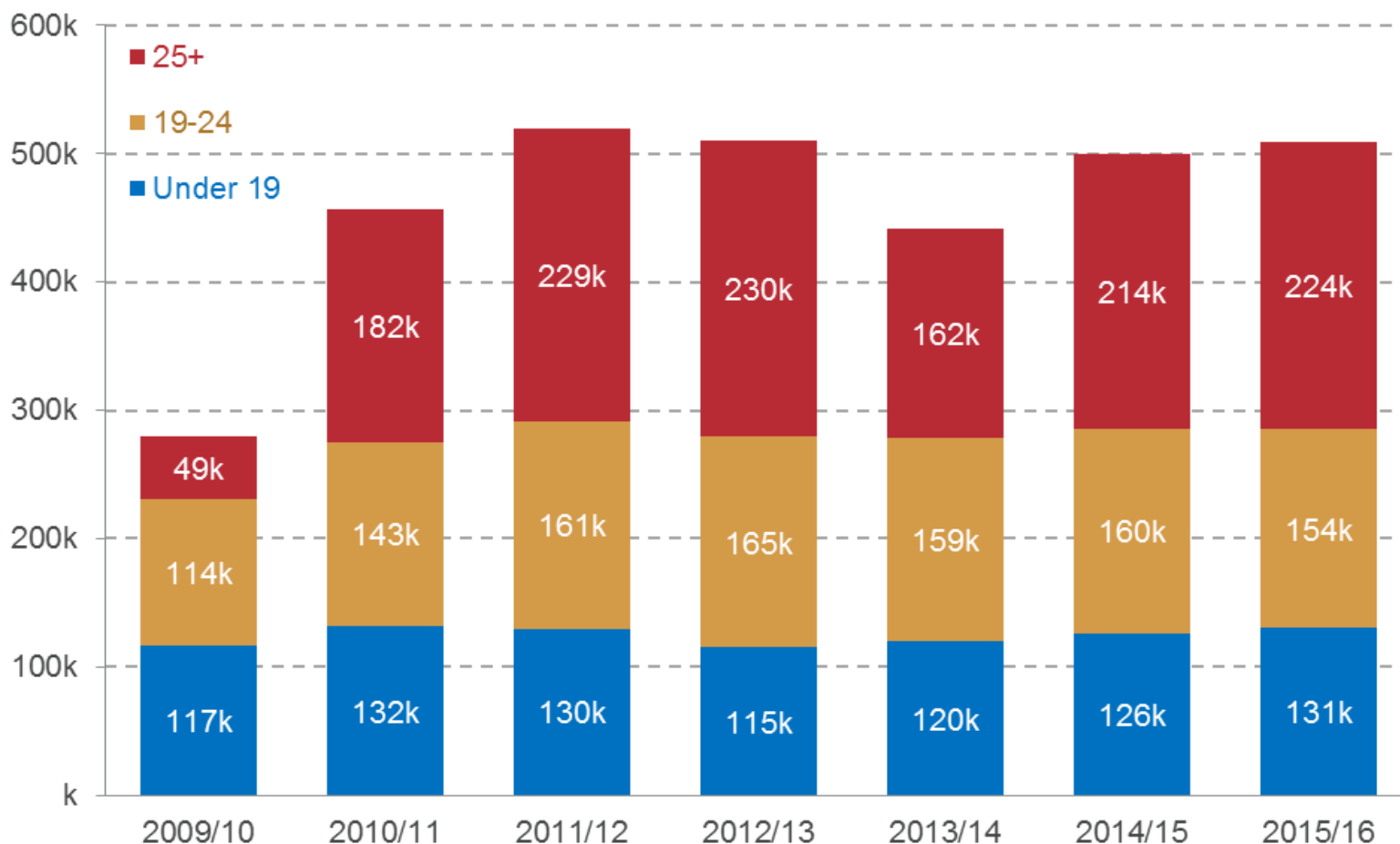
However, there is no cap on the number/sectors of new ‘Trailblazer’ standards. So far, 161 approved and a further 223 in development

Source: Skills Funding Agency, 2016

CLARITY: while older apprentices have comprised a growing share of all apprenticeship starts...

In 2015/16, 25+ year olds comprised 44% of all new apprenticeship starts

Number of new apprenticeship starts

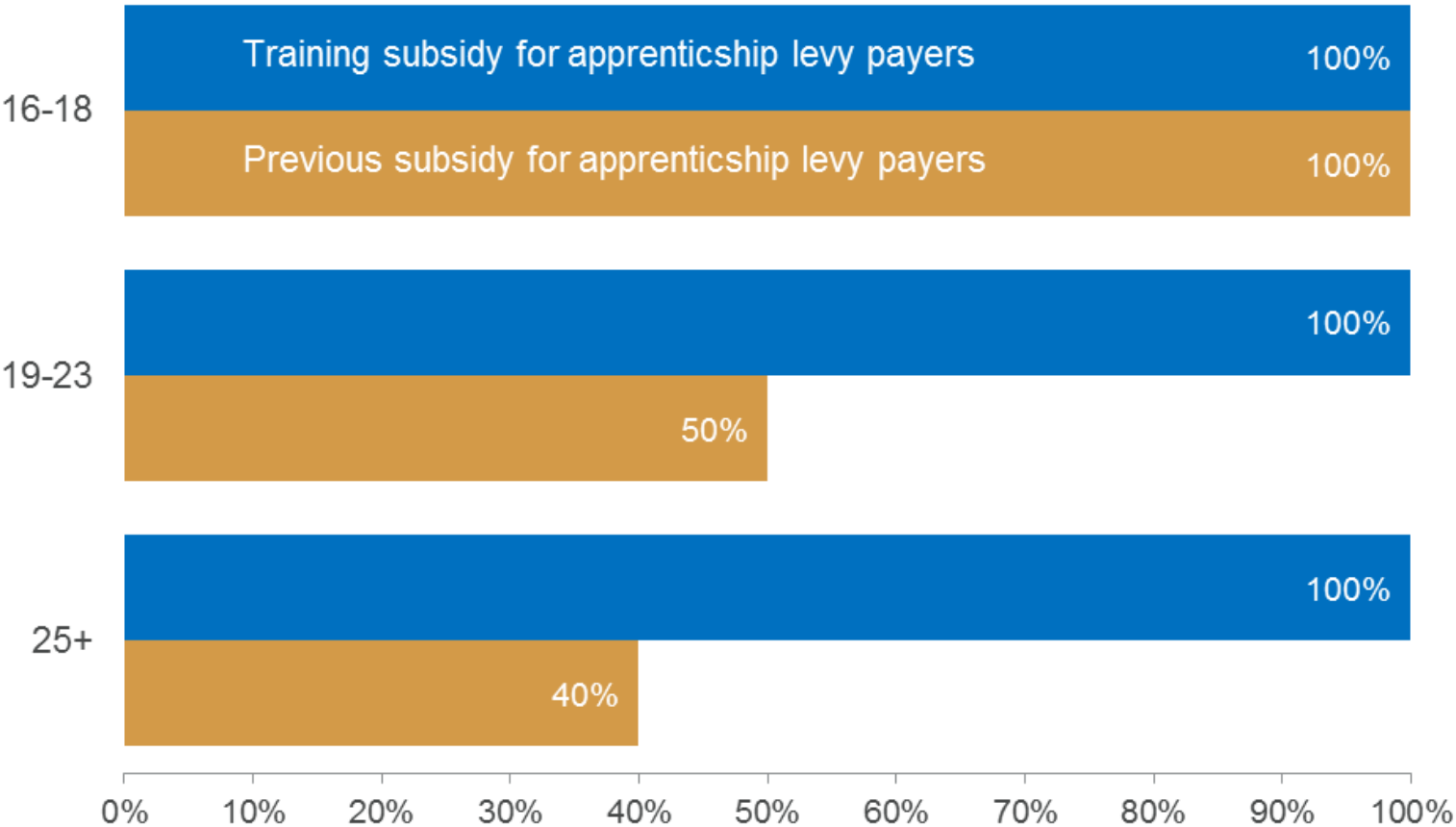


Source: Mizra-Davies, 2016

CLARITY: ...we should not incentivise this



Training subsidies by age, pre- and post-May 2017

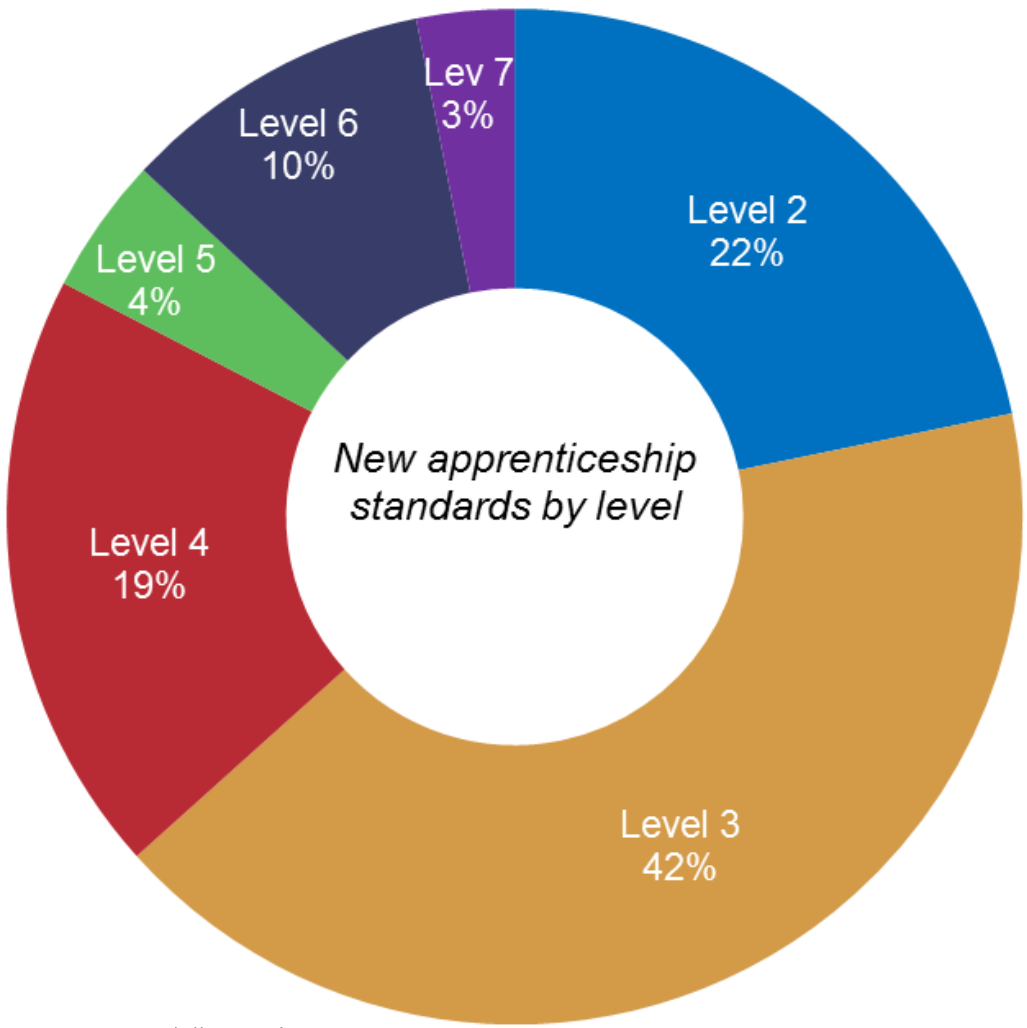


Source: Skills Funding Agency, 2017

Under recent apprenticeship reforms, training subsidies for older apprentices will rise such that they are equal to subsidies for young people. Unclear whether a £1,000 bonus for 16-18's will offset this.

Risk is that older apprentices crowd a viable school to work transition for young people.

QUALITY: We should prioritise apprenticeships at Level 3+



The 3 million target, in combination with the levy, does not mandate apprenticeship levels. Yet, average wages associated with L3+ apprenticeships are higher than at L2

Nearly 80% of new standards are L3+. However, this does not mean there will be fewer apprenticeships at L2 – we do not yet know how many employers/apprentices will sign up to each

Source: Skills Funding Agency, 2017



QUALITY: apprenticeship standards should offer a nationally recognisable qualification



Of 161 new standards, 100 include a recognised qualification, which could allow a former apprentice to progress to different/higher levels of education and employment

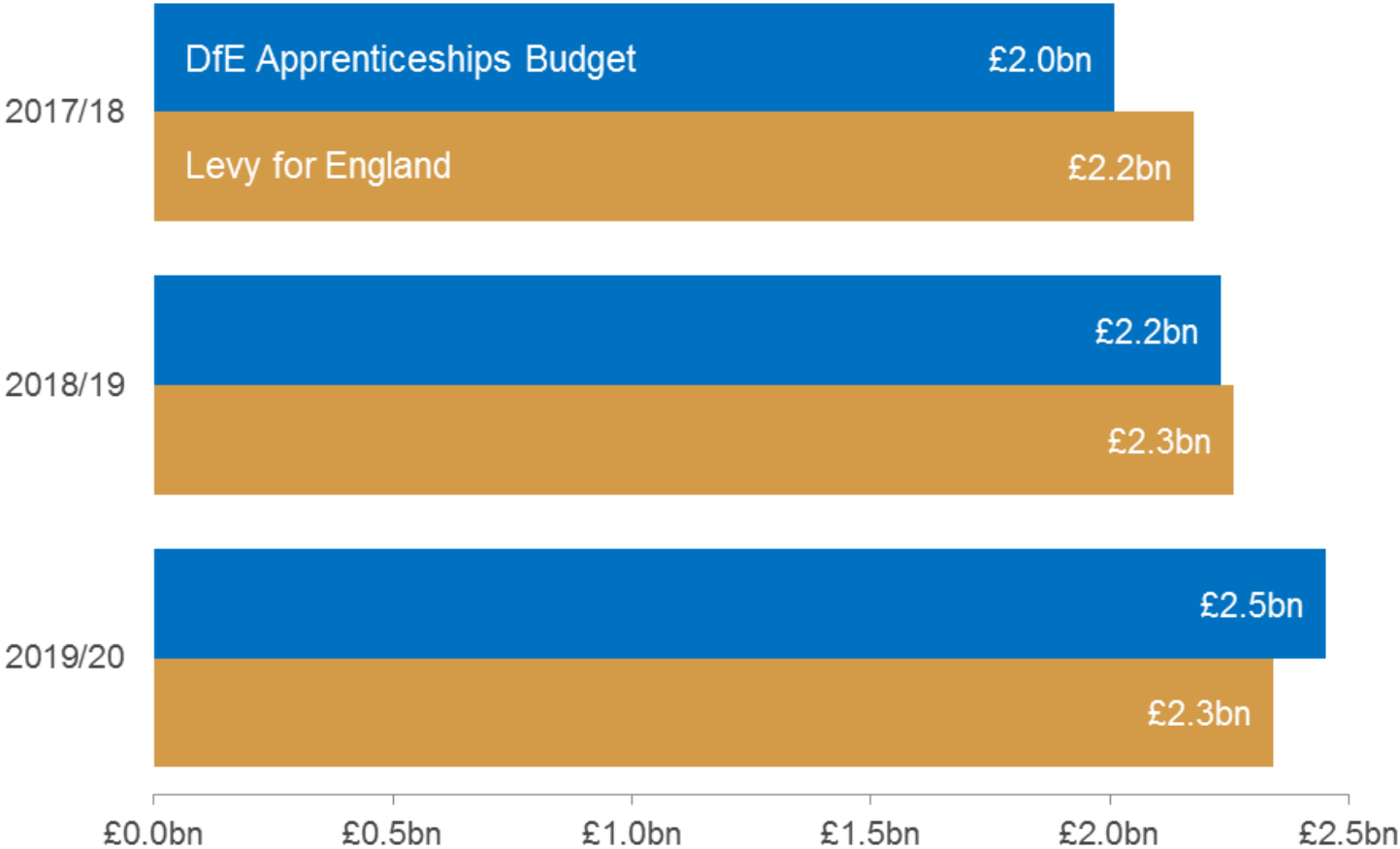
32 include professional recognition but not a qualification; and 29 offer neither, potentially narrowing an apprentice's prospects later in life

Source: Skills Funding Agency, 2017



QUALITY: The levy will raise funds but what will happen if levy payers spend all – or more – of their levy pot?

DfE Apprenticeships Budget and Levy receipts, England



The levy is expected to raise approximately 2.2bn for employers in England during 2017/18, rising to 2.3bn by 2020

The DfE apprenticeships budget is set to rise by £219m. If levy payers spend all of their pot, unclear where Gov't subsidies for both levy and non-levy payers' training will come from

Source: Department for Education, 2016; HM Treasury 2016



Conclusions

- Qualifications attainment over the past 20 years has been welcome, but intermediate and technical routes have suffered from a lack of clarity
- The Government's Post 16 Skills plan and the Apprenticeship Levy provide a welcome opportunity for priming both the demand and the supply sides of technical pathways
- But we've heard similar goals from previous reviews; the time is now to make tough choices about clarity and quality