Up to the job?
Using the Apprenticeship Levy to tackle the UK’s post-16 education divide

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Yet qualification levels have been rising. 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.
With the main expansion coming in relation to higher academic levels...

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...

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.

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

Mean pay among people with highest qualification, 2016

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.

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.

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

- Engineering/manuf: 50 (60) in development
- Creative/design: 9 (34) in development
- Construction: 5 (30) in development
- Transport & logistics: 16 (14) in development
- Health & science: 10 (20) in development
- Legal/finance: 22 (7) in development
- Digital: 14 (14) in development
- Business & admin: 16 (5) in development
- Hospitality: 16 (16) in development
- Agri/enviro & animal care: 13 (13) in development
- Sales/marketing: 7 (7) in development
- Protective services: 9 (9) in development
- Childcare & edu: 7 (7) in development
- Social Care: 4 (4) in development
- Hair & Beauty: 1 (1) in development

Source: Skills Funding Agency, 2016
**CLARITY**: while older apprentices have comprised a growing share of all apprenticeship starts...

**Number of new apprenticeship starts**

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

*Source: Mizra-Davies, 2016*
CLARITY: ...we should not incentivise this

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
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

- 2017/18: DfE Apprenticeships Budget (£2.0bn) and Levy for England (£2.2bn)
- 2018/19: Levy for England (£2.3bn)
- 2019/20: Levy for England (£2.3bn)

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