



Association of
Employment and Learning
Providers

AELP Submission: #42

The unintended consequences of the Apprenticeship Reforms on the social equality of the young and the most disadvantaged. Time to act before a generation is lost.

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Summary

The apprenticeship reforms have resulted in the most significant shake-up to the apprenticeship system we have ever known. In summary how apprenticeships are paid for has changed with the advent of the levy and new co-investment methodology, while the product has changed with the transition from legacy frameworks to new employer-led standards, concluding with the changing focus of training and assessment to on-programme training and separate independent end point assessment.

The arrival of the Institute for Apprenticeships (IfA) is helping to inform government of the recommended rates of funding for new programmes and support the trailblazer groups developing the new apprenticeship standards. The build-up to the launch of the reforms was accompanied by excitement about the new apprenticeship levy and new employer-led standards, branded as 'designed by employers for employers', but also with a significant degree of concern and trepidation about the potential unintended consequences of the impact all of these changes, coupled with changing behaviours and approaches to the programme from employers.

Four months since the start of the reforms, one of the clear unintended consequences has been the negative impact on social equality of the young and most disadvantaged through a combination of different drivers impacting engagement and leading to a reduction in opportunities. In summary these **14 points to address** as a matter of urgency include:

1. We believe that all 16-18 apprentices should be **fully funded** by the government, regardless of whether they are employed by a micro employer, an SME or a levy paying employer.
2. The **equalisation** of funding for all apprentices of all ages leads to more older apprentices being selected.
3. The **compulsory employer contribution** is a disincentive to hire an apprentice especially when additional work is required to support the most disadvantaged apprentices or younger apprentices with less initial work and life experience.
4. Employers say that the rigid implementation of **20% off-the-job training** is "*reducing our recruitment of level 2 apprentices*".
5. Training **time for maths and English** should be included as part of the mandatory off-the-job training with the least able apprentices placing the heaviest burden on employers.
6. Provider **funding for maths and English** in apprenticeships is miserly at only 50% of the classroom rate, below the cost of delivery at level 2 and most levels and provides no incentive to take on the most challenging individuals. Failure of maths or English leads to failure of the apprenticeship.
7. The replacement of the previous sound system of **disadvantage funding** significantly reduces the funding for the individuals.
8. There are still funding and performance monitoring disincentives with **Traineeships**, an important transition programme, inhibiting their much needed growth and development.
9. Employer and provider **young person incentives** set at a flat rate of £1,000 rather than a proportion of the funding band are disadvantaging the longer more expensive programmes.

10. Levy paying employers are using the levy to place **existing employees** on apprenticeships for important skills development but this is leaving less money and less opportunity to support the recruitment of young people.
11. Levy paying employers are also **prioritising higher and degree level apprenticeships** over intermediate and advanced levels which are vital starting points for the young, the inexperienced and the disadvantaged.
12. **ESFA is encouraging a shift in focus from SMEs** and small employers to larger levy paying employers.
13. **Minimum contracting threshold of £200k**, without allowing consortium bidding, as precluded around 300 existing providers from bidding in the recent non-levy apprenticeship funding tender and could also impact a further 200 through a pro-rata award due to oversubscription. Many of these training providers are niche specialists with many years' experience of working with smaller employers and offering apprenticeships in their locality, supporting young and disadvantaged apprentices.
14. Removal of **nationally recognised qualifications** from apprenticeship standards further reduces the mobility of the apprentice.

Funding for 16-18 apprentices & incentive payments for employer and providers

AELP believes strongly that the funding methodology and incentives are having a damaging impact on the current volume recruitment of young people and also moving forward. Let's be clear; we are not asking for extra funding, but simply a reprioritisation of the funding methodology for 16-18 apprentices and the associated incentive payment uplifts. This is to ensure providers can continue to provide a high quality programme and for employers to have a more heavily weighted financial driver to support the recruitment young people into an apprenticeship role. Failure to address this will mean significant displacement of opportunities for young people.

The funding methodology implemented as part of the apprenticeship reforms which commenced from May 2017 in effect equalised the base rate of funding for all age apprenticeships. Prior to May, the sector operated under a government designed model of guaranteed 'fully funded' for 16-18 apprentices, with a 50% 'co-funding' model for apprentices aged over the age of 19 on the date they started their apprenticeship. The old apprenticeship funding rates made taking on 16 to 18-year-old apprentices attractive to employers and training providers through additional funding to reflect the additional effort required.

To offset the equalisation in funding rates between all age apprenticeships, the government in May 2017 also implemented a new financial incentive model to both employers and providers. The government currently now offers both the employer and the provider a £1k incentive for each 16-18 year old they take on and train. This incentive, although it applies to all employers, is also less than the £1.5k Apprenticeship Grant for Employers (AGE) incentive for smaller employers who were previously incentivised to take on 16-24-year-old apprentices. In theory, it was designed to generate more opportunities, but less for those who actually really need it and also on different payment terms.

Many employers are also telling both AELP and our members that the flat rate incentive of £1k is not enough to opt for a school leaver over an older individual into a new apprentice role. Two examples were shared with us in two very different sectors: in the construction sector, employers say that the cost of additional insurance and the fact that apprentices under 18 need to be supervised at all times far outweighs a £1k grant. Some of these apprenticeship programmes are also delivered over a 2 or even a 3 year period – the £1k incentive is the same regardless of programme's length, level and the overall funding, and is therefore even less of an incentive and an influence in the decision making process of recruiters. £1k is a significant percentage of a £2k programme, but not of a £27k one. In the property services sector, a number of estate agents have told us that they will happily will forgo the £1k employer incentive to take a 19+ apprentice as they are both more likely be able to drive a car and they don't need to be supervised at all times so they can undertake unaccompanied viewings with customers. Again the employer incentive has had negligible or no positive influence in the decision making process of recruiters in this sector.

From May 2017, SMEs were required to pay a new 10% co-investment payment for all age apprentices. Micro employers (less than 50 employees) were required to pay 10% contribution for 19+ apprentices, although 16-18 remained 'fully funded' by government. For large numbers of employers having to make a cash contribution for the first time, there becomes even less of an incentive to pay when additional work is required to support the most disadvantaged apprentices or younger apprentices with less initial work and life experience. The reforms also saw a change to the incumbent system for providing much needed additional disadvantage funding to support the additional intensive support required for disadvantaged apprentices. The ESFA admitted that the changes to how disadvantage support is now allocated were very much an interim solution. Four

months into the reforms and this interim solution still has yet to be fully addressed, further damaging the opportunities for providers to fully support the most disadvantaged potential apprentices.

AELP believes that all 16-18 apprentices should be fully funded by the government, regardless of whether they are employed by a micro employer, an SME or a levy paying employer. Failure to address this challenge will not only endanger the government's self-imposed 3 million starts target, but could also oversee a generation of displacement and lost opportunities for young people in England. Both social opportunities and social parity should go hand in hand with the 3 million target. The government also needs to review the financial incentive it offers to employers and providers to make it much more attractive. Furthermore AELP believes that all level 2 apprentices should be fully funded by the government, regardless of the age of the apprentice.

To offset the cost of fully funding all 16-18 and level 2 provision, the government should raise the employer co-investment on a new sliding scale, starting with 10% at level 3, 20% at level 4, 30% at level 5, 40% at level 6 and 50% at level 7 apprenticeships for apprentices over the age of 19.

Standards and End Point Assessment

The development of apprenticeships standards has resulted in a switch from a focus on entry level roles to higher level programmes. Under the framework system over 99% of all apprenticeship frameworks delivered were at either level 2 (Intermediate) or level 3 (Advanced). In September 2017 circa 25% of all 175 approved apprenticeship standards are at level 4 or above. Comparably a level 6 Chartered Manager Degree Apprenticeship attracts up to £27,000 of funding for one individual, which purchases the equivalent to 9 apprentices on the £3,000 funded level 3 Lead Care Worker standard. Placed in the context of the Brexit skills challenges, is it equitable for a qualified professional manager with a degree to really cost the equivalent to 9 care workers working in the Health and Social Care sector?

While the development of new higher level degree and degree-level apprenticeships offers employers welcome, additional choice and will no doubt play a role in tackling the skills gaps identified in the Industrial Strategy, it does however show that these apprenticeships are likely to take over half of the available funding, leaving less money for the entry level apprenticeships. The new focus has also resulted in some sectors with no lower level starting points to act as stepping stones for apprentices to enter the job market. Not all apprentices are capable of entering straight onto level 4+ programmes, creating serious concerns about social equality and accessibility of opportunity.

There is no doubt that there will always be a need for good quality level 2 and 3 worked based learning programmes, especially with the Industrial Strategy and the skills implications of Brexit. If the new system squeezes these types of apprenticeships out of the market, then the government will have to find the money from somewhere to support this gap in provision to support the needs of the economy.

Furthermore, the government's move to restrict the use of nationally recognised qualifications from apprenticeship standards and move towards the development of new end point assessment (EPA) has the double impact of meaning that apprentices, who fail to complete, leave the programme with nothing tangible (such as unit accreditation) and this system also disadvantages apprentices who need bite-sized step by step progress. Just to be clear, we are not saying there shouldn't be an end point test but the removal of qualifications and an ongoing assessment of competency is multi-faceted in its impact around social equality.

AELP believes that the omission of qualifications from standards could adversely affect portability and transferability, while making it difficult to make comparisons between standards of level and breadth. Therefore in addition to the EPA, every standard should include some form of assessment which measures on-going achievement of competency. The IfA needs to work with the trailblazer employer groups to properly design sector based programmes with attainable entry points which allow potential apprentices with different skills and starting points to pursue a career which allows for sensible and suitable progression opportunities.

Maths and English doesn't add up

As the requirement for those without exemptions to complete maths and English are not included within the mandatory 20% measurement for off-the-job training, this clearly further disadvantages potential apprentices. The ESFA argue that funding for maths and English, which is only actually funded at 50% of the classroom rates is provided on top of the funding for the vocational training and therefore it should be separate. However, from an employer's perspective, we are hearing of a diminished appetite to recruit new apprentices or even upskill existing staff in need of training as this is yet a further commitment. Particularly in the service and support sectors, employers simply cannot afford the additional cost to backfill for employees who are off the job training.

Employers already have issues and operational challenges in committing to the off-the-job training which in reality relates to at least a fifth or the equivalent of one working day a week being unproductive whilst the apprentice receives their mandatory training. Apprentices without exemptions in maths and English require further study time on top of this, meaning employers see those candidates as less attractive than those who are presented with prior attainment in the subjects. For a training provider, the cost of delivering the current functional skills curriculum is in excess of the fixed rates of £471 funding provided by government for each functional skill – our research show this to be the case especially for those needing to transition from level 1 to level 2, with actual guided learning hours on average being circa 70 hours to complete as opposed to the 45 guided learning hours.

Combining the perspectives provided above of both the employer in regards to reduced productivity and the provider in terms of higher costs of delivery, provides a strong case that a candidate who is lacking in maths and English will undoubtedly be further isolated from the opportunities in the marketplace as they have become less attractive to all stakeholders.

AELP believes that maths and English delivery as part of an apprenticeship should be funded at least the appropriate matching value of classroom provision (£724 per each qualification) to ensure there is the income to cover the cost of delivering provision to apprentices who needs maths and English in order to avoid cherry picking candidates for apprenticeships who already have the required levels of maths and English. Furthermore, maths and English should also be included within the off-the-job training time to ensure that employers are not unfairly disadvantaged in regards lost productivity from apprentices needing additional 'unproductive' time to study these subjects.

20% off-the-job training requirement

The unintended consequences for employers of the ESFA funding rule requiring that 20% of apprenticeship training must be off the job are very significant. Employers have told us that the rule limits their participation, engagement and appetite to fully embrace apprenticeships. Ramifications

are wide ranging from limiting social equality and hampering the achievement of 3 million apprenticeship starts. This is what two employers told us recently:

“20% is arbitrary and has no correlation to quality. We know that managers are not signing new starters to apprenticeships because of the 20% rule.” Harlene Dandy-Hughes, Education, Training & Development Manager, NHS Foundation Trust London.

“20% will reduce our recruitment of level 2 apprentices.” Adrian Rowley, Learning and Development Manager, Grafton Merchanting GB. Grafton Merchanting, a large levy payer and one of the leading suppliers of building, plumbing and construction materials, said that the costs of 20% off-the-job when salaries are taken into account and the funding band limit mean that Grafton will reduce recruitment of level 2 customer service apprentices.

AELP believes that the 20% measure is arbitrary and does not automatically become a proxy for quality. Quite simply it's the quality of the teaching and learning that counts not the quantity of which apprentices receive.

Employers have told us that this is impacting the recruitment of young people, with added costs of not just the co-investment, but also the cost for backfilling apprentices while they are undertaking training. Low margin sectors, many of which were highlighted as being of key significance following Brexit and the recent Taylor Review, are crucial to the long-term growth of our economy. The employer-led trailblazer groups should have the flexibility to decide what the percentage of off-the-job should be for required for each of their standards, should have the authority to recommend to the IfA and ESFA the percentage which should be delivered as part of an apprentice's working hours and how it should be measured.

Removing the shackles on the Traineeship programme

Now is the time to remove the shackles which are inhibiting the much needed growth and development of Traineeships which are an important vehicle for young people to start their journey into work and skills training. Traineeships place many young people often from the so-called NEET group in apprenticeships, sustainable employment or further education. But start numbers fell in the first two quarters of 2016-17 and uncertainty surrounding the future funding of the programme means that high quality training providers are holding back from investing in it.

AELP wants the government to agree to three essential proposals that will enable Traineeships to take off, namely:

- The government's funding system needs to be more responsive providing immediate funding as demand is identified
- Making further progress on the benefits system, such as child benefit, not acting as a barrier to young people taking up a traineeship or apprenticeship
- Retention and use of progress to an apprenticeship, sustainable employment or further education as the official measure of a successful Traineeship to achieve the primary policy goal.

Learners with learning difficulties and disabilities (LLDD) and special education needs and disability (SEND)

While there has been a welcome increased recognition around the importance of inclusion within the sector together with the recommendations of the Maynard Panel into increasing access to apprenticeships for those with LLDD/SEND, this needs to be turned into concrete action. Currently, the employment rate for people with LLDD/SEND is just 6.8%. Therefore if the government is committed to halving the disability employment gap, then building a truly high-skilled economy in the UK must incorporate a robust strategy on the inclusion of those with LLDD/SEND in both learning and employment opportunities.

AELP believes the longstanding underspend of funding related to support LLDD/SEND is a combination of a perceived complexity in the system and a lack of awareness of the relative ease with which most challenges can be addressed. Consequently, we welcome the Maynard review recommendation for the DWP and BEIS to undertake further work to ensure that the system of reasonable adjustments and the availability of support, for example through Access to Work, are understood and consistently applied by providers. Going forward, every effort should be made to optimise opportunities for those with LLDD/SEND to build their skills base and apply such skills in the workforce.

About Association of Employment and Learning Providers

Members of the Association of Employment and Learning Providers (AELP) support employers in the delivery of over 75% of apprenticeships in England and they deliver other publicly funded skills and employment programmes. The majority of AELP's 800 members are independent private, not-for-profit and voluntary sector training and employment services organisations with employers, universities, FE colleges, schools and end point assessment organisations joining AELP in increasing numbers.

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