



Policy Briefing 3
March 2018

**Skills for
success**

“I am passionate about ensuring that everyone, no matter their background or age, can use apprenticeships to get on the ladder of opportunity to a successful career.

I want to change the culture around apprenticeships; the perception of them and technical routes. I want to see those that do skills-based training and apprenticeships are looked at in the same way as someone who went to Oxford or Cambridge.”

Rt Hon Robert Halfon MP, Chair of Education Select Committee

We share Rt Hon Robert Halfon’s ambitions for apprenticeships. So do our charity partners – [Catch22](#), [City Gateway](#), [Dallaglio RugbyWorks](#), [Resurgo](#), [Springboard](#) and [ThinkForward](#) – who work with young people from disadvantaged backgrounds to give them the skills to succeed.

The government has embarked on a bold programme of skills reform, which includes implementing the recommendations of the Sainsbury Review; a new careers strategy; the introduction of T levels; a reformed transition year; and a review of functional skills. Central to these reforms have been apprenticeships, with new standards; increased employer engagement in their design; and a more sustainable funding model through the Apprenticeship Levy.

This paper is based on our submission to the Education Select Committee’s inquiry into the quality of apprenticeships and skills training.

Executive summary

For apprenticeships to act as a ‘ladder of opportunity’, we believe that:

1. We need a better understanding of the barriers that disadvantaged young people face in accessing apprenticeships
2. Every young person who has not achieved a Level 2 qualification in English or maths should be supported to do so
3. More research is needed to better understand the value of Level 2 Functional Skills. Impetus-PEF will publish evidence later this year
4. Level 2 vocational qualifications that employers do not value, especially those that don’t lead to Level 3 qualifications, should be discouraged
5. The government should give assurances to small and medium-sized enterprises (SMEs) about the funding that will be available to them to deliver apprenticeships
6. There should be greater flexibility for employers to use their levy money to offer pre-apprenticeship training, traineeships and work placements
7. The funding for Level 2 apprenticeships for young people aged 16-18 should be sufficient for providers to be able to deliver these apprenticeships
8. The Institute for Apprenticeships and Technical Education should collect and publish data on the numbers of young people accessing and completing apprenticeships and their progression routes, broken down by socio-economic background and other social mobility indicators

1. We need a better understanding of the barriers that disadvantaged young people face in accessing apprenticeships

When we consider the barriers disadvantaged young people face in accessing apprenticeships and training, we first need to define what we mean by 'disadvantage.' There is a distinction to draw between two groups of young people, both of whom face different barriers to accessing high quality training.

Group 1 – young people who have not achieved a Level 2 qualification.

Disadvantaged young people (those pupils eligible for pupil premium) are disproportionately less likely to achieve the five GCSE passes needed to progress to Level 3 qualifications such as A-Levels.¹ This group typically has to re-sit their English or maths GCSEs, or take a functional skills qualification as part of a Level 2 or occasionally Level 1 vocational course. It is expected that numbers of low skilled jobs in some sectors of the economy will decrease in the years ahead.² Given that low skilled jobs are also often low paid or insecure,³ we believe that every young person should be supported to achieve Level 2 qualifications at a minimum, including English and maths.

Group 2 – young people who have achieved a Level 2 qualification.

This group of disadvantaged young people have attained five GCSE passes or a Level 2 vocational qualification, and are looking to progress to a higher level. This group includes many 16 year olds, but also those who attained Level 2 qualifications post-16. It is important for young people in this group to progress to Level 3 qualifications (and beyond) to support UK productivity and growth.⁴ But the barriers they face to quality skills training, and the solutions needed, are distinct to those faced by group 1.

Government policy, for example the push for higher and degree apprenticeships and the introduction of T Levels, is currently better suited at meeting the needs of Group 2. These policies do not help the disproportionately large number of disadvantaged young people who are not ready for Level 3 qualifications. Group 1's lack of Level 2 qualifications is itself a key barrier. Impetus-PEF believes we need to focus more on supporting these young people to boost social mobility. The charities we work with focus on this and it is the focus of this briefing.

2. Every young person who has not achieved a Level 2 qualification in English or maths should be supported to do so

We support the requirement for every young person who has not achieved a Level 2 qualification in English and maths to keep trying to achieve that. Given the importance employers place on these skills,⁵ we believe these qualifications are essential to young people's success. Our best schools and highest performing charities demonstrate that this is a viable aspiration for all young people, irrespective of background, and we are not prepared to give up on them.

Very few young people, however, are achieving this success post-16. As we highlighted in our [Life After School](#) report, the percentage of students who do not pass GCSE English and maths at 16, but do catch up by 19, is very low:

	English	Maths
Students on free school meals	17%	8%
Students not on free school meals	25%	13%

Improving these outcomes should be a priority, and we welcome the 2017 budget announcement of more money towards achieving this. In our [Life After School](#) report, we called for:

- An 'Excellence in English and maths fund' committing an extra £935 per pupil retaking English and maths, with half of the payment awarded to providers up front and the other half conditional on attainment, to drive innovation.
- Government to test ways to increase the supply of qualified English and maths teachers in the further education (FE) sector. In particular, we would like to see the government include this when re-tendering the high potential initial teacher training programme.

3. More research is needed to better understand the value of Level 2 functional skills. Impetus-PEF will publish evidence later this year

Current education policy is based on the assumption that a Level 2 functional skills qualification in English or maths is better than not having a Level 2 qualification at all, in terms of job, pay, and progression prospects for young people. Functional skills are supposed to be equivalent to GCSEs. At present, there is no conclusive evidence whether this is true, or whether there is a gap in outcomes between young people with GCSEs and those with functional skills. Assessing this question is one of our ongoing research priorities, and we expect to publish new research on this question in the autumn.

Without knowing the long-term impact of functional skills qualifications, it is difficult to say definitively which groups of young people stand to benefit from them. We want to see functional skills developed into a high quality and valued qualification, measured on progression rates and employment outcomes.

4. Level 2 vocational qualifications that employers do not value, especially those that don't lead to a Level 3 qualification, should be discouraged

We welcome the government's action, building on the [Wolf Report](#), to discourage Level 2 vocational qualifications that employers do not value. Level 2 qualifications are needed to support entry into the workplace for many young people, but these need to be both work-relevant and provide a suitable grounding for Level 3 pathways, such as T levels.

The lack of a Level 2 qualification is currently a major risk factor in becoming NEET (Not in Employment, Education or Training). In our [Youth Jobs Index](#), we highlighted that 15% of young people with a Level 2 as their highest level of attainment are at risk of being long-term NEET, compared to 26% of young people with below Level 2 qualifications. On finding a job or heading back into some form of education, those with a Level 2 qualification (86%) are more likely than those qualified below Level 2 (71%) to sustain that role or course for six months or more.

We welcome the increased focus on apprenticeships, and steps to secure the investment of employers in designing standards. Employers and the skills sector must continue to work together to ensure the sector can help make the most of business opportunities and address business challenges, whatever they may be as our economy changes in the coming years.

5. The government should give assurances to SMEs about the funding that will be available to them to deliver apprenticeships

It is early days for assessing the full implications of the apprenticeship levy introduced in April 2017. However some concerns are already coming to light, and we urge the government to monitor the impact on disadvantaged young people, and their access to apprenticeships.

Disadvantaged young people are more likely to undertake apprenticeships with SMEs than larger corporations. As things stand, funding available to SMEs for apprenticeships depends to some extent on how much large employers draw down their levy payments. Research from one of our pro bono partners suggests that if large employers spend more than 38% of the total levy contributions they make, then funding for SMEs for apprenticeships will fall, unless the government opts to top-up the fund for SMEs with public money.

The research predicts that large employers could spend as much as 70% of the levy once their understanding of it grows over the first year or two. If this happens, then there will be a shortfall of funding for apprenticeships that SMEs provide. This risks reducing access to apprenticeships for disadvantaged young people.

6. There should be greater flexibility for employers to use their levy money to offer pre-apprenticeship training, traineeships and work placements

There is a risk that large employers withdraw Level 2 apprenticeships in favour of higher level ones, as apprenticeship provision shifts to more of a business decision, as opposed to corporate social responsibility (CSR). Our charities report that the levy is having mixed results. On the one hand, employers are more engaged with apprenticeships than before and our charities value the access they are now getting to human resource (HR) directors as well as CSR teams. On the other hand, some employers are withdrawing the schemes our charities previously placed young people in, and reallocating funding to upskill their existing staff.

One of the charities we work with has suggested that to alleviate this, companies should be permitted to use the levy to fund pre-apprenticeship training and traineeships, particularly the work placement elements. Currently these cannot be funded from levy funds, so there is less incentive for businesses to offer traineeships, which are an important stepping stone for young people who are not quite ready for an apprenticeship.

7. The funding for Level 2 apprenticeships for young people aged 16-18 should be sufficient for providers to be able to deliver these apprenticeships

Providing apprenticeships to disadvantaged young people, particularly those aged 16-18, has become less attractive since the funding arrangements changed. Level 2 apprenticeships have become less profitable due to a cut in funding which doesn't reflect the effort likely required on behalf of a provider and employer for a young person to pass. Previously, a Level 2 apprenticeship for a 16-18 year old attracted between two and two and a half times the funding of an older learner to account for this. This is due to be reduced to a 20% premium. This will make it more difficult for charities and other providers to facilitate Level 2 apprenticeships – another risk that disadvantaged young people will lose out.

More generally, the Apprenticeship Levy is likely to result in the provider market for apprenticeships consolidating significantly, given the need to service larger numbers of apprentices at a given employer. This is concerning for opportunities for disadvantaged young people, too, because it is often more local providers (like our charity partner [City Gateway](#)) that tend to drum up interest in apprenticeships for these young people.

There may also be pressure towards provider specialisation as employers, who now replace the Skills Funding Agency as the bill payer, pay greater attention to quality. Whilst this is clearly a good thing, quality tends to be highest in providers that specialise in particular business areas. FE colleges are also likely to be hit hard as many have historically outsourced apprenticeship provision to independent providers.

8. The Institute for Apprenticeships and Technical Education should collect and publish data on the numbers of young people accessing and completing apprenticeships and their progression routes, broken down by socio-economic background and other social mobility indicators

The Skills Commission reported that “there is a distinct lack of central data available on the number of young people from disadvantaged backgrounds entering apprenticeships and their progression.”⁶ We need to know who is accessing apprenticeships, who is completing them and what they go on to do.

Given the risks of disadvantaged young people struggling to access apprenticeships that we have outlined, we would like to see the government closely monitor the situation and be ready to act should this transpire.

The Institute for Apprenticeships and Technical Education should be required to measure the gap between disadvantaged students and their better off peers accessing technical education and apprenticeships and publish these findings on a regular basis. If apprenticeships are going to work as intended, as a ladder of opportunity, we must act to close this access gap.

References

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3. Joseph Rowntree Foundation, [Future of the UK Labour Market](#), February 2014, Ibid. Pearson & Nesta
4. UK Commission for Employment and Skills, [UK Skill Levels and International Competitiveness 2014](#), October 2015
5. CBI, [Helping the UK thrive](#), July 2017
6. Skills Commission, [Spotlight on apprenticeships and social mobility](#), February 2018

About Impetus-PEF

Impetus – The Private Equity Foundation (Impetus-PEF) transforms the lives of young people from disadvantaged backgrounds by ensuring they get the right support to succeed in school, in work and in life.

We do this by finding, funding and building the most promising charities working with these young people and by influencing policy and resources.

We support a number of charities helping to give disadvantaged young people access to training and apprenticeships including [Catch22](#), [City Gateway](#), [Dallaglio RugbyWorks](#), [Resurgo](#), [Springboard](#) and [ThinkForward](#).

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