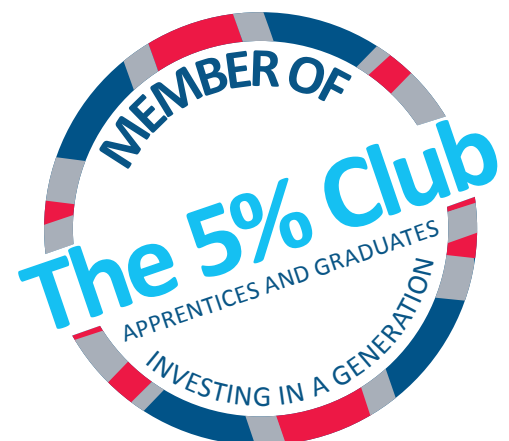




Fulfilling our potential: Delivering the apprentices the economy needs



About The 5% Club

The 5% Club is uniquely an employer-led not-for-profit organisation founded in 2013. It works with UK employers and key influencers to inspire, educate and retain a growing body of people into “earn and learn” placements in order to increase the number of apprentices, sponsored students and graduate trainees.

The goal of the Club is to increase the employment and career prospects of today’s youth and equip the UK with the skilled workforce it needs to compete globally. Members aspire to having at least 5% of their UK work force in “earn and learn” positions within 5 years of joining. Progress is measured annually and reported by the member in its Annual Report or equivalent.

In setting up The 5% Club, we wanted to encourage leading firms of all sizes invest in a generation - to put their money where their mouth is and set a clear example for many more employers to follow. We believe that the aim should be to build a much broader way for people to enter the job market or reskill, moving away from the entrenched university focus and create a world-class vocational system in the UK that is on a par with, if not better than, systems such as that in Germany.

The 5% Club believes that employers are best placed to identify the skills that the economy will need in the future and best placed to drive high quality, relevant training which can be the bedrock to a long and fulfilling career. By joining The 5% Club, employers demonstrate to their customers, employees and potential recruits that they are a business committed to developing their workforce and building the skills the UK economy will need to thrive.



Director General, Penelope,
Viscountess Cobham CBE

Leo Quinn Foreword



The Apprenticeship Levy is a real opportunity to plug the skills gap which exists across the economy. Particularly post-Brexit, companies of all sizes, in all sectors, must invest in developing the skills that this country must have to compete successfully in global markets. But while business leaders undoubtedly need to step up and review their strategies for upskilling and reskilling the workforce, the Levy in its current form is clearly failing to provide the means to deliver the Government's ambitions.

If the current "Levy effect" is to be reversed, and rapidly enough to counteract any loss of EU skilled workers, there are key areas where improvements must be made, as quickly as possible:

- The greatest priority is to ramp up awareness-raising efforts on the value of apprenticeships, especially to quash once and for all the view that they are only for those who are not bright enough to get into university.
- The approvals process for apprenticeship frameworks must be accelerated and improved to ensure it genuinely meets employers' needs. The fact that employers cannot find training provision is putting off many from establishing new apprenticeship positions and schemes.
- Finally, the application of the Levy must be broadened to enable more firms to access training through the funding of related accommodation and travel costs.

The introduction of the Levy was visionary: it has the potential to play a pivotal role in reversing the (linked) trends of skills shortages and low productivity in this country. However, there is much to be done and time is of the essence: it will take several years before the apprentices we are recruiting and training now are fully up to speed. Refinements and reforms to the Levy must happen now.

My thanks go to those of The 5% Club's membership – which embraces the spectrum of UK employers – who gave so generously of their time to enable us to place this paper before Government. We all hope it adds usefully to the development and successful implementation of this vital national policy.

Leo Quinn

Founder and Chairman

Executive summary

Apprenticeships and training are rightly at the heart of the Government's vision for a highly skilled, more productive post-Brexit economy. Alongside the target for three million new apprenticeship starts by 2020 and the introduction of the Apprenticeship Levy, there have been significant reforms to the wider apprenticeship system, the impact of which will be felt far wider than the 2% of businesses paying the Levy. These reforms will disrupt existing models of skills provision and employment, changing them for the better. For example:

- Far more employers will offer apprenticeships at all levels and all ages.
- An increase in particular in the number of apprentices at higher levels could transform the job market and recruitment to it, while degree apprenticeships with the best employers could become as desirable as the most competitive more traditional university courses.
- Attitudes to skills and training will change, with lifelong learning becoming a standard requirement rather than an added extra.
- "Success" at school will not be weighted solely towards academic excellence.
- And, importantly, the fact that those completing apprenticeships of all kinds will have the skills and knowledge employers need, will not only increase the employability of those individuals, but help drive productivity across the economy.

However, this will only happen if Government works with business to ensure employers embrace the Apprenticeship Levy and to remove the barriers that currently exist to delivering the huge numbers of apprentices that employers and the economy need.

The 5% Club's members are broadly supportive of the Apprenticeship Levy's objectives; however, in our view, the legislation lacks nuance. "Industry" is not a single entity and a one-size-fits-all approach is therefore unlikely to result in either the number or the quality of apprentices the economy needs. Employers of all sizes need confidence that providers will deliver the highest-quality apprenticeship training, while for those undertaking them, apprenticeships should be a reliable route to an enhanced, meaningful career. To achieve this, we believe the Levy needs refining. But there are also other, broader changes needed and a number of key areas that must be improved. These include increasing the general promotion of apprenticeships and awareness of the Levy, especially amongst non-Levy payers. Speeding up and improving the approval's process for the frameworks, and addressing the hotch-potch training provision that exists across the country will also be crucial.

Specifically in terms of the changes needed to the Levy to ensure it brings in more apprentices, including those from disadvantaged backgrounds, our survey of our members in The 5% Club suggests that a few, small, intelligent tweaks here could make a significant difference, as outlined in more detail below. And steps must be taken to ensure the Apprenticeship Levy is genuinely meeting the needs of employers and the wider economy: those undertaking apprenticeships at whatever age and level, must be developing new skills rather than merely being a way of companies reclaiming Levy, otherwise the Levy will not fulfill its potential.

Key points from The 5% Club internal survey:

1. The Levy will have little impact on the number of apprentices our members will take on in the short-to-medium term.
2. While some of our members will use the Levy for specialised roles, many are now considering using apprenticeships for non-technical roles such as administrative positions, in order to maximise the amount they can reclaim from the Levy.
3. Apprenticeships are still seen as second best by many schools and the provision of independent careers guidance and the full range of education and training options, including apprenticeships, is not working.
4. While in many schools there is dedicated support for those undertaking the university application process, there is not the parallel support for apprenticeships and other vocational options.
5. The lack of a UCAS style clearing house for apprenticeships remains an issue: progress in this area is too slow and must be accelerated.
6. Some of our members feel that the Apprenticeship Levy should be focussed on areas of the economy, and of the country, where skilled workers are most needed, rather than the current catchall approach.
7. For smaller companies in particular, the system can seem confusing and the lack of quality assurance can deter employers from fully engaging with apprenticeships, meaning that fewer are available.
8. Further Education is not viewed as being of equal value to Higher Education: this must change. Further Education has a crucial role in supporting vocational training and lifelong learning: training the next generation of high quality apprentices needs high quality lecturers.
9. Accessing good quality provision locally is challenging and is one of the key barriers to taking on more apprentices for many of our members, especially outside London and the southeast and for specialised roles.



- 10.** To access good quality training can require transporting trainees to a specific college elsewhere. For rural companies in particular, this can be challenging where local transport is poor. Covering expenses such as travel to training centres or paying for accommodation is an additional cost which makes some apprenticeship programmes untenable.
- 11.** The failure to approve new apprenticeships is having a damaging impact on the ability industry has to recruit new apprentices, since Levy cannot be claimed until an apprenticeship has been properly approved.
- 12.** The delay in approving new apprenticeships raises the issue of how the system can be properly employer-led if the system for designing and approving the apprenticeships employers are saying they need is so onerous and bureaucratic.
- 13.** Until apprenticeships are approved, providers will continue to use the best available material which has an impact on the alignment of the learning content with the job role. This must, in our view, be addressed urgently.
- 14.** Employers must be able to rely on the quality monitoring system. More needs to be done to ensure poor-quality provision is being addressed. The assessment of 'quality' must be consistent across the country, while information on quality must also be accessible and relevant to employers.
- 15.** To make the Apprenticeship Levy work, the level of financial contribution required by small businesses needs to be addressed.
- 16.** More should be done to make small business owners aware of the opportunities offered by the Apprenticeship Levy.
- 17.** The rules should be made more flexible to allow Levy to be spent on shared apprenticeships. These should also be better publicised.
- 18.** Steps should be taken to address the barriers the apprenticeship system itself puts in place to enabling those from all social backgrounds to access apprenticeships. For example, employers are not able to access funding for apprentices who do not have the right grades in key subjects, even where these are not relevant to the role.
- 19.** Other measures should be considered to improve social mobility, for example, those employers offering opportunities for young people with poor school results could be provided with extra public funding to support them.
- 20.** Levy could be used to assist in relocation costs for hard to fill roles, or for those needing to move from deprived areas or to places where it can be hard to recruit from the existing talent pool.

Context



It is well documented that the UK will need millions of new technical and professional skilled workers in the coming decades, across all sectors of the economy. The need for investment in skills is likely to become even more pressing post-Brexit.

The Government has identified apprenticeships as key to meeting this skills need and has set a target of 3 million new apprenticeship starts by 2020. The Apprenticeship Levy comes alongside wider apprenticeship reforms announced by the Government, which include changes to the funding and the definition of what an apprenticeship is, while new apprenticeship standards place an increased focus on the knowledge, skills and behaviours the individual undertaking the apprenticeship develops.

Apprenticeships are now available at all levels, including Level 7, which is the equivalent of a master's degree, and a doctorate equivalent also a possibility. They are also now available in a range of sectors which used to be accessible only through university and there are new Trailblazer apprenticeship standards, developed by employers, for employers. The aims of these reforms have been to make apprenticeships more flexible, to attract people of all ages and backgrounds, and to give employers more input.

The dramatic changes to apprenticeships in the UK are mostly welcomed by The 5% Club's members. We particularly support the Government's desire to establish a world class apprenticeship system to help deliver the highly skilled labour market the economy needs; to ensure it is employer-led; and to ensure that apprenticeships are available in all sectors of the economy. We also look forward to the introduction of the related changes, such as T levels which are on the horizon. However, we also believe that as it is currently designed and being implemented and publicized, the Levy will fall short of the Government's ambition.

This paper has been produced following interviews and consultation with a range of The 5% Club's members, representing different sectors and business sizes, and based in different parts of the country. It builds on our previous two papers, *Providing the Skilled Workforce for post-Brexit Britain* and *Bridges and Ladders: social mobility and a skilled workforce*.

The impact of the Apprenticeship Levy on apprenticeship numbers and type

Although apprenticeship starts have actually gone down since the start of the Apprenticeship Levy in early 2017, this is likely to be a temporary blip as employers get used to the new system. However, with regard to the longer-term picture, the consensus among the members who contributed to the paper was that the Levy will have little impact on the number of apprentices they will take on in the short-to-medium term. Our members are not, perhaps, the “average” company, however, given that they already prioritise apprenticeships and wider training programmes. A number of our members also operate in industries which are experiencing skills shortages and have been investing in the next generation in order to try and mitigate those issues. Interestingly however, those linked to the public sector stated that they will increase the numbers of apprentices they take on: those who are large public sector employers, as they are subject to a target of at least 2.3% of their overall headcount being apprentices; and those undertaking contracts for Government agencies, due to the targets that are passed down to them. This demonstrates the power of targets and procurement rules in changing behaviour.

Nonetheless, our members largely view the Levy as an employment tax and describe it as making no difference to their appetite to take on apprentices and little impact on areas where there are skills shortages, which tend to be for highly skilled roles.

One theme that emerged during discussions with our members on this issue, was that while some said the new roles they were considering for apprenticeships included areas such as cyber security, project management and engineering degree apprenticeships, many of those who contributed are considering using apprenticeships for non-technical roles which they have not previously had apprentices in, administrative roles for example, in order to maximise the amount they can reclaim from the Levy. This is unfortunately not likely to provide the critical mass of skilled workers the country needs to become a high-skilled economy.



Attracting applicants

Some of our members are concerned that apprenticeships are still seen as second best, even though for some, undertaking one might be a better option than an academic route. While we acknowledge that schools have a legal duty to secure independent careers guidance for year 8–13 pupils on the full range of education and training options, including apprenticeships, this is not working the way it should.

Many of our members work with local schools. However, a number expressed concern over the lack of information about technical and vocational career paths that schools offer, while none of those who contributed to this paper gave examples of applicants coming to them having been signposted to the apprenticeship option at school.

Where teachers may be aware of apprenticeships as a general option, there is often a lack of depth of knowledge around what is available, for example, a degree apprenticeship for those wishing to combine both routes, and a persisting view that university should be the first choice for the brightest students. In many schools there is dedicated support for those undertaking the university application process, such as guidance on drafting the personal statement required for the UCAS process and assistance with the Clearing process, while there is not the parallel support for apprenticeships and other vocational options.

Another issue impacting the number of people applying for apprenticeships and which The 5% Club has raised previously, is the lack of a UCAS style clearing house for apprenticeships to maximize accessibility and make applying for an apprenticeship as easy as possible. Although members are aware that ways of addressing this are being considered, our view is that progress in this area is too slow and must be accelerated.

Finally, some of our members expressed the view that the Apprenticeship Levy should be focussed on areas of the economy, and of the country, where skilled workers are most needed, rather than the current catchall approach. Being more focused could have a greater impact, more quickly, in areas facing skills shortages, helping boost productivity in key areas.



Availability and quality of provision



The availability and quality of provision of apprenticeship training is a key issue for employers. The 20% of the time set aside for apprentices to spend learning the theoretical side of their chosen area must be spent meaningfully in high-quality training. What exactly this learning looks like will of course be different depending on the apprenticeship and the sector. However what is meant by 'quality', for our members, who are all employers, is the provision of robust theoretical knowledge which effectively complements the practical, on-the-job training they themselves provide. It must help to equip the apprentice with all of the knowledge and skills they need to be "work ready" at the end of the apprenticeship and ensure they can access a sustainable career. There is clearly also a related impact on the potential for the apprentice in each case to be offered long-term employment on completion of training.

For employers without the resources to undertake quality assurance of the provision in advance, there is no guarantee that the provision will be of the standard required. There are a number of small and inexperienced companies without strong track records which are approved on the Register of Apprenticeship Training Providers to deliver training. For smaller companies in particular, the system can seem confusing and the lack of quality assurance can deter employers from fully engaging with apprenticeships, meaning that fewer are available.

In particular, for smaller companies with fewer resources to navigate the system and undertake due diligence in relation to the quality of provision, the poor quality of service provided by some is negatively impacting their experience of taking on an apprentice and making it less likely that they will do so again.

The impact on learner outcomes is significant if the quality cannot be consistently relied upon. At a macro level, not being able to rely on high quality provision undermines the value of apprenticeships for both employers and recruits.

Part of the problem relates to the quality of lecturers, which in turn relates to their recruitment and retention and the fact that Further Education is not viewed as being of equal value to Higher Education: lecturers are not paid a substantial amount¹, although those in vocation subjects in particular have to qualify and learn a trade before becoming a lecturer; and the sector has seen significant funding reductions the past five years, resulting in class sizes increasing and the number of courses decreasing. Staff turnover in further education colleges is high, and there are shortages of lecturers in key areas, including engineering and construction². In our view, these issues must be addressed. Further Education has a crucial role in supporting vocational training and lifelong learning: training the next generation of high quality apprentices need high quality lecturers.

Furthermore, accessing good quality provision locally is challenging. Indeed, this emerged as one of the key barriers to taking on more apprentices for many of our members. Smaller businesses in particular, but also employers training for specialised, highly skilled roles, cannot always find the training they need in their area, especially outside London and the southeast as, in both cases, they can lack the critical mass required to run a profitable training course. In smaller towns and cities, provision and the quality of provision is inconsistent, with more than one of our members describing it as “pot luck”. To access good quality training can require transporting trainees to a specific college elsewhere, and paying for their accommodation. One of our rurally-based members, who had four apprenticeships available this year, highlighted that two of the places were not filled as the candidates who were offered and accepted the roles later declined them on the basis that it would take them too long to get to college – in one case an hour and three quarters in each direction, due to poor local transport. This is in spite of the fact that the apprenticeship being offered paid three times the national minimum wage for apprentices. For employers also, there are cases where additional expenses such as having to pay for accommodation and transport, which cannot be reclaimed via the Apprenticeship Levy, makes some apprenticeship programmes untenable, again, resulting in fewer options for those wishing to take up an apprenticeship.

Several of our members mentioned that the providers they are dealing with are short of resource and are not as well informed about the Levy as employers would like them to be, seeming unaware of everything that was required of them. For example, some have not yet got things such as data protection policies in place, which means that even where there is technically provision locally, in some cases there is a delay in being able to use it. Some improvement will happen organically as new, stronger links between training providers and employers are built and refined and as Trade Associations begin to identify and promote best practice.

Quality-wise, many providers still using frameworks and are having to do a “botch-job” due to the new standards not being signed off. It was overly optimistic that it would take 12 months for new apprenticeships to be approved: the new Institute for Apprenticeships (IfA) has found it takes longer than expected to work through approvals for providers and courses. The failure to approve new apprenticeships is having a damaging impact on the ability industry has to recruit new apprentices, since Levy cannot be claimed until an apprenticeship has been properly approved. Some of our members are recruiting in spite of this and are paying the costs themselves. Others are simply not recruiting in January 2018 for a September 2018 start, as they will not be able to reclaim the costs and cannot afford to pay for both the Levy and the training costs. This also raises the wider issue of how the system can be properly employer-led if the system for designing and approving the apprenticeships employers are saying they need is so onerous and bureaucratic. Rather than the light touch approach employers were anticipating, employers have not been able to secure approval for the frameworks they have developed and agreed: employers are not in the lead, as hoped.

Our members felt that this is likely to impact quality, especially on Level 4 apprenticeships. While Level 2 and 3 are based on what has been delivered historically, Level 4 is not. This is resulting in providers having to use material that is not quite right but is the best available. This will inevitably have an impact on those apprentices going through the system at the moment, in terms of the job role and learning content alignment. Employers were told in the Spring that work would accelerate to get the standards ready for September 2017, but that did not happen. This must, in our view, be addressed urgently.

¹ The Association of Colleges College Workforce Survey 2016 shows that the average lecturer salary is £30,100

² The Association of Colleges Autumn Budget 2017 submission

Monitoring quality



Ofsted is viewed by our members as being a good indicator of quality where an inspection has just taken place. However, the length of time between inspections and the fact that the quality of training can go downhill quite quickly with the departure of a key individual, means that an Ofsted inspection undertaken over a year ago cannot be relied upon - more needs to be done to ensure poor-quality provision is being addressed.

Information on quality must also be accessible and relevant to employers. For example, in some cases, where a provider offers a wide range of education and training from apprenticeships in business administration to advanced engineering and full-time degrees, the quality of provision relevant to a specific employer may only make up a small part of the overall Ofsted grade, providing little useful information without additional research.

Several of our members raised the issue of consistency. Given the large number of providers and of specialist apprenticeships, there was concern that Ofsted may not have the level of understanding required to audit provision effectively and ensure that it is graded consistently across the country.

Furthermore, given the significant increase in the number of new providers and assessments which Ofsted – and Ofqual – now have to regulate, our members are concerned that the quality monitoring system may need additional resource and that more regular inspections may be required.

Employers must be able to rely on the quality monitoring system. We were concerned to note the plans to increase the minimum standard achievement threshold for providers, to ensure high quality training, were reversed. Although getting as many people through the system as possible is a key aim, the training must be of high quality: quantity must not come at the expense of quality.

Members also raised the issue of funding bands. While our members were, overall, confident in Education and Skills Funding Agency (ESFA) over the long term, they would like reassurance that ESFA has the knowledge and capacity required in the short-to-medium term. For example, given that the amount being charged at all levels is the maximum that the funding bands allow, concern was raised that ESFA may not have the technical knowledge to assess providers and drill down into the figures to conclude that the course being provided is actually costing the amount they say and is worth it. Without the capacity, resource and knowledge to analyse this, the system will not be transparent and there can be no assurance that employers and taxpayers are getting value for money.

Small businesses

Small firms make up the majority of UK business. While most small businesses fall beneath the threshold, the Apprenticeship Levy opens up funding opportunities for smaller employers: they may not pay into the fund, but they can draw from it.

However, while businesses with under 50 employees recruiting apprentices under 19 will see the Government cover 100% of the training costs, small businesses themselves must cover 10% of any training costs where these specific criteria are not met. There are also additional costs on top of this, including wages, transport costs and so on, while for smaller companies, the bureaucracy involved in setting up a new apprenticeship can also be off-putting. Smaller businesses often do not have either the resources or the economies of scale to make such a scheme work, and anything which feels like an additional cost or penalty will deter business owners from taking on apprentices. To make the Apprenticeship Levy work, the level of financial contribution required by small businesses needs to be addressed.

Furthermore, while those of The 5% Club's members who are SMEs are aware of the Apprenticeship Levy, many of them have found that smaller companies in their supply chains – especially Tier 2s and 3s – are not aware, leading us to conclude that there has not been enough communication to those companies which do not pay the Levy. For the Apprenticeship Levy to be successful and for the apprenticeship reforms to drive the numbers of people employers need into skilled roles, small companies across the country must be taking on apprentices. More should therefore be done to make small business owners aware of the opportunities offered by the Apprenticeship Levy.

One way of making taking on an apprentice a viable option for more small businesses would be to enable the Levy to be spent on shared apprenticeships. These should also be better publicised. Shared Apprenticeship Schemes already exist and can be a good way of enabling small businesses to play their part in training the next generation without taking on all the risk by themselves when they may not have a secure pipeline of work for the full duration of the apprenticeship. The apprentice is employed by a specifically created body and rotates around a number of participating small businesses to achieve the range of experience required to gain the qualification – they remain with the same training provider for the duration of the apprenticeship. Bringing in more flexibility to Levy spend in this way, and better publicizing the option, could have a significant impact on the number of apprentices taken on by small businesses.



Ensuring access for those from disadvantaged backgrounds

The 5% Club recently published a paper entitled Bridges and Ladders: social mobility and a skilled workforce³, which sets out our views on the twin issues of social mobility and skills.

We believe that as the UK begins to shape its new identity as an independent trading nation outside the EU, it needs a long-term strategy to simultaneously improve social mobility, and boost its ability to compete globally by ensuring access to the skilled workforce business needs. Proper social mobility and effective education and training are two key elements for addressing the UK's productivity problem, which will be even more acute if we are to compete as 'global Britain' post-Brexit and if we are to have the high-skill economy we need to take advantage of the opportunities the digital revolution offers.

We must improve the transition from school to work for all young people, but particularly for those who do not go on to study A Levels and Higher Education, a group disproportionately made up of those from disadvantaged backgrounds.

Many of our members are doing important work in this space and, during the interviews for this paper, several highlighted the fact that the apprenticeship system itself puts in place barriers to enabling those from all social backgrounds to access apprenticeships. For example, employers are not able to access funding for apprentices who do not have the right grades in key subjects. One of our members pays for strong candidates to take their maths GCSE again, for example, but states that this does not make sense for apprenticeships which do not require maths and does nothing to help break the cycle where people are disadvantaged because of their background. Many employers would not pay for this and those from disadvantaged backgrounds may not know how to or be able to afford to do this themselves.

Suggestions from our members in this area included that those employers offering opportunities for young people with poor school results should be provided with extra public funding to support them. Also, in hard to fill roles, or for those needing to move from deprived areas or to places where it can be hard to recruit from the existing talent pool, Levy could be used to assist in relocation costs.



³ <https://www.5percentclub.org.uk/bridges-ladders-social-mobility-skilled-workforce/>

Conclusion

We support the Government's ambition to increase the quality and quantity of apprenticeships across the UK. The tide is turning on the perception of apprenticeships, and their increased prominence through the Levy will only add to this, something we welcome.

However, a number of tweaks are needed to ensure that the benefits of the reforms are maximized. Key among these must be a real focus on improving provision across the country, removing the barriers which are putting off smaller businesses from taking on apprentices.





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