

## Up to the job?

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

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# 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

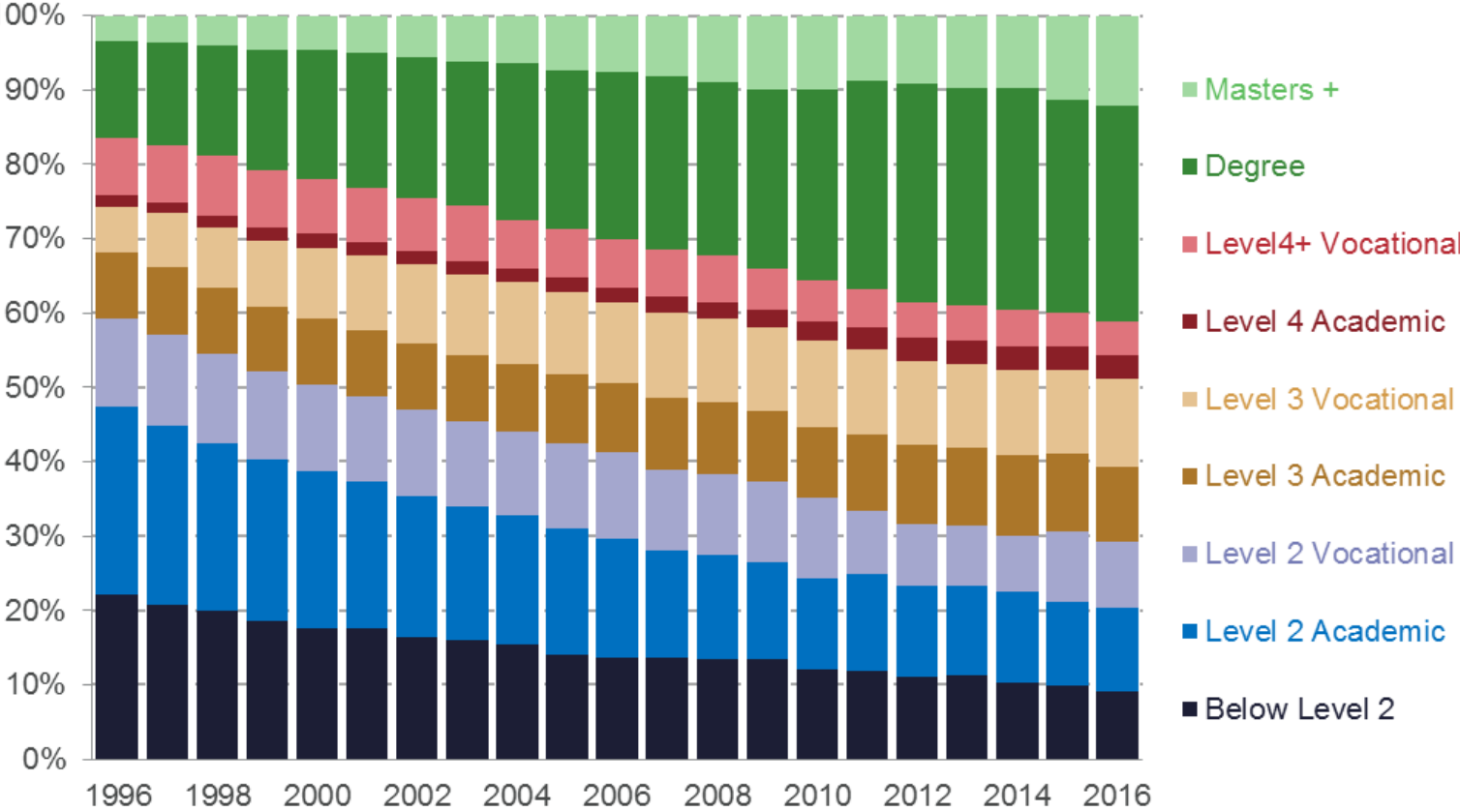
**Britain needs to raise its skills**

**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

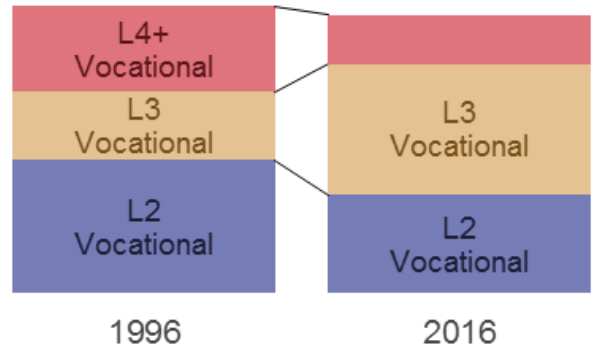
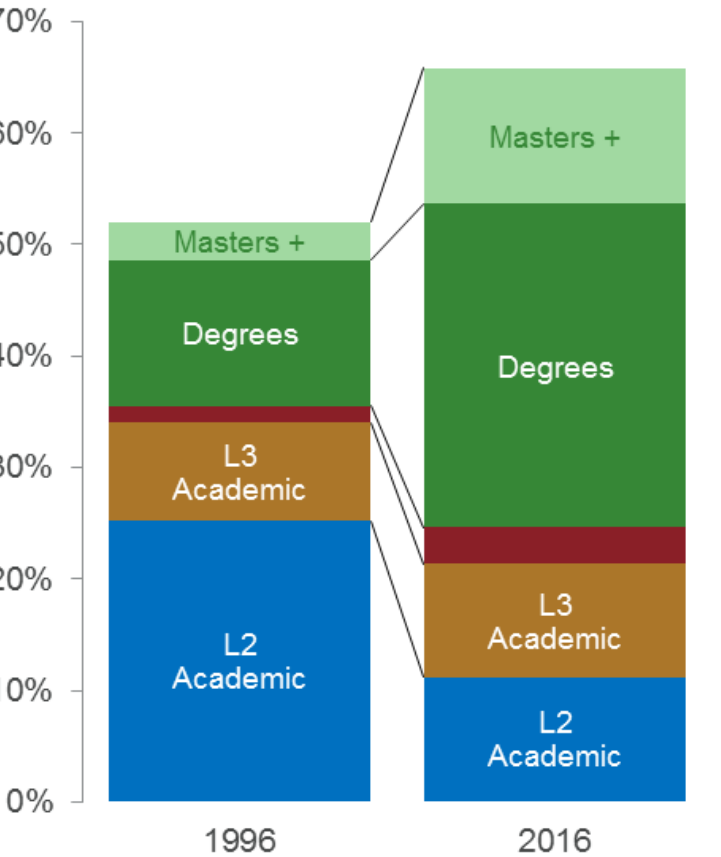
The proportion of those with below Level 2 qualifications (including none) more than halved, while the proportion with degrees+ more than doubled

Source: LFS



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

Highest qualification, 22-35 year olds



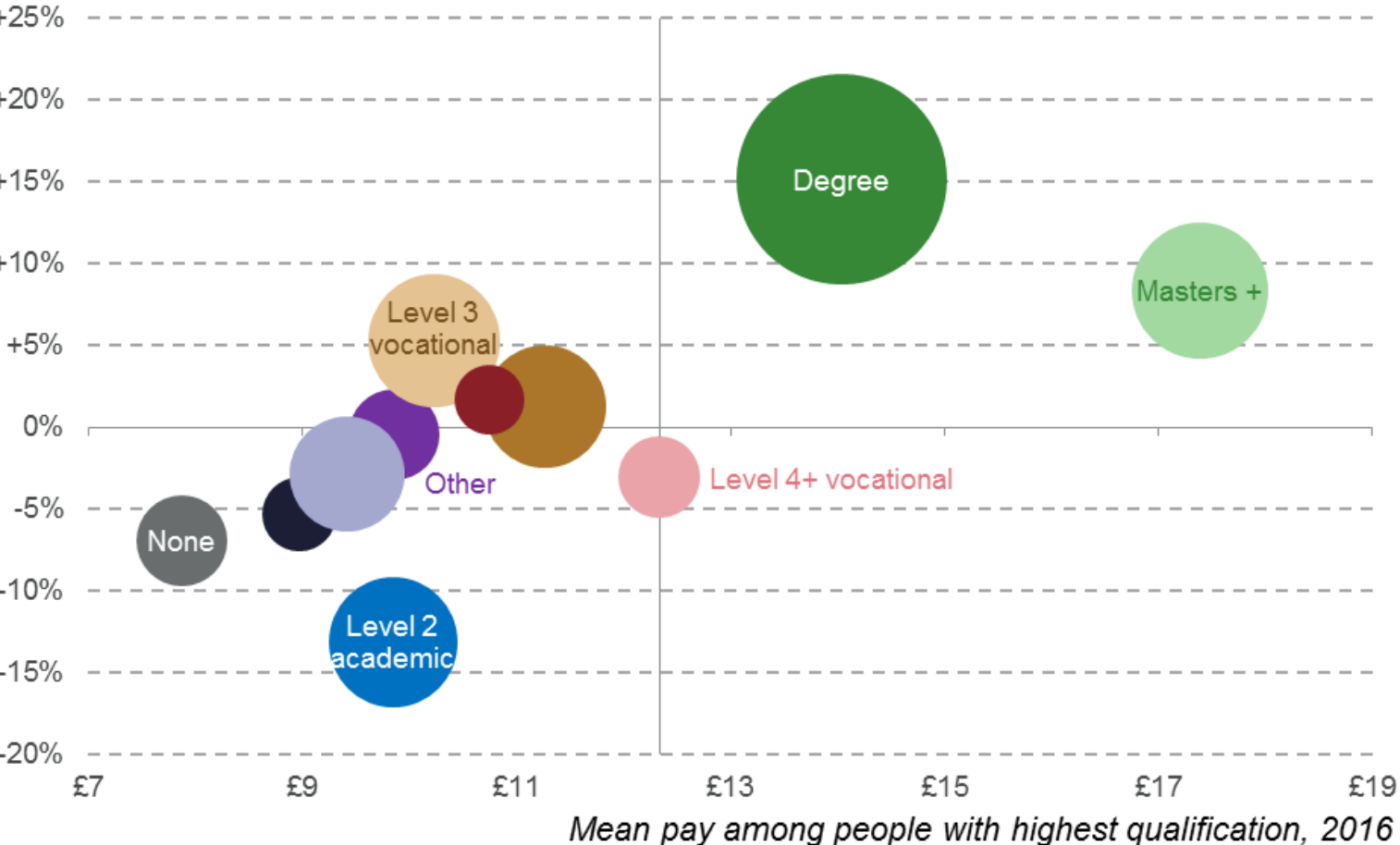
Among 22-35 year olds, the proportion holding a degree or higher has jumped by 25 percentage points

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

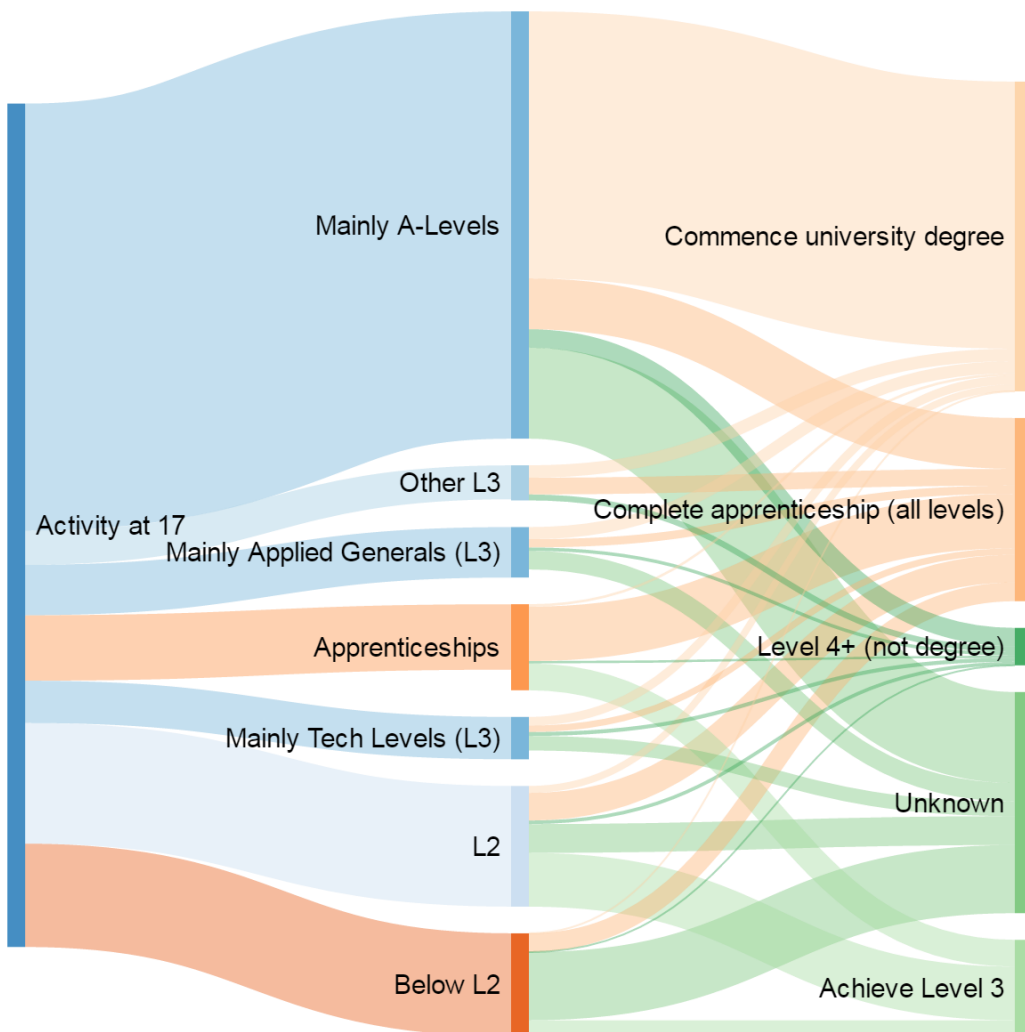


The increased share of the population holding degrees and above (and the associated fall in the proportion with no or Level 2 only qualifications) has helped to support an overall increase in average pay

Source: LFS

# ...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





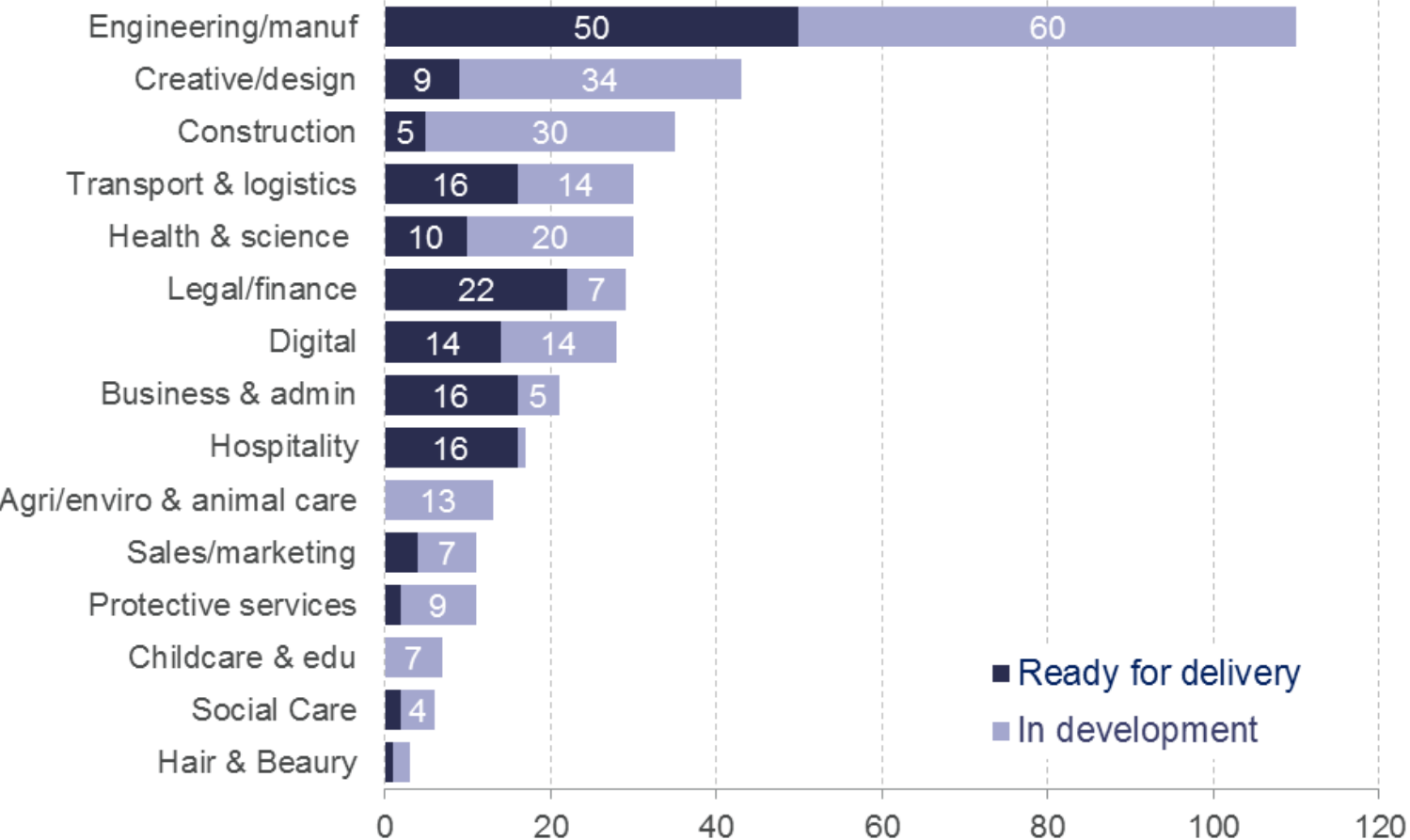
## QUANTITY: The Apprenticeship Levy and the 3 million target should incentivise growth in technical provision

- 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”

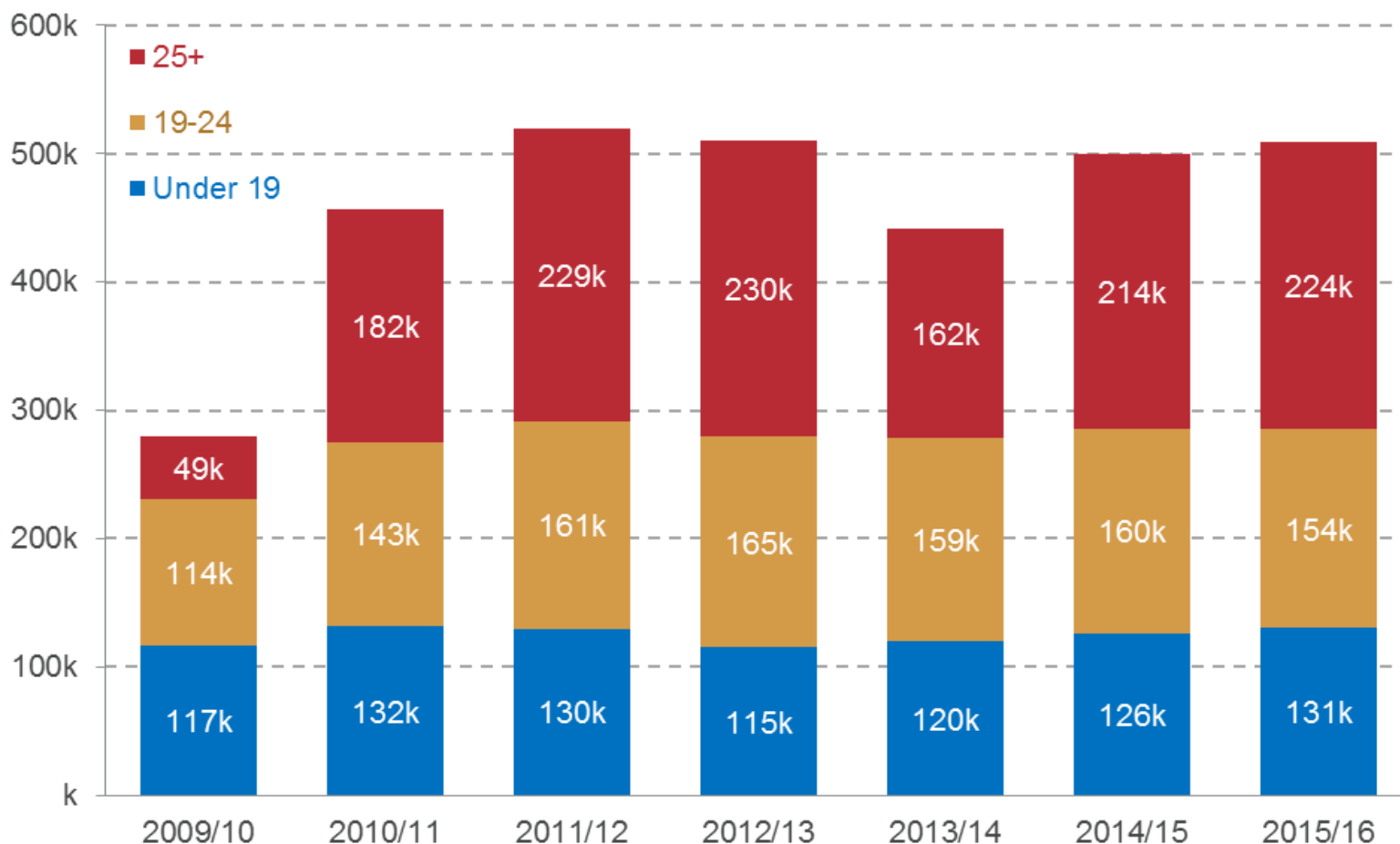
However, there is no cap on the number/sectors of new ‘Trailblazer’ standards. So far, 161 approved and a further 223 in development

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

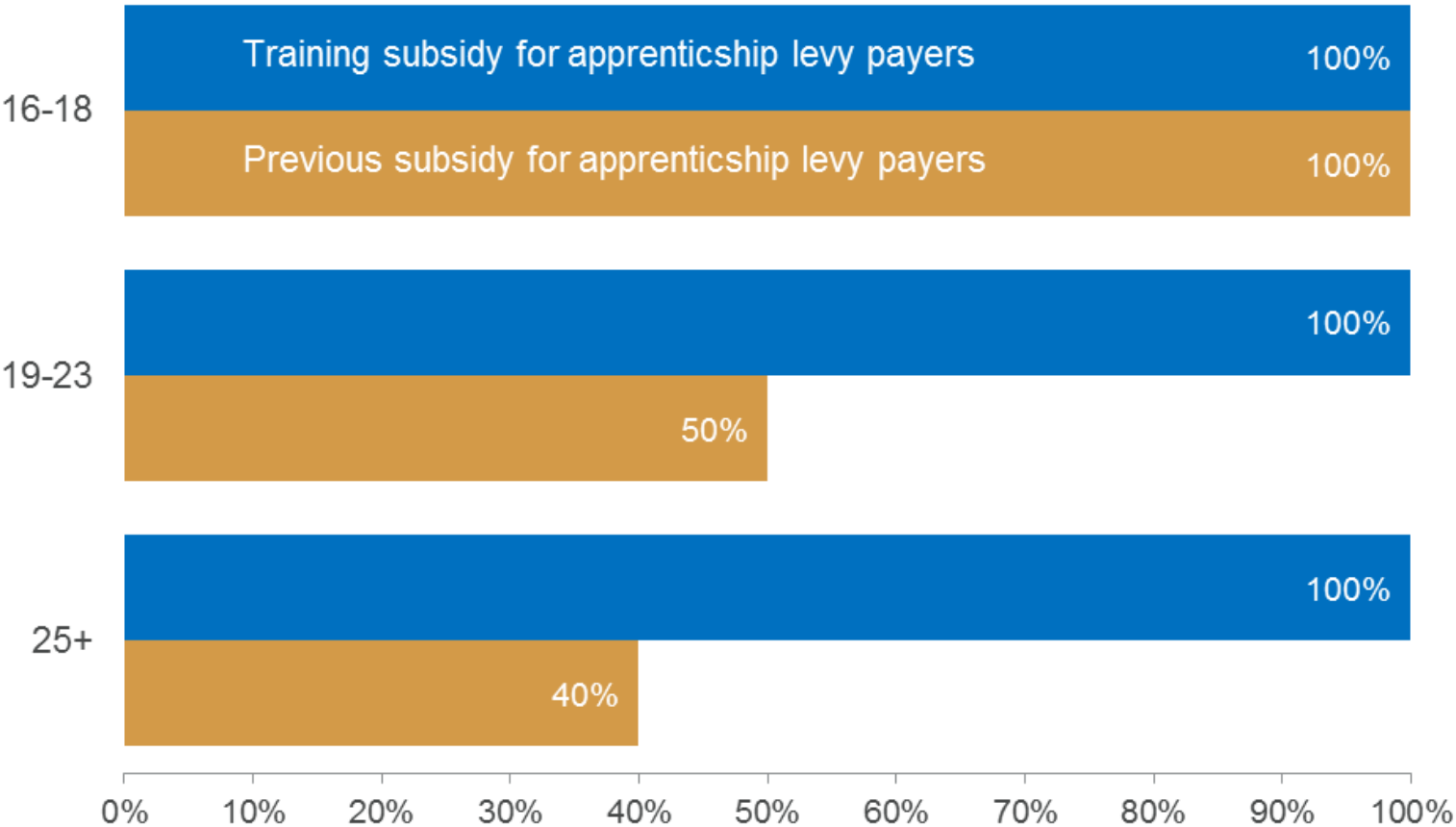


Source: Mizra-Davies, 2016

# CLARITY: ...we should not incentivise this



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

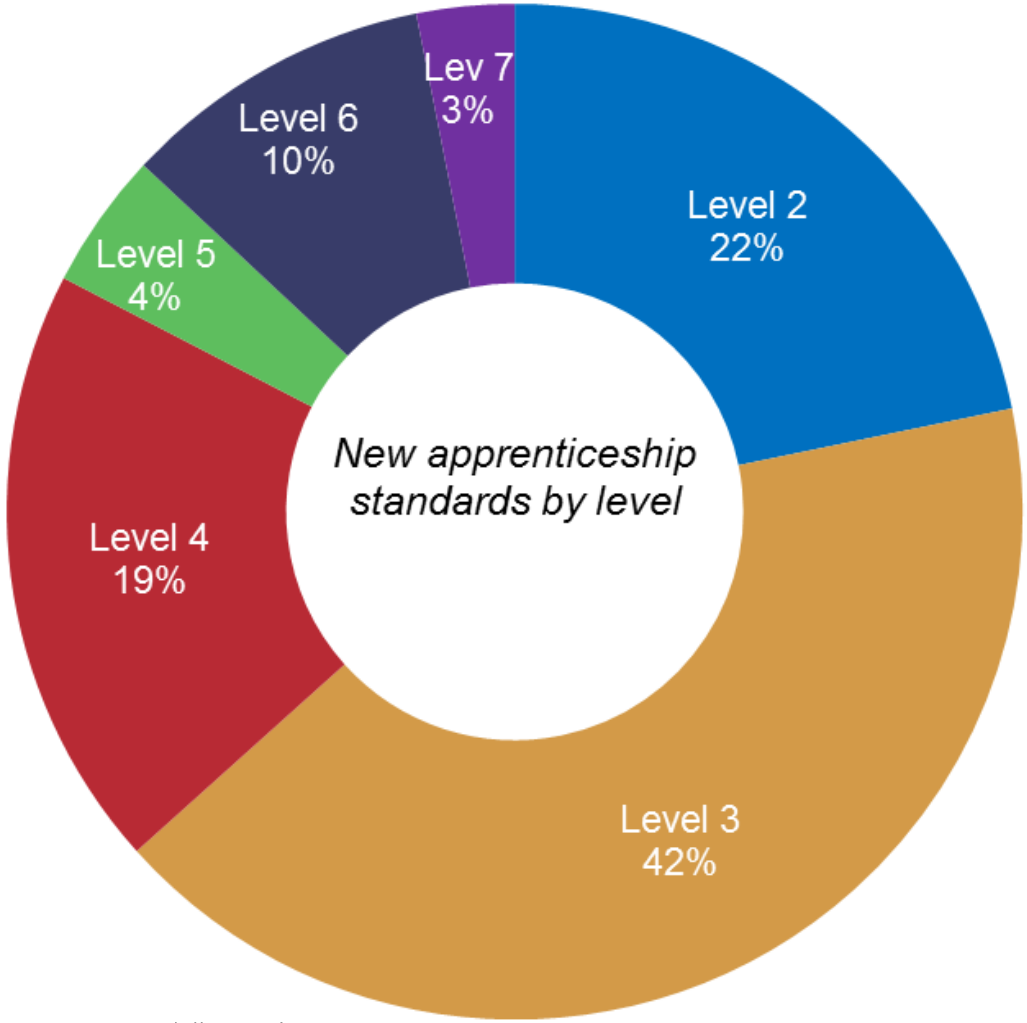


Source: Skills Funding Agency, 2017

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

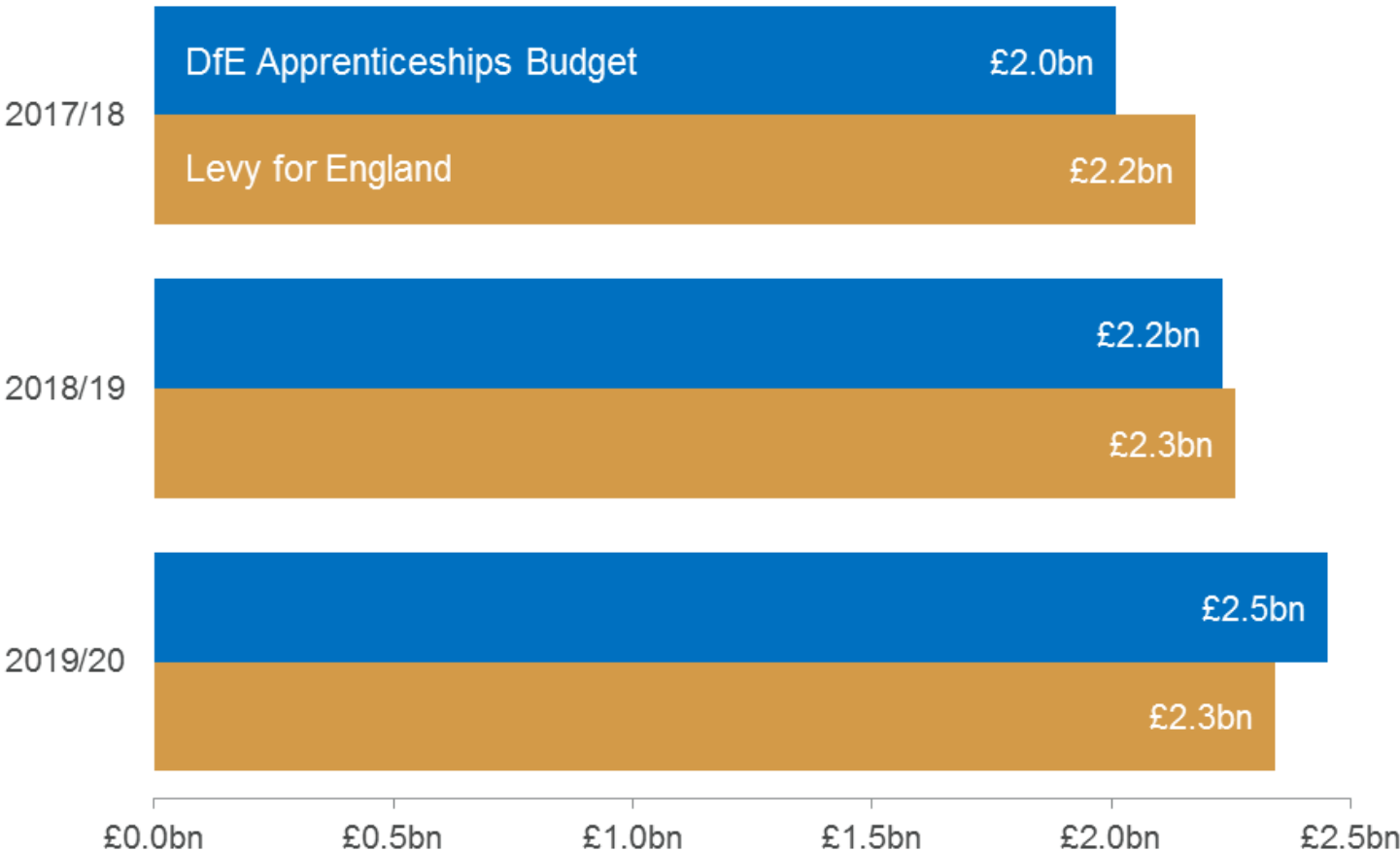
32 include professional recognition but not a qualification; and 29 offer neither, potentially narrowing an apprentice's prospects later in life

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