



Delivering More High Quality Apprenticeships

1. Executive Summary

The Conservative Manifesto included a commitment to support a minimum of 3 million Apprentices starts over the course of the five years of government. This compares with the estimated 2.2 million starts during the previous coalition government. The manifesto provides very little detail but there has been commitment to additional funding to support this intention. This paper sets out how this growth in Apprenticeships can be delivered without any risk to the quality of delivery. In fact unless the quality of delivery is maintained we will not be able to drive the growth that everyone would like to see.

The summary of the changes are that if we increase the investment in Apprenticeships, make longer term commitments to providers in terms of budgets and improve the funding and contracting system by building on what works, then we can grow the programme and engage more employers. The 3 million for us should not be a target but a signal that we want to grow the programme and give more people of all ages and at all levels the opportunity of an Apprenticeship.

The views expressed in this paper are personal and are not yet the policy of AELP. The ideas behind this plan have been discussed with members over the last couple of years but the members of AELP have not yet had the time to consider the recommendations made in the paper. We will be consulting the membership over the next few weeks.

2. Background

The Association of Employment and Learning Providers (AELP) represents the interests of a range of organisations delivering vocational learning and employment and employability support. The majority of our 700+ member organisations are independent providers (from both the private and third sectors) holding contracts with the Skills Funding Agency (SFA), with many also delivering Department for Education (Education Funding Agency) and Department of Work and Pensions (DWP) funded provision. Many of our members are involved in the delivery of employment and skills programmes in Wales and work with employers who operate throughout the United Kingdom. In addition to these we have a number of colleges in membership, as well as non-delivery organisations such as Sector Skills Councils and awarding bodies as Associate Members, which means that AELP offers a well rounded and comprehensive perspective and insight on matters relating to its remit.

On the question of reforming the Apprenticeships programme, AELP was represented earlier this year on the cross-party Commission on Apprenticeships, which was jointly chaired by Rt Hon Robert Halfon MP, now Minister without Portfolio in the Cabinet Office. The Commission's recommendations can be read here: <http://bit.ly/1t2wOVV>.

3. The 3 million Aspiration

The Manifesto¹ does not call the 3 million starts a target. It is very much an aspiration to increase the numbers of people doing Apprenticeships and the number of employers offering Apprenticeship opportunities. So what is the 3 million aspiration?

Currently the government measures all Apprenticeship starts when a contract holder submits an ILR (Individual Learning Record) to the SFA. These starts can be any age, any sector or any level. In the period of the last government there were 2.2 million Apprenticeship starts although this figure has not yet been confirmed. Our assumption is that the government supports an all age, all sectors and all levels programme so the growth is not restricted to any specifics. However our assumption is that we would want to see growth across the English economy as a whole and particularly across all age ranges.

These figures are based on the number of Apprenticeship starts rather than the number of apprentices. Some apprentices do several Apprenticeships when they progress from level 2 to level 3 or from level 3 to 4. These will all be counted in the total. This paper also assumes that there will not be any major restructuring in the way that Apprenticeship frameworks are delivered. For example in the past some sectors have combined different levels within an Apprenticeship framework or separated out the levels. Clearly this will change the number of starts. We have assumed that the trailblazer process does not significantly alter the balance between level 2 and 3 over the next few years. If significant numbers of level 2 frameworks were moved to level 3 standards where the level 2 skills were contained within, it would reduce the number of starts even though the same amount of training was delivered.

This shows that counting the numbers of starts is a crude methodology of measuring the amount of training that is being delivered or the numbers of employers and apprentices involved. However it is a measure that has been used for many years and will give a good indication of growth. However whatever the number, we need to see it in the context of any changes that take place.

4. What would be the rate of growth?

Given no major changes in structure how quickly would we need to grow the programme to hit 3 million? The figures below give us an idea of the trajectory of growth.

Starts in the last 5 years

All Age, All Level Apprenticeship Starts (SFA data)

Year	2009-10	2010-11	2011-12	2012-13	2013-14
Total	279,700	457,200	520,600	510,200	440,400

¹ The Conservatives' manifesto pledges for skills and employment are included in AELP Briefing Paper No.22 on the new government – see <http://bit.ly/1HkC64P>.

Total number of starts broken down by age and level²

Apprenticeship Starts by Level and Age (SFA data)

Intermediate Level Apprenticeship

Year	2009-10	2010-11	2011-12	2012-13	2013-14
Under 19	89,400	97,300	95,400	80,900	83,400
19-24	72,800	90,400	101,700	99,000	97,000
25+	28,400	113,400	131,900	112,900	106,100
Total	190,500	301,100	329,000	292,800	286,500

Advanced Level Apprenticeship

Year	2009-10	2010-11	2011-12	2012-13	2013-14
Under 19	27,200	34,200	34,100	33,100	35,600
19-14	39,800	51,600	58,000	63,900	59,300
25+	20,600	68,000	95,700	110,600	49,800
Total	87,700	153,900	187,900	207,700	144,700

Higher Apprenticeship

Year	2009-10	2010-11	2011-12	2012-13	2013-14
Under 19	100	200	300	600	700
19-24	1,200	1,300	1,700	2,400	2,900
25+	100	700	1,700	6,800	5,600
Total	1,500	2,200	3,700	9,800	9,200

If growth is spread evenly across the next five years then this would be the pattern. The growth required would be 8% per annum.

Apprenticeship Starts projected for next 6 years inc. 2014-15 assuming 8% annual growth

² Figures obtained from the Statistical First Release, published 25/03/15
https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/416527/SFR_commentary_March_2015_FINAL.pdf

Year	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
Total	475,600	513,650	554,740	599,100	647,000	698,700

Total for across 5 years of new Parliament (2015-16 to 2019-20): 3,013,190

This appears to be a very achievable rate of growth as long as we can assume:

- Funding rates continue at the present level
- Additional funding supports the growth
- No major changes to funding policy
- Adoption of the major elements of this growth plan.

We will cover each of these aspects in this paper.

5. Key Elements of the Growth Plan

AELP has continued to promote a number of proposals that would increase the demand for and the supply of Apprenticeships. Any growth plan has to address supply and demand issues. These include:

- 5.1 Growing demand from learners/employees especially young people
- 5.2 Providing an effective transition programme into Apprenticeships
- 5.3 Developing a full range of Standards including Higher Apprenticeships
- 5.4 Simplifying the funding system
- 5.5 Improving the contracting process to encourage growth.

5.1 Growing demand from learners and employees

The demand for Apprenticeships as a route to a career and higher level skills is now growing amongst young people, their teachers and their parents. However there is a long way to go. Too many teachers and schools are totally focussed on academic success and academic routes to higher level skills which means that too many young people are not aware of the opportunities that Apprenticeships offer³. Too many people (including many in the sector) see the issue as either an Apprenticeship or a degree. Apprenticeships are not just a route to a job but a route to get higher level skills that could include a degree. We have to change this perception and improve the advice and guidance that young people receive.

AELP has made a number of recommendations to address this issue including:

- Using training providers to make the link between schools and employers
- Expanding UCAS Progress as a web site where young people at school can register their interest in an Apprenticeship
- Refocusing the spend of the National Careers service to focus on people of all ages including young people (currently 70% of the spend on NCS is on those over 19)

³ This is despite the fact that the BIS Apprenticeships Evaluation 2014 showed that 89% of apprentices are satisfied with their programme – see AELP Briefing Paper No.16 on the BIS Apprentice Employers and Learners Survey 2014 at: <http://bit.ly/1FAtwSL>.

- Ensuring that the schools are responsible for ensuring that all young people are given information and access to work based options such as Apprenticeships
- Ensuring Ofsted focus on the provision of independent careers advice in their inspections.

The issue of improving information, advice and guidance (IAG) in schools is key to ensuring that the flow of young people into Apprenticeships is maintained especially when the cohort size is reducing and the minimum age of participation rises to 18 this year and schools are already using this to persuade more young people to stay on through sixth form.

For adults the IAG given to people who are unemployed needs to be improved. Earlier intervention through referrals from Job Centres is important so that specialist training providers can ensure that more unemployed people see Apprenticeships as a route back in to sustainable employment. Job Centres should focus their work around management of benefits and make early referrals through to specialist training providers who can provide the transition into Traineeships and Apprenticeships. Improving the link between employment and skills programmes is essential to hit the growth target. An increasing number of training providers deliver DWP programmes such as the Work Programme as well as Traineeships and Apprenticeships and they must be allowed the flexibility to make that link.

Marketing the programme to young people and employers is also very important. It is important that there are consistent national branding and messaging but we do not believe national advertising is the most effective spend of reducing budgets. Where marketing funds are spent, we need to see much closer working with the training providers as national campaigns can only help with awareness. The commitment of businesses to the programme, especially from SMEs, will only come when they have built up a knowledge and confidence about Apprenticeships through working with a training provider. The majority of vacancies and recruitment come through a training provider working with an employer.

It will also be important to clarify the messaging for young people especially in the transition to work and ensure that Traineeships are seen as the main route to work and reduce the multitude of national and local initiatives that tend to confuse young people when they are looking for a route to work.

5.2 Transition into Apprenticeships

In many sectors there is now a shortage of candidates with the right work skills to fill all of the Apprenticeship opportunities available. That is true for many service sector industries such as hairdressing, retail, hospitality and business administration. Employers, including many SMEs, are offering Apprenticeship opportunities but are not able to attract the numbers of young people that they need. At the same time many young people are either not aware of these opportunities or do not have the skills and confidence to apply. We therefore need a better transition process for those just out of education or who are unemployed.

AELP has always promoted Traineeships as the main transition programme for young people. It is a flexible programme that can be tailored to the needs of young people and employers. Unfortunately it took the government a long time to introduce the benefit flexibilities needed to make the programme work and they restricted eligibility to the programme. These changes have now been made so we should see an increase in the starts on this programme and its effectiveness. However the government is still restricting access for young people and many employers because there is still the barrier to entry for many providers through the requirement to have an Ofsted grade 2. AELP has always said that there should be a quality threshold for providers but the Ofsted grade 2 is not a

very effective measure. Many providers delivering high quality Apprenticeships are not able to work with those employers to deliver an effective transition programme because they may not have an Ofsted grade or their current grade is a grade 3.

The government must remove this restriction as soon as possible to ensure that we have an effective transition programme for new starts to Apprenticeships. We would also open the programme up to unemployed people of all ages to ensure the benefit restrictions apply to everyone on a structured back to work programme.

5.3 Developing Apprenticeship Standards

There are still a number of sectors and levels that are not covered by Apprenticeship standards especially at Higher Apprenticeship levels i.e. 4, 5, 6 and 7. The Apprenticeship approach to learning is appropriate to all sectors and all levels. The increase in the use of the apprenticeship approach in the professions is a welcome return to tried and trusted routes to high level skills that have existed for many years. Nursing, teaching, solicitors, accountants should all be routes where apprenticeships can be an effective alternative route to qualification.

We currently have a shortage of nurses, teachers (including the employment and skills sector) and doctors. There is a perception that Apprenticeships relate to lower level skills but that is not the case. Apprenticeships can deliver high level skills including degrees but it is a different route. If we use Apprenticeships to deliver high level skills, it could provide a significant growth in starts and a solution to a number of serious skills shortages such as the NHS.

The public sector in general recruits a much lower proportion of apprentices than the private sector. National and local government and government agencies must review their apprenticeship intake. This could also make a significant impact on the numbers of starts. We calculate that the government sector could deliver around half of the required growth in Apprenticeships.

5.4 Simplifying the Funding System

The funding system is very complex because successive governments have wanted to control the levels of funding across a range of categories such as by location, by sector, by cost of delivery, by type of learner and by type of provider. This creates a very complex mix of funding levels which can confuse employers. We do not see this as a major issue because providers manage this for employers but the government believes that more transparency on funding will help employers engage in the programme.

We therefore believe that we could move towards funding a programme of study rather than funding individual qualifications as we do now. Each framework or standard would be allocated a funding level (possibly 5/6 levels) and the government would make those payments whatever is delivered within the framework. The controls on quality and delivery will be through the assessment process rather than through funding. This simplification would mean an averaging out of funding where there will inevitably be winners and losers from the current funding levels. This funding would include payments for English and maths but additional payments for those requiring additional support would still be provided.

Our recommendation is that there should be a fully funded rate and a reduced funding rate. All those apprentices that are 16 to 19 plus all apprentices who were unemployed for three months or more before starting an Apprenticeship should be fully funded. We do not believe that AGE grants or wage subsidies for SMEs are an effective use of funds but any introduction of mandatory cash

contributions for SMEs would be a real barrier to entry and should not be part of the funding reforms.

We also need to monitor the funding per apprentice rate. Currently with increasing durations and new funding rates set by the Trailblazer groups, the funding per apprentice is rising. If that is the case and this is not reflected in increased budgets, then the numbers of starts will reduce. Providers have a fixed budget to spend and if the price per apprentice rises, there will be an inevitable consequence. This issue of contracting is covered in the next section.

There are a number of areas where there should be more flexibility in the funding rules. This includes the duration of the Apprenticeship. When apprentices progress through their frameworks to the point where they wish to progress, they should be allowed to do so before the 12 month point. Progression to the next level should be encouraged, not limited. Similarly many apprentices on less than 30 hours can progress through their programmes in 12 months and do not need extensions to the duration even though they are on a shorter week. Other additional flexibilities should also include wider eligibility for those who are self employed and graduates that need work skills at the same or lower levels.

The introduction of a voucher system which will enable employers to choose to draw down funding through their chosen provider provides a route to a simplified system but we believe any introduction of cash contributions or negotiating different payment profiles will add complexity to the system and reduce the opportunity to increase SME engagement.

The other major recommendation is to encourage further digitisation of the funding, administration and learning delivered in Apprenticeships. The administration and control processes are still very paper based. Although the SFA allow electronic control and learning systems, the provider has to take the risk of introducing these systems on the basis they will meet the audit requirements. The government has to make control systems more flexible and encourage the adoption of digitised systems which will reduce cost and improve delivery.

5.6 Improve the Contracting System

One of the biggest barriers to growing the Apprenticeship programme is the caps on budgets that are applied to all Apprenticeship providers. Apprenticeship providers are given a maximum budget each year with no commitment to future funding. On average a training provider is 6 months away from the end of their contract and they only get commitment to funding a month or two before the new contract starts. Considering some Apprenticeships are two or three years long, the provider takes a lot of risk to drive growth in volumes over and above the contract levels.

The government would say that they have a contract growth process but this is not the most effective process because the commitment to growth is only made when there is a firm commitment to starts from an employer and the provider has to manage its volumes carefully so that they meet the thresholds for delivery at every quarter point. AELP has always recommended fewer review points, longer term commitments to growth for those with a track record, removal of the split budgets within year (as the SFA's contract year is different from the financial year), and the possibility of a three year contract with a long term commitment to funding.

We would also need to review some of the subcontracting arrangements within the sector. As a result of the restrictions on direct contracts, some excellent providers of Apprenticeships are not able to access funds directly from the SFA. This will need to be reviewed to ensure that employers

are able to work with their provider of choice. Clearly some of the current subcontracting arrangements mean that providers cannot be responsive to demand.

These contract changes would enable the SFA to commit the additional investment that is needed to meet the growth aspiration. Without an early and long term commitment to funding, the growth will not happen. Providers spend months working with employers to bring them on board so they need a long term commitment to growth. If the contract levels are increased by 15% each year, our view is that providers will deliver at least 10% more and meet the growth required.

Stewart Segal
Association of Employment and Learning Providers
June 2015