

A large, white, oval-shaped spotlight is positioned in the lower half of the page, casting a beam of light upwards. The background is a dark blue gradient with several overlapping, semi-transparent light blue ovals that create a sense of depth and movement, resembling a stage or a modern architectural space.

SPOTLIGHT ON...

Apprenticeships and Social Mobility

“We need to ensure that the new apprenticeship system is stable and workable, so that young people from all backgrounds can engage with the programme and develop their skills if that's the pathway best for them.

We also need to make sure that a high degree of social justice is embedded in the new system, so that people from disadvantaged backgrounds are given equal opportunities to succeed”

Peter Mayhew-Smith, August 2017

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SPOTLIGHT PROJECT

The Government's apprenticeship reforms are a wonderful, aspirational change to the whole skills system in the UK. The changes seem even more well-judged and full of potential as we prepare to leave the EU and develop stronger supply chains for skills within our borders, using schools, colleges and training providers to support employers in an integrated and responsive way. The opportunity to invest for the future through a targeted levy system is a far-sighted change, helping the UK to compete in the long-term, while raising productivity and promoting social mobility.

But these core purposes underlying the original reforms are at risk of being lost in a muddled programme of implementation. It's a matter of urgency that Government clarifies the long-term ambitions it wants to see realised through the apprenticeship system. Is it really for young people? Should it focus on improving social mobility? Or has the context changed now and should a different set of drivers take priority?

In this report, we have sought to test the stated aims of the reform programme against the realities for employers, providers and, above all, apprentices. We have sought to draw out their experiences and compare them to the ambitions of the new system, finding a number of gaps between intention and delivery, particularly for SMEs and 16 to 18 year olds. We make a number of recommendations, primarily concerning access and incentives for participation in the apprenticeship scheme, as well as better monitoring of who benefits from the changes.

We hope very much that this report, as part of the Commission's Spotlight inquiry series, will strengthen the apprenticeship set-up further and are pleased to bring to the surface the issues that have developed in the new system.

This report owes its depth and weight to a great range of vocal and passionate contributors, whose strength of feeling about apprenticeship delivery has been apparent throughout the inquiry process. We are enormously grateful to everyone who has shared their views with us and can safely say that we have based our conclusions on a very substantial body of solid evidence.



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FOREWORD

Parliamentarians, the education and skills sector, and businesses are united on the need to increase economic productivity and growth, and on the important contribution to these objectives of the UK's skills base and social mobility. Apprenticeships are proven to create a more productive and skilled workforce by equipping them with the right skills for their working lives.

We applaud the Government's objectives of increasing the quality and quantity of apprenticeships in England to three million starts in 2020 and of widening access, through its recent set of reforms, including the newly published Careers Strategy. Building on this success, there is still work to be done. As a nation we are in urgent need of more skilled professionals, such as designers and engineers, and for the first time the Office for Budget Responsibility projected GDP growth to be below 2% at the end of its five year forecast, following downward revisions to productivity forecasts.

More than 30% of people who start apprenticeships in Britain do not complete them, and numbers are worsening every year. There is no data on the social background of those dropping out, although there is evidence that more affluent young people who have the social capital and credentials to navigate the skills system, are most likely to start higher yield apprenticeships.

A great deal of progress has been made but there is more we can do to ensure that this policy works for everyone. The Commission has examined a significant breadth of research and brought together a wide range of views, from in-depth studies by leading sector organisations to hearing direct from young people in focus groups. We have drawn out ideas for improving the current reforms to achieve their laudable objectives. We have concentrated on identified unintended barriers to access and progression for disadvantaged young people, including persistent cultural as well as practical barriers, and the report includes recommendations on their removal.

A cross-party approach is vital to make a success of the current reforms; and we were delighted to Co-Chair this Skills Commission Spotlight inquiry. Our recommendations aim to widen participation so that the apprenticeship reforms can truly unlock the potential of our nation.



Michelle

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RECOMMENDATIONS

Financial Viability

Recommendation 1

The Commission calls on the Government to reconsider what targeted funding support could be provided to disadvantaged families to remove the current disincentive.

Recommendation 2

The Government should clarify and publicise the sources of financial support available to apprentices, including distributing via training providers, for routine inclusion in induction packs.

Recommendation 3

The Government should urgently introduce subsidised travel for apprentices, bringing discounts in line with those in full time education.

Recommendation 4

A portion of the levy transfer mechanism to be introduced in 2018 should be ring-fenced for small to medium-sized enterprises and used to incentivise the recruitment of 16-18 year olds.

Recommendation 5

The Government should explore the viability of an 'Apprenticeship Premium' based on the pupil premium model as a means of improving the flexibility and reach of the levy in the short term.

Access

Recommendation 6

The Government should help boost success and confidence in applications by young people, by using the *Get in Go Far* website to link up applicants with existing networks of apprentices.

Recommendation 7

The Government must review and streamline sources of pre-apprenticeship funding, providing clarity on a commensurate replacement for the European Social Fund and the role of Traineeships.

Promotion

Recommendation 8

The Government should spearhead a renewed national publicity campaign around apprenticeships that celebrates their value in their own right, without trying to equate them with a degree. This campaign must engage employers, parents and learners, building on the success of the *Get in Go Far* campaign.

Monitoring and Quality

Recommendation 9

The Institute for Apprenticeships must monitor closely the extent to which the levy is being used to upskill existing employees.

Recommendation 10

There is an opportunity for the Government to develop and back an apprentice kite mark, which employers should sign up to, to encourage higher quality standards and best practice.

Recommendation 11

Data collection should mirror that in higher education, including data on social background and routes of progression, to allow monitoring, analysis and corrective action. The Department for Education and Institute for Apprenticeships will be well placed to do this.

Recommendation 12

Ofsted should monitor the implementation of the Baker Amendment, to ensure apprenticeships (and other technical routes) are being given equal weight with higher education in schools.

Recommendations reasserted from *A Spotlight on... Young people with below average academic attainment and the skills sector.*

Recommendation 5

Government and education and training providers should make a concerted effort to boost the recognition, reputation and esteem given to Functional Skills qualifications.

Recommendation 6

Additional support needs to be made available to FE providers to allow them to fully meet the needs of 16-18 learners with below average academic attainment.

1 POLICY CONTEXT

1.1 Introduction

Apprenticeships in the UK have the potential to be ‘a major engine of social mobility’ for young people, with higher level 5 apprentices likely to earn more in their lifetime than graduates from non-Russell Group universities.¹ Income inequality driven by social background not only has a negative effect on individuals, but according to the Organisation for Economic Co-operation and Development (OECD) can have a negative impact on medium-term growth.² There is therefore an economic as well as social imperative to widen participation and introduce young people with different types of experiences and knowledge in to the workplace.

Successive government reform and investment in recent years has boosted awareness of apprenticeships and recent apprenticeship reforms are designed to open up more opportunities. Yet there is more to be done to build on the success of this work. In 2014 the UK Commission for Education and Skills predicted that the UK’s position on intermediate skills would worsen by 2020, down from 25th to 28th in the OECD ranking.³ By 2018 ‘unemployment and underemployment is predicted to affect a third of all 16-25 year olds.’⁴ The situation is particularly acute for disadvantaged young people, with research⁵ showing that advanced apprentices are much less likely to have been eligible for free school meals (FSM) or to come from the 10 most disadvantaged areas. As the Learning & Work Institute has reported ‘far less focus is put on widening participation in apprenticeships, compared to higher education (where £750 million is invested annually).’⁶

So there is much to be done to deliver on this potential. Apprenticeships policy in England - and the post-16 education landscape - is undergoing a period of rapid transformation, thanks to a number of initiatives that are now moving from policy to implementation. The question is whether these changes are delivering on social mobility or whether more needs to be done.

¹ Kirby, Dr Philip, Sutton Trust (2015), ‘Levels of Success — the potential of UK apprenticeship’, p 1 Available at: <http://www.suttontrust.com/wp-content/uploads/2015/10/Levels-of-Success3.pdf>

² OECD (2014), Focus on Inequality and Growth 2014. Available at: <http://www.oecd.org/social/Focus-Inequality-and-Growth-2014.pdf>

³ UKCES (2015), UK Skill Levels and International Competitiveness 2014, Evidence Report 96. Available at:

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/470017/skill_levels_2014.pdf

⁴ <http://www.ukyouth.org/our-challenge.html>

⁵ The Sutton Trust (2017), ‘Better Apprenticeships Access, quality and labour market outcomes in the English apprenticeship system’, Available at: <https://www.suttontrust.com/wp-content/uploads/2017/11/Better-Apprenticeships-1.pdf>

⁶ Learning & Work Institute (2017) ‘Three Million Apprenticeships: Building ladders of opportunity’, p 12. Available at: <http://www.learningandwork.org.uk/wp-content/uploads/2017/03/Apprenticeship-Policy-Solution-March-2017-3-2.pdf>

1.2 Apprenticeship reforms

The Department for Business, Innovation and Skills (BIS) in 2015 announced reforms to the apprenticeship system: *English Apprenticeships: Our 2020 vision*. In this the Coalition Government outlined its vision of an employer-led, financially sustainable apprenticeship system in England, which now allows business to lead the way in developing the skills they need to support the Industrial Strategy. As well as boosting productivity, a commitment to supporting young people and their social mobility through a reformed apprenticeship system was also a key part of that strategy:

“Our goal is for young people to see apprenticeships as a high quality and prestigious path to successful careers, and for these opportunities to be available across all sectors of the economy, in all parts of the country and at all levels.”

- Rt. Hon Sajid Javid & Rt. Hon Nicky Morgan, 2015

The 2017 Conservative manifesto pledged that 3 million *young* people would start apprenticeships by 2020,⁷ aided by the introduction of a new apprenticeship levy, a switch from frameworks to standards and wider reforms to T levels and Career information advice and guidance (IAG). The Technical and Further Education Act received Royal Assent in April 2017 resulting in the introduction of new apprenticeship funding, as detailed in Table 1 overleaf.

The change in departmental responsibilities from BIS to the Department for Education (DfE) in 2016 reiterated the commitment to 3 million apprenticeship starts by 2020 and social mobility objectives as part of the DfE’s ‘end-to-end view of skills and education’.⁸

There are more initiatives in the pipeline in 2018, including plans for levy-paying organisations to be able to transfer up to 10% of the funds in their digital account, to employers in their supply chain, or to Apprenticeship Training Agencies. We may see the results of a Government review in to the ‘best ways of ensuring apprenticeships provide equal opportunity to all, regardless of their circumstances’.⁹ Wider reforms are set out in Appendix A.

⁷ The Conservative and Unionist Party Manifesto (2017) ‘Forward, Together — Our Plan for a Stronger Britain and a Prosperous Future’ p 53.

⁸ Prime Minister Theresa May, Machinery of Government Changes: Written Statement HCWS94, 18 Jul 2016. Available at: <http://www.parliament.uk/business/publications/written-questions-answers-statements/written-statement/Commons/2016-07-18/HCWS94/>

⁹ Department for Education (2016) ‘Apprenticeship Funding from May 2017’, pg. 10. Available at: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/562401/Apprenticeship_funding_from_May_2017.pdf

Introduction of the apprenticeship levy

- Employers with a wage bill over £3 million per annum to pay a levy of 0.5% of their annual wage bill
- Use of levy funds defined by the Skills Funding Agency.¹⁰ They cannot be used for pre-apprenticeship training, wages or support costs
- 1.3% of all employers will be eligible to pay the levy in 2017-18.¹¹ In this period, £2.6 billion is expected to be raised by the levy, rising by £0.1 billion each year up to 2021-22¹²
- The Institute for Fiscal Studies (IFS) suggest that 60% of employees work for a levy-paying employer¹³

New non-levy funding system introduced

- 'Co-investment' model - employers pay 10% of training costs and the Government pay the rest, using unspent funds from the apprenticeship levy
- For micro-employers with less than 50 employees, training for 16-18 year old apprentices will remain fully Government funded

New financial incentives for the apprentice

- Incentives available for 16-18s and 19-24s who were formerly in care or have an Education and Health Care Plan (EHP)— one-off payment of £1,000 to employer and provider
- Disadvantaged areas – under review. Transitional amounts available for framework

Institute for Apprenticeships formally established. Its key responsibilities include:

- Developing and maintaining quality criteria for the approval of apprenticeship standards and assessment plans
- Supporting the development of standards and assessment plans by employer groups, publishing once approved
- Advising on the maximum amount of Government funding that can be drawn down by employers for individual apprenticeship standards
- Quality assuring the delivery of apprenticeship End Point Assessments.¹⁴

¹⁰ Skills Funding Agency 'Apprenticeship funding: rules and guidance for employers May 2017 to March 2018', Version 2

¹¹ DfE (2016), Information on Apprenticeship Levy, Data broken down by size sector and the total apprenticeship budget August 2016, Available at: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/545145/Apprenticeships_-_expected_levy_and_total_spend_-_Aug_2016.pdf

¹² HM Treasury (2017), 'Spring Budget 2017', Table B.5: Current Receipts, p60. Available at: <https://www.ifs.org.uk/uploads/publications/budgets/gb2017/gb2017.pdf>

¹³ Institute for Fiscal Studies (2017), 'The IFS Green Budget February 2017', Chapter 8, p239. Available at: <https://www.ifs.org.uk/uploads/publications/budgets/gb2017/gb2017.pdf>

¹⁴ Institute for Apprenticeships website: <https://www.instituteforapprenticeships.org/>

1.3 Implementation - impact on social mobility?

The sector is closely watching what impact these changes - particularly the levy - will have on the uptake of apprenticeships by young people in coming years, as changes to the funding model change the way that employers engage with apprenticeships. Given the potential wage benefits beyond level 3, ensuring equal access to the opportunity of an apprenticeship in the race to meet the 3 million target is essential.

The Commission understands that apprenticeships are not only for young people, and has advocated the benefits of the levy for providing opportunities to upskill existing employees and older workers in its 2017 report *A Spotlight on Older Lifelong Learning for an Ageing Workforce*.¹⁵ However, it has heard growing concerns that the removal of funding incentives for young people and inadvertent consequences of the new reforms mean that the balance is wrong, and that opportunities for disadvantaged young people are being displaced. Over 25's already make up a large proportion of apprenticeship starts, according to DfE's data, in 2016/17, almost 50% were by people aged 25 and over.¹⁶

“The education and skills system can be a transformational experience for young people who come from disadvantaged backgrounds. It enables them to have a career, earn fantastic money and provide for a family...when it works well. When it doesn't, you end up with lots of dead ends, lots of broken promises, and lots of disappointment in the system.”

- Neil Bates, evidence session 2, October 2017¹⁷

1.4 Inquiry aims and terms of reference

The overall aim of this inquiry is therefore to investigate how recent reforms to the apprenticeship system support the Government's social mobility agenda. In order to do this, the Commission investigated the following questions:

- What are the existing barriers to access and progression in apprenticeships for disadvantaged young people?
- Have these changed as a result of recent changes to the apprenticeship system?
- What are the longer term changes on the horizon for this cohort as a result of these reforms?
- What can be done by employers, providers and Government to avoid any unintended issues arising?

¹⁵ Skills Commission (2017), 'A Spotlight on... Lifelong learning for an ageing workforce. Available at: http://www.policyconnect.org.uk/sites/site_pc/files/report/882/fieldreportdownload/spotlightonolderworksskillscommissionreport.pdf

¹⁶ Department for Education (2017), Apprenticeships Demographics Data Tool: starts 2011/12 to 2016/17 reported to date. Available at: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/650223/201617_Oct_Apps_Demographic_Data_Tool_FINAL.xlsx

¹⁷ Neil Bates, Former Principal and Chief Executive PROCAT College, evidence session 2, October 2017

Terms of reference

What do we mean by ‘young people’?

This inquiry will focus on people aged 16-24, especially on the two key transitions of 16-18 and 19+. The Commission wished to capture the progression routes of school or college leavers through a Traineeship or pre-apprenticeship programme, to different levels of apprenticeship, including those who may take some time after leaving school to decide or discover that an apprenticeship is right for them.

What do we mean by ‘disadvantage’?

The focus of this inquiry is on economic disadvantage and social mobility, due to the DfE’s commitment to this, and the well-established links between economic and educational disadvantage. Although evidence to the Commission did include other measures,¹⁸ this study uses FSM eligibility and Income Deprivation Affecting Children Index (IDACI) as indicators, not least because the IFS found that FSM eligibility over 3 years was the best indicator of educational disadvantage.¹⁹

The Commission recognises that FSM entitlement as an indicator has limitations and does not constitute a homogenous group; notably it does not capture young people from low-income working families who are just above the threshold.²⁰ It also fails to capture people who are not claiming the benefits to which they are entitled.²¹

Though economic disadvantage will form the focus of the inquiry, other aspects of disadvantage will be touched on where appropriate, due to the inextricable links between many of these factors. The Commission believes it is important to recognise that this is a broad demographic, encompassing young people with a variety of experiences, backgrounds and skillsets.

¹⁸ These indicators are indicated where appropriate in this report

¹⁹ Institute for Fiscal Studies, Crawford, C. Greaves, E. (2013) ‘A comparison of commonly used socio-economic indicators: their relationship to educational disadvantage and relevance to Teach First’

²⁰ Gorard, S. (2016) ‘A Cautionary Note on Measuring the Pupil Premium Attainment Gap in England’ *BJESBS*, 2016; 14(2): 1-8

²¹ Department for Children, Schools and Families (2009), ‘Deprivation and Education: The evidence on pupils in England, Foundation Stage to Key Stage 4’, Available at: <http://dera.ioe.ac.uk/9431/1/DCSF-RTP-09-01.pdf>

2 BARRIERS TO SOCIAL MOBILITY

Apprenticeship starts over the last decade have increased significantly thanks to a concerted effort from Government and the sector to boost the profile of apprenticeships. However, access to apprenticeships and progression to higher levels by certain groups in our society is lower than might be expected. In some regions (for example, the North East and South West of England) young people eligible for FSM are half as likely as non-FSM eligible young people to undertake a level 3 apprenticeship.²² According to the DfE, in 2015-16, while 16% of the working age adult population in the UK have a learning disability²³ the figure for apprenticeships is only 9.9%.²⁴ People from Black, Asian and Minority Ethnic (BAME) backgrounds are under-represented and whilst men and women are roughly equally likely to start apprenticeships, men are significantly more likely to study STEM subjects and women to study subjects from lower paid sectors such as social and childcare.²⁵

Entry criteria, a lack of suitable local apprenticeships, low pay and confusion around the benefits system are specific factors that prevent disadvantaged young people from accessing apprenticeships according to the Young Foundation.²⁶ In particular, people from this group may struggle to access higher apprenticeships, which act as the greatest boost to social mobility.²⁷

“There will be young people – quite possibly those who are already disadvantaged and disengaged from formal education, with possibly the most to gain from an apprenticeship – who will fall outside the realms of entitlement.”

- The Young Foundation, 2010²⁸

In order properly to be able to overcome barriers it is essential to understand the problem clearly. However, there is a distinct lack of central data available on the number

²² Learning & Work Institute (2017), Three Million Apprenticeships: building ladders of opportunity.

²³The Papworth Trust (2016), 'Disability in the United Kingdom 2016, Facts and Figures'. Available at: <http://www.papworthtrust.org.uk/sites/default/files/Disability%20Facts%20and%20Figures%202016.pdf>

²⁴ Department for Education, 'Apprenticeships demographics data tool: starts 2011/12 to 2016/17 reported to date'. Available at: <https://www.gov.uk/government/statistical-data-sets/fe-data-library-apprenticeships>

²⁵ Sutton Trust, Dr Philip Kirby (2015) Levels of Success, p.3.

²⁶ The Young Foundation (2010), Opening the door to apprenticeships – teaching young people who are disadvantaged and disengaged from apprenticeships'. Available at: <https://youngfoundation.org/wp-content/uploads/2012/10/Opening-the-door-to-apprenticeships-February-2010.pdf>

²⁷ Sutton Trust, Dr Philip Kirby (2015) Levels of Success, p.3.

²⁸ The Young Foundation (2010) 'Opening the door to apprenticeships', p35.

of young people from disadvantaged backgrounds entering apprenticeships and their progression. In Higher Education, this data is collected routinely, universities are held to account accordingly, and there is an evidence base for policy changes. The Commission believes that the Institute for Apprenticeships could have a role to play in collecting this data.

Recommendation

Data collection should mirror that in higher education, including data on social background and routes of progression, to allow monitoring, analysis and corrective action. The Department for Education and Institute for Apprenticeships will be well placed to do this.

This section will explore some of these barriers faced by young people, both in accessing an apprenticeship and progressing through their career and on to higher level apprenticeships.

2.1 Economic barriers

Immediate financial barriers can inhibit a young person's ability to undertake an apprenticeship and enhance their career and pay progression by continuing to a higher level of study. A number of these barriers are more pronounced if a young person is from an economically disadvantaged background.

Wage

The low apprentice wage is widely cited as a barrier to accessing apprenticeships, for all groups, let alone those from the most economically disadvantaged backgrounds. For those who are under 19 or in the first year of their apprenticeship receiving the minimum apprentice wage of £3.50 an hour, rising to £3.70 in April 2018, making ends meet can be challenging:

“I have another job, I used to live at my parents’ house, I’ve moved out but I live with my friend, I only pay bills, but if I didn’t have another job I wouldn’t be able to live.”

- Apprentice, focus group, October 2017

The Commission received different evidence about the potential impact of raising the apprentice wage. The National Minimum Wage (NMW) is shown in Table 1 as a comparator. The National Union of Students (NUS) have described the National Apprentice Minimum Wage (NAMW) as ‘exploitative’²⁹ and some members of the Commission felt that the NAMW should be increased to the same as the NMW, with

²⁹ NUS (2015), ‘Forget me Not, An investigation in to the financial well-being of apprentices in the UK’. Available at: https://www.nus.org.uk/PageFiles/12238/Forget%20Me%20Not_%20Apprentice%20Report.pdf

encouragement to pay the living wage. It is argued that this has effects both on retention and completion, as apprentices may leave to a better paid role after gaining a certain level of skill. However, data demonstrated in Table 1 shows that many employers already pay above the NAMW and even the NMW at level 2 and 3, as they may simply struggle to recruit if they do not pay adequately.

Table 1: Apprenticeships Pay Survey England 2016, DfE. Average hourly apprenticeship pay at level 2 and 3 by age.³⁰ National Apprentice Minimum Wage (NAMW) and National Minimum Wage (NMW) data shown for April –September 2016.³¹

	NAMW (£)	NMW (£)		Mean hourly apprentice pay (£)
Under 18	3.30	3.87	16-18	4.77
18 to 20	3.30	5.30	19-20	5.61
21 to 24	3.30	6.70	21-24	7.14
25 and over	3.30	7.20	25 and over	8.53

Other Commissioners were concerned that a higher mandatory wage may alienate some employers. The Commission as a whole agreed that apprenticeships should be more financially attractive to both the apprentice and their families. This report explores the alternative ways this can be done.

Household benefit entitlements

A financial strain is particularly felt by 16-19 year olds living at home. The decision to undertake an apprenticeship rather than remain in full time education results in a reduction in household benefits and eligibility for council tax for over 18s, compared with choosing to remain in full-time education.³² Though in principle, this will be replaced to some extent by the young person's wage, evidence suggests that this rule creates household tension. This can lead to a young person dropping out or deciding not to do an apprenticeship. Homeless charity Centrepoint argues that young people in households facing the greatest financial hardship are 'not able to make a genuine choice between earning and learning' because of rules around benefits.³³ Greater Manchester Combined Authority's Care2Work project found that this is a particular problem for young people in or leaving care.³⁴

Lord Watson tabled an amendment to the Technical and Further Education Act to provide Child Benefit for young apprentices, which was subsequently rejected by the Commons. Robert Halfon MP, then Minister for Apprenticeships and Skills, objected on the grounds that a core principle of apprenticeships is that, 'it is a job, and it is treated accordingly in the benefit system'.³⁵

³⁰ Department for Education (2017), 'Apprenticeship Pay Survey 2016.' Available at:

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/630082/apprenticeship-pay-survey-2016-report-england.pdf

³¹ To give comparable data with the results of the 2016 Apprenticeship Pay Survey

³² House of Commons Library (2017), 'Technical and Further Education Bill: Lords amendments and Ping Pong', Briefing paper Number 7941.

³³ Centrepoint (2016), 'Unlocking Potential: Tackling Youth Unemployment Among disadvantaged young people', p15. Available at:

https://centrepoint.org.uk/media/1714/unlocking-potential_final-report.pdf

³⁴ GMCA written evidence to the Skills Commission

³⁵ House of Commons Library (2017), 'Technical and Further Education Bill: Lords amendments and Ping Pong', p6

The Minister pointed to other sources of funding such as one-off bursaries available to care leavers and the disadvantaged area fund; however many young people in financial need may not qualify for this support.

Recommendation

The Commission calls on the Government to reconsider what targeted funding support could be provided to disadvantaged families to remove the current disincentive.

Overcoming financial barriers

In an attempt to tackle these economic barriers more broadly, the Commission discussed whether the student loan mechanism could be extended to apprentices, or a form of repayable financial support provided to support relocation and unmet living costs. It was argued by comparison that university is much more affordable at the point of use, due to the availability of maintenance loans and bursaries. It was also felt a student loan approach might support young people to relocate for an apprenticeship, to help overcome geographical barriers (see section 2.2).

However, Commissioners, including a representative from the National Society of Apprentices, expressed concerns at the idea of taking on debt to become an apprentice. This may simply exclude the most economically disadvantaged young people from apprenticeships, who in some cases may have been discouraged from going to university for this very reason. The Industry Apprentice Council's annual report found that 82% of (mainly engineering) apprentices surveyed said earning whilst learning was the biggest draw to an apprenticeship.³⁶ Of this sample, 30 apprentices were in postcodes within the top 20 most deprived places in England,³⁷ and all but two said the avoidance of student debt was a key reason for wanting to take up an apprenticeship. This debate amongst the Commission highlights that further research is needed to understand the viability of and young people's feelings towards a form of repayable loan for apprentices.

On a practical day-to-day level, it is important to assess what other forms of support can be offered to help support young apprentices financially. For full-time students, there are a plethora of discount schemes available. For apprentices, these vary across the country and even when available can be poorly promoted. Young apprentices expressed that they might not identify themselves as disadvantaged, or know what they're entitled to. This is an accidental oversight which can easily be fixed by providing information to new apprentices as a matter of course. For example, 31,000 NUS Apprentice Extra Cards were sold last year,³⁸ profits of which run the National Society of Apprentices, despite nearly 494,900 total apprenticeship starts in 2016/17.³⁹

³⁶ Industry Apprenticeship Council Annual Survey 2017. Available at: <http://eal.org.uk/centre-support/learner-support/99-iac-2017-annual-survey-results-report/file>

³⁷ According to the Index of Multiple Deprivation 2015.

³⁸ Data provided by the NUS

³⁹ DfE Further Education and Skills: November 2017, Monthly Apprenticeship Starts from academic year 2014 to 2015 to academic year 2016 to 2017

Recommendation

The Government should clarify and publicise the sources of financial support available to apprentices, including distributing via training providers, for routine inclusion in induction packs.

2.2 Geographical barriers

Travel costs

The Commission welcomes the current Government's commitment to discounted travel costs for apprentices, recognising the barrier this can be to young people accessing the labour market and completing their apprenticeship; however, as yet there is no indication of how or when this pledge will be implemented. Not only can transport costs be a barrier to accessing an apprenticeship in the first place, but they can also limit the variety of opportunities a young person can access. This is particularly the case in rural areas where transport options are more limited. This has implications both in the short term and on the long-term perception of available routes of progression. Apprentices from Doncaster told the Commission:

"I think transport's key, if you have transport then you look...with just public transport we were kind of restricted to the area... there is quite a lot, but it does restrict you."

"It's not the best pay either so it's expensive to travel far...It can be like £20 a week to get to work and that's quite a lot out of your wage, nearly a fifth out of your wage already."

- Apprentice, focus group, October 2017

For all age groups, the cost of transport can be challenging. In particular, given that 16-18 year olds are now mandated to either be in full-time education or work-based training, with full-time students often being entitled to discounted travel, it seems illogical to the Commission that young apprentices on very low wages are not. Apprentices can be travelling to their training provider and employer in the same week, meaning that obtaining discounts through season or monthly tickets is far from straight-forward.

Some regions and individual transport companies run their own initiatives. For example in London an Apprentice Oyster Photo card is available, offering a 30% discount on Travelcards and Bus & Tram Pass season tickets for over 18s in their first year of an apprenticeship. Gloucestershire County Council offer 16-24 year old apprentices 100 free bus journeys through their 'Thinksmart' bus pass.⁴⁰ Additionally all 16-25 year olds are able to buy a railcard; though its use in peak times when apprentices are travelling to work is limited.

⁴⁰ Gloucestershire County Council (2017), 'Thinksmart apprentice travel scheme' [online]. Available at: <http://www.gloucestershire.gov.uk/transport/thinksmart-apprentice-travel-scheme/>

Where transport is a devolved issue, combined authorities have successfully implemented their own discounted travel initiatives:

Devolved regional apprentice travel discounts

West Midlands Combined Authority:

- 50% off travel for 16-18 year old apprentices and trainees,⁴¹ bringing the discount in line with those in full-time education

Greater Manchester Combined Authority:

- **Pilot Scheme offering:**
 - Free one month travel pass for apprentices (valid on buses and trams) or a free reconditioned bicycle, equipment and training
 - Operating since March – gathering data and feedback to inform a long term travel discount offer

West Yorkshire Combined Authority:

- City Connect Cycle and Walking scheme
- Subsidised 16-19 travel pass for apprentices.

The NUS has launched a campaign called '#MyFEJourney', which is encouraging FE Students and apprentices to start their own local campaigns targeted at transport companies and local councils.⁴² The Commission fully supports this campaign, but believes there is still more to be done on a national level to help apprentices with this cost barrier, particularly in rural areas outside of large towns and cities and in peak times.

Recommendation

The Government should urgently introduce subsidised travel for apprentices, bringing discounts in line with those in full time education.

Regional barriers

In areas of financial disadvantage, particularly those highlighted by the Social Mobility Commission and DfE as 'Opportunity Areas', the choice of employers and sectors within which to do an apprenticeship can be more limited. This is particularly the case in rural areas, where transport connections may be more restricted.

⁴¹ West Midlands Combined Authority (2017), 'More than 30,000 apprentices and trainees to get half price bus and tram travel' [online]. Available at: <https://www.wmca.org.uk/news/more-than-30-000-apprentices-and-trainees-to-get-half-price-bus-and-tram-travel/>

⁴² <https://www.nusconnect.org.uk/campaigns/myfejourney>

College-based provision at level 2 is a further potential solution to geographical barriers at this at young age, when a person is more likely to be on a lower wage. Though felt to vary by sector and role, some employers prefer college-based level 2 training, to ensure that a young person has the basic skills they need before they join the workplace. Whilst this might work for some young people, one training provider told the Commission that classroom based provision simply did not work for some of the disadvantaged young people they work with, they needed something different. The practical barriers around transport costs and work-based training, however, recur on this issue:

“[one issue is] poverty, they do not have the money to get to work and back. When you’re getting them ready for college however many days a week is one thing, but if we’re going to do effective level 2 work-based training, how do we address that? We have to address the question to address social mobility.”

- Commissioner, evidence session 2, October 2017

This is a debate that has come to the fore around the introduction of T levels, and the viability of long work placements for young people in different areas of the country, which the sector and DfE must resolve. The upcoming consultation on T levels will provide an opportunity to debate and resolve how young people in all areas of the country are affected by this new policy.

2.3 Cultural and social barriers

Bonding social capital

The Commission is concerned that barriers to young people from disadvantaged backgrounds accessing apprenticeships are not just practical, but may be cultural and social:

“Clifton is an estate 3 miles out of city centre in Nottingham [with] brilliant transport links to the city centre. I know from talking to people who work with NEETs that a lot of young people can’t imagine working in the city centre even though it’s not that expensive or difficult to get there - there’s a cultural thing where people can’t see themselves doing it.”

- Commissioner, inquiry scoping session, July 2017

A ‘work first’ attitude can be observed amongst by young people experiencing financial hardship.⁴³ A short term desire to earn maximum income has a stronger appeal, rather than taking a lower apprentice wage on the understanding that longer-term an apprenticeship can deliver greater wage progression.

⁴³Centreport (2016), ‘Unlocking Potential: Tackling Youth Unemployment Among disadvantaged young people’, p15. Available at: https://centreport.org.uk/media/1714/unlocking-potential_final-report.pdf

The Young Foundation⁴⁴ highlight research by the Social Inclusion Taskforce which suggests local communities can also be very influential on a young person's choice to complete an apprenticeship, with areas with high levels of deprivation potentially having a negative effect.⁴⁵ The research suggests this occurs when a young person lacks 'bridging social capital', which allows them to make connections outside of their immediate social networks, and an oversupply of 'bonding social capital'; where young people feel attached to their community and immediate network, becoming isolated from wider opportunities, despite having the capacity engage with them.

Peer advice can also have an effect on decisions. One apprentice told the Commission they were nearly put off due to comments from friends, but persevered:

“One of my friends told me I was making a mistake, because I was taking a step backwards and it would hinder my progression, my career and didn't understand very much how apprenticeships were done.”

- Apprentice, focus group, October 2017

The intervention of good quality Careers IAG helps a young person to make as informed a decision as possible, but a young person must still be able to make the case at home that their apprenticeship is worthwhile.

Semta, the Science, Engineering and Manufacturing Technologies Alliance, highlighted the impact this can have on young people dropping out and not completing their apprenticeship:

“Where worklessness is endemic within a household, young apprentices who are living at home with parents and/or other older family members can find that family members not in work dislike their routines being disrupted by the apprentice going out to work early in the morning and coming back in the evening. A lack of appreciation of the value of work by other family members can make it difficult for these young apprentices to impress the importance and worth of their apprenticeship, and the lower wages apprentices receive relative to other workers can make it difficult, if not impossible, for these young apprentices to source alternative accommodation where needed.”⁴⁶

Perverse financial incentives highlighted earlier in this section do little to support a young person trying to make this case, demonstrating the interplay between many of these barriers for young people.

⁴⁴The Young Foundation (2010), Opening the door to apprenticeships.

⁴⁵Social Exclusion Taskforce – Short Studies Team (2008), Aspiration and attainment amongst young people in deprived communities

⁴⁶Semta written evidence to the Skills Commission

Perceptions of apprenticeships

More widely, access to apprenticeships is still inhibited by a lack of parity of esteem between apprenticeships and a traditional university degree. Whilst parents increasingly view apprenticeships as a good option, many would not necessarily encourage their own child to pursue an apprenticeship over a traditional university degree.⁴⁷ A recent study by the Centre for Vocational Education and Research (CVER) of incoming apprentices in Sheffield found that 73% of respondents had been encouraged by family and half knew a family member who had been an apprentice.⁴⁸ This shows that parental encouragement is vital when young people are deciding whether to start an apprenticeship, but is missing in those families who see a university degree as the pinnacle, a view encouraged by successive governments.

Additionally, for young people themselves who do not wish to go to university, attempting to boost parity of esteem by suggesting that apprenticeships are ‘as good as degrees’ can be problematic, as it is likely to disengage those who are not attracted to higher education. The impact of the introduction of the Youth Obligation by DWP on the cultural perceptions of apprenticeships must also be carefully observed. It is important to monitor whether the association of apprenticeships and Traineeships with Job CentrePlus (JCP) does not create a further stigma around vocational routes, undoing some of the work being done by the sector and DfE to raise esteem. The Work and Pensions Select Committee recommend that government conduct research on the impact on perceptions of apprenticeships, as part of the evaluation of the national roll-out of the Support for Schools programme.⁴⁹

On the other hand, apprentices who attended the Commission’s focus group felt that this might be an improving picture and wanted a platform to share their success stories, believing this would help encourage others. All attendees expressed high levels of satisfaction with their choice to complete an apprenticeship, citing the ability to earn and learn and benefits to their future career path:

“For me what apprenticeships prove is that no matter what your skillset is, you can excel, that’s for me why my apprenticeship is so special... I didn’t like being in the classroom, being told ‘do this do that’, being tested, I didn’t like that.”

- Apprentice, focus group, October 2017

The Commission therefore believes a better publicity campaign that involves employers is needed, making the value of apprenticeships clear in their own right, celebrating the unique skills and methods of learning that are offered through an apprenticeship, that

⁴⁷The Social Mobility Commission (2015), ‘Social mobility commission’s evidence to the Apprenticeships Commission’. Available at: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/509123/Social_Mobility_and_Child_Poverty_Commission_Submission_on_Apprenticeships_final.pdf

⁴⁸ Stephen McIntosh, Centre for Vocational Education Research LSE (2016), ‘The Decision to undertake an apprenticeship: a case study’. Available at: <http://cver.lse.ac.uk/textonly/cver/pubs/cverbrf002.pdf>

⁴⁹ Work and Pensions Committee (2017), ‘Employment Opportunities for the Young’, Ninth report of session 2016/17. Available at: <https://publications.parliament.uk/pa/cm201617/cmselect/cmworpen/586/586.pdf>

are different to the classroom, benefitting both the learner and the employer. As the Young Foundation suggests, marketing materials using appropriate language for the community groups they are targeted at, will help to begin to bridge some of the cultural divides that exist.

Recommendation

The Government should spearhead a renewed national publicity campaign around apprenticeships that celebrates their value in their own right, without trying to equate them with a degree. This campaign must engage employers, parents and learners, building on the success of the Get in Go Far campaign.

Overcoming cultural barriers: Careers IAG

Good quality Careers IAG at an early stage is vital for ensuring that young people know what their routes of progression are in technical education. The Commission welcomes the introduction of Careers Leaders and the 7 encounters with employers that all secondary schools and college students are set to have, as a result of the new Careers Strategy. For young people from disadvantaged backgrounds, this support and employer contact is even more essential given that they may lack the networks and social capital to make informed choices. The All-Party Parliamentary Group for Education found that socio-economically disadvantaged and young people with SEND were less able to access high quality advice and guidance.⁵⁰ Schools with high proportions of FSM eligible pupils are less likely to be rated 'good' or 'outstanding' by Ofsted and struggle to retain teaching staff, making these issues self-reinforcing.

This is believed to be an improving picture following Amendment 11 to the Technical and Further Education Bill by Lord Baker,⁵¹ giving technical education providers the right to go in to schools to inform student choice. This has been implemented in schools and academies from the 2nd January 2018 and the DfE have produced an example policy statement for schools to use. Historically, providers have felt they have not been given equal weight by schools. The Chartered Management Institute, responsible for the Chartered Manager Degree Apprenticeship, exactly the type of apprenticeship that provides disadvantaged young people with the greatest economic boost, have found apprentices keen to go back to their school to talk about their positive experience have not always been as welcome in schools as hoped.⁵² One organisation emphasised that with the growth of higher and degree apprenticeships, it is important that young people can understand and visualise how they could get there in small steps, to understand it is achievable for them. This information must be provided as early as possible, particularly if they are the first person in their family to enter higher education.

⁵⁰ APPG for Education (2017), 'How well do schools prepare children for their future?' Available at: <http://www.educationappg.org.uk/wp-content/uploads/2017/04/Preparing-for-the-future-inquiry-report.pdf>

⁵¹House of Commons Library (2017), 'Technical and Further Education Bill: Lords amendments and Ping Pong', Briefing Paper 7941, 12 June 2017

⁵²Chartered Management Institute written evidence to the Skills Commission

Advice must be based on accurate local labour market data, following the Gatsby Benchmarks set out in the Careers Strategy, to identify where the need is for increased services and progression routes, and offer students appropriate secondary options if they do not get a place on their chosen route. Dr Simon Reddy, an FE teacher and academic, suggested to the Commission that reports of skills shortages in the plumbing sector have been an exaggeration in Plymouth.⁵³ Parents encouraged their children to start plumbing apprenticeships, following reports of almost guaranteed jobs and positive pay prospects. However, according to Dr Reddy, many of his students struggle to find full time employment after completing their apprenticeship, and he expressed concerns about misleading marketing.

Those young people who were most socially and economically disadvantaged were found by Dr Reddy to be most likely to enter less stable training routes, with insecure employment outcomes.⁵⁴ This is an area where the Careers and Enterprise Company have recently stepped in, alongside the National Careers Service which must work in conjunction with the implementation of the Baker Amendment to ensure students are getting accurate advice.

Recommendation

Ofsted should monitor the implementation of the Baker Amendment, to ensure apprenticeships (and other technical routes) are being given equal weight with higher education in schools.

2.4 Application process

Skills requirements

Once a young person decides to complete an apprenticeship, they must have the requisite skills to apply for a role. Though these vary by organisation and role, and some employers are very flexible, many require a minimum A*-C or equivalent in English and maths GCSE.

Unfortunately, evidence shows that young people from economically disadvantaged backgrounds are significantly less likely to achieve these results. The effects of deprivation on education outcomes are well established, and begin at an early age. Persistently disadvantaged⁵⁵ pupils now finish secondary school two years behind their more advantaged peers according to the Education Policy Institute.⁵⁶ DfE data indicates

⁵³ Dr Simon Reddy written evidence to the Skills Commission

⁵⁴ Reddy, S (2014), 'A Study of Tutors' and Students' Perceptions and Experiences of Full-time College Courses and Apprenticeships in Plumbing', University of Exeter. Available at: https://ore.exeter.ac.uk/repository/handle/10871/15728_p.136

⁵⁵ Pupils who have been entitled to FSM for at least 80% of their time in school

⁵⁶ Education Policy Institute (2017), 'Closing the Gap? Trends in Educational Attainment and Disadvantage'. Available at: https://epi.org.uk/wp-content/uploads/2017/08/Closing-the-Gap_EPI.pdf

that in 2016, 39.1% of FSM eligible pupils achieved A*-C English and maths, compared with 66.7% of all other pupils.⁵⁷

The Commission explored this in *A Spotlight on... Young people with below average academic attainment and the skills sector*,⁵⁸ highlighting how missing out on these grades can be hugely limiting for a young person's post-16 options, as well as the damage to self-esteem and confidence that may be caused by the resit process. The challenges faced by FE Colleges in providing sufficient one to one support for students taking resits with strained resources was also raised.

The Commission made the following recommendations, which it would like to reassert:⁵⁹

Recommendation 5

Government and education and training providers should make a concerted effort to boost the recognition, reputation and esteem given to Functional Skills qualifications'.

Recommendation 6

Additional support needs to be made available to FE providers to allow them to fully meet the needs of 16-18 learners with below average academic attainment'.

As changes to the GCSE grading system are implemented, there are growing concerns about the volume of pupils who will need to resit their GCSE maths and English,⁶⁰ exacerbating this issue. Following the Wolf Review, students aged 16-18 who hold a GCSE grade D (grade 3 under new system) in English and maths are required to be enrolled on a retake, rather than a stepping stone qualification such as a Functional Skill, which those who achieve below a grade D (grade 1 or 2) can take. Functional Skills were felt by the Commission to be a good alternative for those who struggled with the GCSE format, which the Commission heard were all too often retaught using the same methods at post-16.

While not felt to be perfect in their current form, Functional Skills allow young people to demonstrate their applied maths and English capabilities and act as a stepping stone. However, there are concerns about how well these are valued by employers, which must be better understood, and whether the review underway of their content will erode the applied nature of the Functional Skill qualification. The Commission believe Functional Skills must retain and strengthen where possible their applied nature, using different methods of assessment rather than simply a final exam format, which does not work for

⁵⁷ Department for Education National Statistics, 'Revised GCSE and equivalent results in England', 2015 to 2016

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/584473/SFR03_2017.pdf

⁵⁸ Skills Commission (2016), 'A Spotlight on... Young people with below average academic attainment'. Available at:

http://www.policyconnect.org.uk/sc/sites/site_sc/files/report/448/fieldreportdownload/finaldraftsep16.pdf

⁵⁹ Skills Commission (2016), 'A Spotlight on young people with below average academic attainment and the skills sector'. Available at:

<http://www.policyconnect.org.uk/sc/research/spotlight-young-people-below-average-academic-attainment-and-skills-sector>

⁶⁰ FE Week (2017), Gemma Gathercole, 'Explaining the new GCSE grades and what this means for post-16 resits'. Available at:

<https://feweek.co.uk/2017/08/24/explaining-new-gcse-grades-and-what-this-means-for-post-16-resits/>

everyone. For some Commissioners, Functional Skills tailored to individual sectors would be more beneficial for the young people taking them and easier to promote to employers, though must provide sufficient transferable skills.

Pre-apprenticeship and ongoing support from providers

It is important that young people have access to schemes such as National Citizen Service (NCS), which help to boost employability skills, having a positive impact on social mobility and post-16 destinations – 7 out of 10 feel more confident about getting a job, and 28% would like to start their own business. Equipping young people with the skills, self-esteem and awareness to access opportunities is as essential as ensuring businesses are supported and able to create the opportunities.

The Commission spoke to a number of training providers who are highly successful in helping young people from disadvantaged backgrounds gain the necessary skills to start an apprenticeship. As a result of high levels of one to one support, a number of small organisations often have well-above average progression rates and increased success in English and maths results:

Best practice support from training providers

City Gateway

- In 2015, City Gateway supported 125 young people onto apprenticeships and the vast majority of those were people with FSM background, who did not have GCSE English and maths when they started their apprenticeship
- 94% completed their apprenticeship
- Over half moved on to a permanent role with the employer, 32% found employment elsewhere, 6% went on to university and the rest were in some form of education
- They all gained their English and maths level 2 qualifications alongside the apprenticeship⁶¹

Rathbone Training (Part of Newcastle College Group)

- 43% of learners FSM eligible, many from a Looked After Children (LAC) background
- Reach over 8,500 young people a year across Scotland, Wales and England
- Run a number of projects through the European Social Fund and the Big Lottery to offer 'Street to Degree' support for young people
- The biggest barrier their young people face is a lack of networks⁶²

Catch 22

- Over 2015/2016 Catch 22 supported 300 learners through employability programmes and 700 learners into apprenticeships
- 94% who completed an apprenticeship progressed into a job, apprenticeship or further education
- 84% of our learners were promoted or received a pay increase within six months of completion.

Significant ‘hands-on’ support was required to achieve these excellent outcomes in progression and attainment, which notably are on relatively small scales:

“It’s a lot of phone calls, a lot of “have you got out of bed yet?”, “are you on your way?”. It’s a lot of holding their hands after the first time their boss tells them off... helping them work out how to budget and survive on the extremely low wage when a lot of them are from quite chaotic backgrounds.”

- Witness, evidence session 1, September 2017

European Social Fund (ESF)

A number of such ‘employability’ and ‘pre-apprenticeship’ programmes working with the most disadvantaged young people⁶³ are supported by the European Social Fund (ESF). The aim of the ESF is to ‘increase labour market participation, promote social inclusion and develop the skills of the potential and existing workforce’. Over a six year period, 2014 to 2020, up to £2.4 billion is due to be invested in England through this fund.⁶⁴ Remaining projects up to March 2018 are co-funded to the value of £237 million by the ESF and almost £210 million by the ESFA.⁶⁵

Post-Brexit, the sector needs clarity on how this funding will be replaced, and whether this will be accounted for in the UK Shared Prosperity Fund proposed by the Conservative government. ERSA and the Learning and Work Institute’s *#FutureESF* campaign is demanding a commensurate replacement for ESF funding, which reduces bureaucracy, integrates services and is ‘locally-driven’.⁶⁶ Indeed, providers spoken to by the Commission believe this is a great opportunity to streamline the array of pre-employability and NEET funding streams, allowing providers and third sector organisations to support young people more flexibly based on individual needs.

This is an ideal opportunity to create clarity and think about how Traineeships, which there is currently very low awareness of,⁶⁷ fit in to this space. It is important that we do not simply try to reinvent the wheel, but maximise the existing support programmes we have available to young people to support them in to an apprenticeship. In time, this could help to create clear pathways for young people, so they know what their options are.

⁶³ Using a broader measure of disadvantage than economic disadvantage

⁶⁴ <http://www.learningandwork.org.uk/futureesf/>

⁶⁵ Rounded to nearest million, based on co-funding rates provided in: Department for Education (2017), ‘ESF 2014 to 2020 programme – list of contracts’. Available at:

<https://www.gov.uk/government/publications/esf-2014-to-2020-programme-list-of-contracts>

⁶⁶ <http://www.learningandwork.org.uk/futureesf/>

⁶⁷ Learning & Work Institute (2017), ‘Developing traineeships for young people not in education, employment or training (NEET)’. Available at: https://www.learningandwork.org.uk/wp-content/uploads/2017/02/NEET_Executive-Summary-Final-Version.pdf

Recommendation

The Government must review and streamline sources of pre-apprenticeship funding, providing clarity on a commensurate replacement for the European Social Fund and the role of Traineeships.

Recruitment practices

Once a young person is ready to apply for an apprenticeship, employers also have a role to play in supporting access. Written evidence received by the Commission highlighted good practice from employers including AAT, HS2, BLP Manchester, KPMG and Dale Power Solutions, who use methods such as blind recruitment and aptitude or strength-based tests. They are actively moving away from competency based interviews which test existing experiences of work, as young people from disadvantaged backgrounds with limited networks may struggle with this interview style. Instead a number of these employers attempt to judge potential.

Innovation in recruitment methods

KPMG

- Worked with the Bridge Group to develop an algorithm to target disadvantaged schools for work experience and recruitment based on socio-economic disadvantage and attainment
- Indicators include the percentage of students residing in POLAR3 quintile 1 or 2, the percentage of those residing in the 10% most deprived Indices of Multiple Deprivation areas, the percentage in the top 10% of most deprived Income Deprivation Affecting Children Index areas and the percentage of those eligible for FSM⁶⁸

The City of London Corporation

- In partnership with the Social Mobility Commission and Social Mobility Foundation, have begun conducting follow up work to their Social Mobility Employer Index on judging ‘potential not polish’ of applicants⁶⁹
- Although their work is targeted at improving social mobility through employment more generally, these principles are equally applicable to apprenticeships.

CIPD has conducted extensive research on this, in their report *The Match Factor: Good Practice in Apprenticeship Recruitment*, highlighting that good recruitment practices not only bring down some of those barriers to entry, but indirectly can have a positive impact on perceptions of apprenticeships.⁷⁰ It is noticeable that often these ‘best

⁶⁸ KPMG Written evidence to the Skills Commission

⁶⁹ City of London Corporation, Social Mobility Employer Index 2017 [website]: <https://www.cityoflondon.gov.uk/business/supporting-local-communities/Pages/Social-Mobility-Employer-Index.aspx>

⁷⁰ CIPD (2014), ‘The Match Factor, Good Practice in Apprentice Recruitment’. Available at: https://www.cipd.co.uk/Images/the-match-factor-good-practice-in-apprenticeship-recruitment_2014_tcm18-10943.pdf

practices' come from large employers or those with the time and resources to invest in these processes. For small employers, many of whom do not have dedicated Human Resources (HR) functions, this can be more challenging.

A number of employers additionally said that they would be willing to be flexible on entry criteria when asked, as long as the person has the right attitude and desire to learn. According to the EEF, over 7 in 10 manufacturers say they prioritise enthusiasm and passion for manufacturing and almost 8 in 10 prioritise a willingness to learn.⁷¹

However, little is understood about how many young people are put off applying in the first place because of the existence of these criteria, especially as employers do not necessarily advertise their willingness to be flexible or offer additional support. Someone already struggling with confidence issues is unlikely to feel comfortable highlighting their weaknesses to an employer, and may not think it's worth their time applying, despite having excellent broader skills and enthusiasm for the role.

Excessive contextualisation of recruitment, however, is a concern to some Commissioners. The Commission believes we must still ensure that young people have transferable skills, if they want to change job or sector. Rathbone Training, a charity that work with disadvantaged young people and part of the Newcastle College Group, suggested that one solution to this is actively teaching people to be reflective about the skills they have:

“It’s not just enough for young people to develop the skills [and] to develop their networks, it’s understanding how to take where they are and how to apply it to different sectors... a lot of the sectors we’re getting people in to are those low paid sectors, we need to find a way of them being able to recognise [the skills they have] and being able to take it elsewhere.”

- Witness, evidence session 2, October 2017

⁷¹ EEF, written evidence to the Skills Commission

Application support

Attendees of the Commission's focus group said that when applying for their apprenticeship, they would have valued speaking to an existing apprentice to get their support and insight. One apprentice told the Commission:

“I didn't know anyone who had done an apprenticeship ...I just Googled people... I went on Facebook and typed in 'works at [employer name] as an apprentice' and I just dropped them a message and I was like look I'm applying, and I'm a little bit worried, have you got any advice? So I think that would be a good thing to have...a platform where people applying can speak to apprentices and speak about the day to day...to say this is what you're going to be doing, would you like that?”

- Apprentice, focus group, 2017

One focus group attendee expressed they found they the updated 'Get in Go Far' government apprenticeships website more user-friendly. This platform would be an ideal way to link up those applying with existing networks of apprentices, such as the National Society of Apprentices or Industry Council of Apprentices.

Recommendation

The Government should help boost success and confidence in applications by young people, by using the *Get in Go Far* website to link up applicants with existing networks of apprentices.

2.5 Routes of progression

Once a young person starts an apprenticeship, it will often be at a lower educational level than their corresponding age. The Social Mobility Commission found that almost all young apprentices of degree age (19-24) were starting below higher educational level.⁷² Of those who do manage to get places on higher degree apprenticeships, many will come from wealthier backgrounds, reinforcing social differences.⁷³

Given that 67% of apprentices completed in 2016/17,⁷⁴ there is also more to be done by Ofsted, the IfA and the Higher Education Funding Council for England (HEFCE) to ensure that employers and providers are offering high quality training and support to encourage higher levels of completion and subsequent progression. Evidence suggests that whilst higher apprenticeships offer excellent earning potential and progression, intermediate

⁷² The Social Mobility Commission (2015), 'Social mobility commission's evidence to the Apprenticeships Commission'. Available at: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/509123/Social_Mobility_and_Child_Poverty_Commission_Submission_on_Apprenticeships_final.pdf

⁷³ Sutton Trust, Dr Philip Kirby (2015) 'Levels of Success', p.3.

⁷⁴ DfE (2017), 'Statistics: Further education and skills, November 2017'. Available at: <https://www.gov.uk/government/collections/further-education-and-skills-statistical-first-release-sfr#2017-releases>

level apprenticeships do little to improve a person's earnings compared with having secondary school qualifications alone.⁷⁵

The City of London Corporation was one of several contributors to this inquiry, who noted that uneven provision of opportunities across sectors and levels often made routes of progression unclear. More broadly, the routes of progression through academic pathways are well established, having remained unchanged for many years:

Figure 1: the typical academic pathway



For technical routes, the post-16 options are diverse and more complex. As one Commissioner noted:

“Young people just don’t see where they’re going, so they’re not quite sure how they need to perform at school...I don’t feel at all that there’s any clarity about what you should do...especially if you’ve not managed to get 5 GCSEs, including maths and English, what are your options? How can you flourish? You may have great talent but it’s not academic.”

- Commissioner, evidence session 2, October 2017

⁷⁵Sutton Trust, Dr Philip Kirby (2015) 'Levels of Success', p.3.

Not only does a clear pathway help young people know what their options are, but makes progression to higher levels, which offer better financial returns, smoother and better understood. A perceived lack of progression can also reinforce parents' preconceptions about apprenticeships, not viewing them as a 'route to the top' in the same way as university degrees, indicating a perceived lack of progression through this route.⁷⁶

The Sutton Trust suggests that in order to address issues around progression, qualifications that only reach level 2 and do not develop to level 3, should not be called an apprenticeship.⁷⁷ For many members of the Commission, however, level 2 is regarded as an essential 'stepping stone', as long as it used appropriately. Accrediting skills at level 2 was thought to be a huge confidence boost for some young people, who then may be encouraged to continue studying.

The Commission is hopeful that wider reforms to the skills system including the Careers Strategy, Post-16 Skills Plan including T levels, as explored in the final section of this report, can help to create clarity for young people on technical routes, and will clarify the role of level 2.

The role of the employer

Alongside training providers and third sector organisations, employers have a role in providing pastoral in-work support and creating a supportive workplace culture. A 16 year old apprentice will be the youngest in the workplace, and it is important they do not feel isolated.

While this tripartite relationship between the provider, employer and apprentice is generally well established, in some cases, apprentices expressed frustration that their training provider and employer did not communicate effectively.

“A one to one meeting with the training provider and my manager would have been helpful, because a lot of the information seems to be fed from me through to her and vice versa, so although I get that I’m the one in the middle, it kind of feels like a divorce it’s like, “why don’t you guys speak?” it would make everything so much easier”

- Apprentice, focus group, October 2017

Allowing employers and training providers to connect and share best practice in supporting young people from disadvantaged backgrounds can be a great way of replicating these types of behaviours, particularly to reach SMEs who have limited capacity. Greater Manchester Combined Authority has commissioned peer-to-peer

⁷⁶ Demos (2015), 'The Commission on Apprenticeships'

⁷⁷ Sutton Trust, Dr Philip Kirby (2015) 'Levels of Success', p.3.

employer mentoring to support employers who might be able to offer opportunities to young people facing barriers.⁷⁸ This new initiative should be observed for any success that can be replicated.

We must acknowledge the work of excellent employers who invest in developing the skills of young people, not simply due to a social duty, but because this will provide benefits to their business and subsequently the country's economy. The Commission believes that kite mark systems should be used more widely and uniformly, to acknowledge such employers, especially those who provide apprenticeships to young people from diverse backgrounds. We must not reinvent the wheel, but make the most of and expand existing kite marks such as Investors in People and Fair Train, as well as emerging 'Apprentice Charters'. Investors in People (IIP) have conducted extensive research into the characteristics of a quality apprentice employer, including recruitment practices that promote diversity and inclusivity.⁷⁹ IIP produced a hypothesis based on their findings, which they recommend is tested and used to design a quality framework.

The Commission would like to see the Government develop and back such a scheme, which more employers should be encouraged to sign up to, to promote best practice. This must be a simple set of practices for employers to aspire to, rather than a bureaucratic or costly barrier to new employers engaging with apprenticeships. Given that nearly a third of apprentices do not complete their course, it is essential that employers do their part to ensure they are supporting their apprentices to complete and progress.

Additionally, demands on employers are growing. The Careers Strategy rightly encourages more contact between employers and pupils, and T levels will require a significant work placement. Existing kite marks could be developed to acknowledge employers who have the necessary support for young people, with quality and health and safety measures in place. This both rewards employers for their investment in young people, whilst making it easier for schools, training providers and those delivering T levels in the future to know which employers are set-up to provide work experience and training opportunities.

Recommendation

There is an opportunity for the Government to develop and back an apprentice kite mark, which employers should sign up to, to encourage higher quality standards and best practice.

⁷⁸ GMCA written evidence to the Skills Commission

⁷⁹ Investors in People (2017), 'Exploring the characteristics of a quality apprentice employer'. Available at: <https://www.investorsinpeople.com/sites/default/files/Exploring%20the%20characteristics%20of%20a%20quality%20apprentice%20employer.pdf>

3 APPRENTICESHIP REFORM AND SOCIAL MOBILITY

The Commission has heard repeatedly that the prospect of apprenticeship reform is welcomed and met with real enthusiasm by many. The Commission believes the expansion of the system could raise the prestige of apprenticeships, increase the number of opportunities available and potentially help to address some of the barriers in Section 2. Alongside this enthusiasm are, however, concerns that the design of the reforms maybe causing some unintended consequences for social mobility. In particular, inertia in the system may be unintentionally excluding young people from economically disadvantaged backgrounds.

“There’s no doubt about it, the reforms have brought a great deal of inertia into the system which I don’t think anyone completely anticipated, I think everyone thought there would be teething problems, as there often are with change, and everyone I think at the moment is working hard to get through that and get momentum back into the system.”

- Training provider, interview, 2017

This section will assess the reforms introduced to date, examining how these interact with the barriers to social mobility outlined in section 2. This section will also consider how the reforms can best support the Government’s social mobility agenda for disadvantaged young people.

3.1 The levy

The Commission has heard of limited positive effects caused by the levy on employer engagement with apprenticeships. The City of London Corporation have found that of 98 companies on their new voluntary Social Mobility Employer Index,⁸⁰ 11% offered apprenticeships pre-levy, rising sharply to 77% post-levy introduction.⁸¹ While these figures can by no means be considered as representative of England as a whole, given that these are employers who have already expressed an interest in social mobility, it is an encouraging sign. However, whether these opportunities are new roles for young

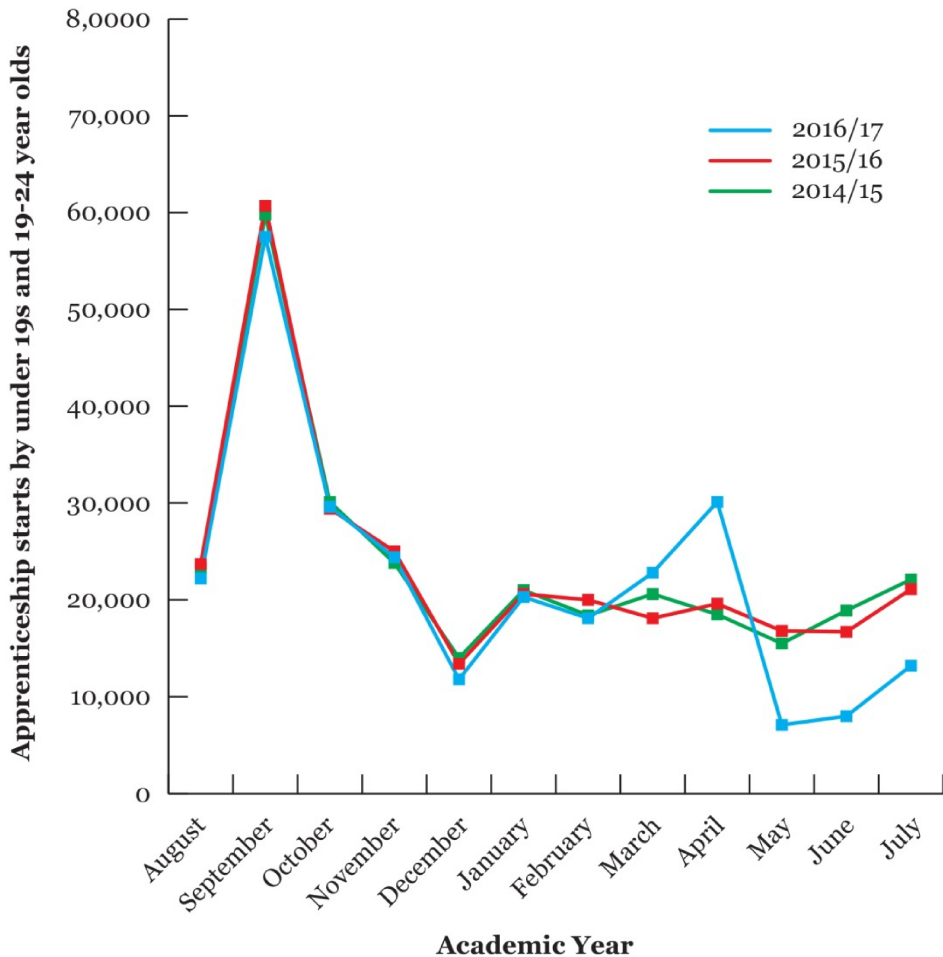
⁸⁰ Social Mobility Foundation, Social Mobility Commission, City of London Corporation (2017), The Social Mobility Employer Index 2017. More information available at: <http://www.socialmobility.org.uk/index/>

⁸¹ City of London written evidence to the Skills Commission

people is another question, which was a key aim of the Government's apprenticeship reform.

There are less positive signals, on a wider scale. Initial Statistical First Release data suggests that there has been a decline in the number of apprenticeship starts since the levy was introduced. While it is too early to draw conclusions at this stage, as employers adjust to the reforms, the long-term trend must be carefully monitored, particularly on starts by 16-24s. Figure 2 shows the difference in the pattern of young apprenticeship starts when the levy was introduced in April, by comparison with patterns in the previous two academic years. A significant spike in starts is seen in April, before the reforms took effect, followed by a sharp decline in starts in May. This spike may be explained by employers and providers seeking to take advantage of the old higher funding rates.

Figure 2. Source: DfE Further Education and Skills: November 2017, Monthly apprenticeship starts from academic year 2014 to 2015 to academic year 2016 to 2017



The Commission has heard suggestions that this decline may be explained by employers taking their time to work out how to spend their levy and adjust to the changes,⁸² or in some cases, employers writing the levy off as a tax. The Government must be alert to the potential impact on social mobility if these trends continue and monitor this closely.

Providers such as the Hadlow Group expressed frustrations with employers who do not see apprenticeships as part of their workforce development strategy, but as a cheap source of employment or a box ticking exercise.⁸³ However, anecdotal evidence from training providers, third sector organisations and employers suggests the levy may be causing slight improvements, as a small group of levy payers are using this opportunity to think strategically about their workforce development strategies. The supply of a diverse pool of applicants for entry level roles including apprenticeships has become increasingly important, encouraging them to think about reaching out to schools and colleges in the same way they do to attract diverse graduate intakes.⁸⁴

The ‘business case’ for diversifying their workforce, workplace culture and developing their own talent is perhaps becoming more pervasive as a result of the levy.⁸⁵ If employers begin to see apprenticeships as part of their bottom line, this can only help to embed apprenticeships into workforce development plans.

Given ongoing concerns around Careers IAG in the sector, as discussed in Section 2, these early indications around employer engagement are to be welcomed, with the caveat that this must be reciprocated and encouraged by schools.

Rebadging training as apprenticeships

Despite some early, small scale indications of positive change being brought about by the levy, there are still concerns that even when young people do apply for an apprenticeship, they are less likely to be offered the place than an older worker or existing member of staff. Evidence from the Association of Teachers and Lecturers (ATL) shows that 46% of registrations on the Government’s apprenticeships website are from 16-18 year olds and 60% of applications are made by under 18s.⁸⁶ However, just 27% of level 2 starts are by under 19s. 48% of apprenticeship vacancies were found to be filled by existing staff, leading ATL to conclude that employers find it easier and cheaper to recruit internally.

The levy cannot be spent on recruitment costs, or any support around a new apprentice, outside of their training costs. This means that employers must find the money from elsewhere to meet the higher costs associated with the recruitment of young people

⁸² Full Fact (2017), ‘Has the number of people starting apprenticeships fallen?’ [Online]. Available at: <https://fullfact.org/education/apprenticeships/>

⁸³ Hadlow Group written evidence to the Skills Commission

⁸⁴ Training providers written evidence to the Skills Commission

⁸⁵ CIPD (2014) ‘The Match Factor: Good Practice in Apprenticeship Recruitment’

⁸⁶ Association of Teachers and Lecturers written evidence to the Skills Commission. Available to download: <https://www.atl.org.uk/policy-and-campaigns/policy-posts/atl-responds>

such as advertising, time spent interviewing and providing application support. Rationally for levy-payers, this can result in the 'rebadging' of existing training schemes to apprenticeships for existing employees. The Sutton Trust recently reported that around two-thirds of apprenticeships are comprised of such 'converted' programmes.⁸⁷

This is particularly thought to be occurring in the public sector, where targets have been placed on the recruitment of apprentices. A training provider told the Commission:

“I think that’s particularly the case in the public sector where there has both been the levy to pay and the apprenticeship target, but in many cases because they’ve got no additional resource and actually constrained resources in terms of salary and training budgets, they’re having to look to use the levy for workforce development rather than 16-18 or younger apprenticeships generally.”

- Training provider, interview, 2017

In itself, the use of levy funds in this way to retrain or upskill existing staff is not an issue; in fact investment in CPD and management training is widely considered to be long overdue, something which the Skills Commission has advocated for in its previous report *A Spotlight on Lifelong Learning for an Ageing Workforce*. The concern is if this type of training is displacing training for young people, which is a core aspect of the apprenticeship agenda.

Of greatest concern is where rebadged training may simply accredit the existing skills of employees. Witnesses highlighted the importance of remembering lessons learnt of programmes such as Train to Gain, which resulted in 'deadweight':⁸⁸

“[Train to Gain] didn’t generate any additional training in the system, all it was doing was subsidising business training expenditure that they [employers] were already going to do.”

- Witness, evidence session 1, September 2017

⁸⁷ Sutton Trust (2017), 'Better Apprenticeships Access, quality and labour market outcomes in the English apprenticeship system'.

⁸⁸ IPPR (2017), 'Skills 2030: Why the adult skills system is failing to build an economy that works for everyone'. Available at: https://www.ippr.org/files/publications/pdf/skills-2030_Feb2017.pdf

The Commission additionally welcomes the Education Select Committee’s inquiry into the quality of apprenticeship and skills training,⁸⁹ to ensure that it is offering the best learner outcomes, including the effectiveness of quality monitoring systems in place, through the IfA, Ofsted and HEFCE. The Commission looks forward to contributing to this inquiry. As well as boosting starts, the new system must be high quality and more must be done to ensure that more apprentices complete.

Recommendation

The IfA must monitor closely the extent to which the levy is being used to upskill existing employees.

Growth of Higher and Degree apprenticeships

DfE data suggests the growth of Higher and Degree apprenticeships pre-dates the levy, with a dramatic increase in higher apprenticeship starts from 2014/15, as shown in Table 2.⁹⁰ It was suggested to the Commission that as businesses begin to think about how to achieve maximum value for money out of their levy funds, they will direct their attention towards these higher level qualifications. The Social Mobility Commission⁹¹ and the Sutton Trust⁹² have both called for the growth of higher apprenticeship opportunities, as higher level apprenticeships are associated with increased earnings and offer an alternative access route to Higher Education. An increase in these opportunities is hoped to complement the T level programme, creating clearer technical pathways for young people.

Growth in Higher and Degree level apprenticeships has the potential to raise the prestige of apprenticeships and create clear pathways of progression for young people, as well as raising parents’ opinions of apprenticeships. There is more work to be done to raise awareness of these routes of progression, with research by the Chartered Management Institute indicating that just 20% of parents of 11-18 year olds were aware of degree apprenticeships, 26% of parents from highly educated/paid groups and just 10% from lower socio-economic backgrounds.⁹³ This lack of awareness means that despite recent growth in the number of available places, higher apprenticeships are predominantly taken up by over 25s, though this picture is slightly better for advanced apprenticeships.

⁸⁹Parliament UK (2017), Education Committee News, ‘Quality of apprenticeships and skills training inquiry launched’, 16 November 2017. Available at: <https://www.parliament.uk/business/committees/committees-a-z/commons-select/education-committee/news-parliament-2017/quality-of-apprenticeships-and-skills-launch-17-19/>

⁹⁰ DfE Further Education and Skills: November 2017, Monthly Apprenticeship Starts from academic year 2014 to 2015 to academic year 2016 to 2017

⁹¹ Social Mobility and Child Poverty Commission (2016) ‘Submission to the Apprenticeships Inquiry by the subcommittee on Education, Skills and the Economy’, p.24. Available at:

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/509123/Social_Mobility_and_Child_Poverty_Commission_Submission_on_Apprenticeships_final.pdf

⁹² Sutton Trust, Dr Philip Kirby (2015) Levels of Success

⁹³ Written evidence submitted to the Skills Commission by the CMI. More information available at: <http://www.managers.org.uk/about-us/media-centre/cmi-press-releases/a-level-students-from-disadvantaged-backgrounds>

Table 2. Source: DfE Further Education and Skills: November 2017⁹⁴

		2014/15	2015/16	2016/17
Higher Level Apprenticeship	Under 19	1,100	1,800	2,100
	19-24	4,200	5,800	7,600
	25+	14,400	19,600	26,900
	Total	19,800	27,200	36,600
Advanced Level Apprenticeship	Under 19	39,100	42,700	42,200
	19-24	62,400	63,100	63,200
	25+	80,300	85,000	92,300
	Total	181,800	190,900	197,700

As the implementation of the levy potentially increases the number of Higher and Degree apprenticeships, it is vital that this opportunity for progression is available to all, and does not exclude disadvantaged young people, who based on Sutton Trust evidence could reap great rewards from these opportunities.

Though these growth effects on Higher and Degree apprenticeships supported by the levy are welcome, there are also concerns that these are displacing level 2 apprenticeships, which can provide invaluable access routes to the workplace and employment for young people, particularly the most disadvantaged young people. Rathbone Training who work predominantly with disadvantaged young people with low educational attainment are concerned about this, as level 2 is viewed as a crucial stepping stone. 77% of the 16-18 year olds they work with starting on a level 2 Programme.⁹⁵

Redesigning the levy?

The IPPR suggests that a way to tackle address some of the regional and social inequalities in the apprenticeship system would be to create a broad skills levy, which could be spent more flexibly than the current apprenticeship levy. They propose a 0.5% charge for all employers with over 50 employees, and 1% for those with over 250+ employees, which they predict would raise £5 billion in 2017/18, nearly double projected revenue from the levy. Contributions from larger employers would be top-sliced to form a regional skills fund that can then be invested where it most needed.⁹⁶ AAT, in partnership with ACCA, commissioned a survey of MPs in 2016, and found that 65% supported widening the levy to a broader skills levy. 58% of Conservative MPs agreed, compared with 75% of Labour MPs.⁹⁷

⁹⁴ DfE Further Education and Skills: November 2017, Monthly Apprenticeship Starts from academic year 2014 to 2015 to academic year 2016 to 2017

⁹⁵ Rathbone Training written evidence to the Skills Commission

⁹⁶ IPPR (2017), 'Skills 2030: Why the adult skills system is failing to build an economy that works for everyone'.

⁹⁷ Survey commissioned by Yougov on behalf of AAT and ACCA, written evidence to the Skills Commission. Details available at: <https://www.aat.org.uk/about-aat/press-releases/mps-and-accountancy-bodies-apprenticeships-policy-must-change>

Now the levy is in place, the Commission believes that it may be too early to undertake this extensive level of change to the current policy. The apprenticeship levy is extremely new, and any broadening of this to include wider aspects of the skills system may cause further disruption to an already unsettled sector. The levy's focus on apprenticeships is to be welcomed and the immediate priority should be on ensuring that levy funds are spent appropriately.

The Commission does, however, recognise frustrations expressed by employers about the rigidity of levy spending. This view is shared by others. According to FE Week's reporting of the Conservative Party Conference 2017, Robert Halfon MP, former Apprenticeship and Skills Minister and now Chair of the Education Select Committee is in favour of greater flexibility around the levy, indicating there is scope for adjustments:

“I actually think that we need to fine tune the apprentice levy. We need to do one of two things. We either increase the levy generally or we increase the amount of companies that have to pay. At the moment only 2% of companies pay the levy, that have got wage bills of £3 million. Perhaps you should increase that, set it at a wage bill of £2 million... I would use that levy, part of the levy, to incentivise people to acquire apprentices from disadvantaged backgrounds. Because I think that will be a really good financial incentive to the companies, and I also think it will also help in the long term.”⁹⁸

An ability to spend the levy more flexibly around apprenticeships could help to give employers the breathing space to fund additional costs associated with recruiting a young apprentice through the levy. Ensuring that money is spent appropriately, without creating too much additional bureaucracy is of course a clear challenge for Government. The Learning and Work Institute recommend an 'apprenticeship premium' model, which could help to create funds that are attached to the needs of the learner. This will avoid being overly bureaucratic, by using the existing pupil premium model.⁹⁹

Recommendation

The Government should explore the viability of an 'apprenticeship premium' based on the pupil premium model as a means of improving the flexibility and reach of the levy in the short term.

⁹⁸ <https://feweek.co.uk/2017/10/03/milton-says-flexibility-needed-not-dead-hand-of-the-state/>

⁹⁹ Learning & Work Institute, '3 Million Apprenticeships'

3.2 SMEs

Whilst the brunt of the focus in some spheres has been on the implementation of the levy, just 1.3% of all employers are believed to be eligible to pay the levy in 2017-18,¹⁰⁰ although 60% of employees work for a levy-paying employer.¹⁰¹ For young people, SME engagement with apprenticeships is essential for opening up opportunities, with the Federation of Small Businesses (FSB) describing SMEs' 'typical apprentice' as age 16-19, studying at level 2.¹⁰² Furthermore outside of large towns, SMEs and the public sector may be a large source of recruitment. It must however be recognised that 74% of SMEs are single person entities, who do not employ anyone aside from the owner.¹⁰³

For non-levy payers, challenges with the new apprenticeship system are more pronounced. The new 10% employer contribution, 20% off the job requirement excluding English and maths training, and removal of the AGE grant has placed increasing pressure on SMEs with limited resources. Recent issues with the procurement process for non-levy funds have done little to help confidence in the system in the short term. Given the difficulty in engaging SMEs with apprenticeships, in the long term, the concern is that any engagement lost now could potentially be difficult to regain.

¹⁰⁰ DfE (2016), 'Information on Apprenticeship Levy, Data broken down by size sector and the total apprenticeship budget August 2016'. Available at: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/545145/Apprenticeships_-_expected_levy_and_total_spend_-_Aug_2016.pdf

¹⁰¹ Institute for Fiscal Studies (2017), 'The IFS Green Budget February 2017', Chapter 8, p239. Available at: <https://www.ifs.org.uk/uploads/publications/budgets/gb2017/gb2017.pdf>

¹⁰² Federation of Small Businesses (2016), 'Make or Break – Getting apprenticeship reform right for small businesses'. Available at: <http://www.fsb.org.uk/docs/default-source/fsb-org-uk/fsb-apprenticeships-report-final.pdf?sfvrsn=1>

¹⁰³ <http://www.fsb.org.uk/media-centre/small-business-statistics>

Chair of FSB's Apprenticeships and Skills Policy, Anthony Impey, expressed concerns around this issue to the Commission, citing confusion and lack of awareness of how the new system works due to an overemphasis on levy payers:

Case study: Anthony Impey

Founder & CEO, Optimity and Chair of FSB's Apprenticeships and Skills Policy

When Anthony was setting up tech start-up Optimity in East London, he struggled to recruit the talent that he needed to grow the business. While there was an explosion of technology businesses in the area there was also a persistent problem with youth unemployment in the surrounding London Boroughs. Anthony set out to bridge this divide, helping young people from disadvantaged backgrounds to start out in the tech sector, both within his own organisation and across East London:

"I have seen how very rewarding giving opportunities to young people are both to the young people in question, and to the organisation that is involved."

Anthony firmly believes that organisations should be involved in the apprenticeships agenda for two reasons:

1. Firstly, because it makes good business sense (for businesses to engage with apprenticeships, it's important to emphasise the commercial benefit and return on investment of recruiting and developing your own talent).
2. Secondly, because it's important to contribute to the local community that you're part of. This is particularly the case among smaller business owners, as FSB has found.

Speaking on the impact of apprenticeship reforms, Anthony told the Commission:

"As FSB research on apprenticeships shows, there's a degree of confusion amongst many small businesses that means they don't know what's going on, what the new rules are or how it impacts them. As a result, the reforms are providing minimal benefits for these businesses and we think that's really disappointing."

Regional impact on SMEs

IPPR highlight that large levy paying employers are more likely to be based in London and the South East, with 38% of enterprises with more than 100 staff based in these areas.¹⁰⁴

According to ONS data this is more than in Wales, North East, Yorkshire and the Humber and the South West combined.¹⁰⁵ IPPR predict that these companies are most likely to fund apprenticeships in their local area, meaning that an accompanying decline in SME engagement could be hugely detrimental to the availability of opportunities across the

¹⁰⁴ IPPR (2017), 'Skills 2030: Why the adult skills system is failing to build an economy that works for everyone'

¹⁰⁵ Office for National Statistics (2016), 'Annual Business Survey: UK nonfinancial business economy: 2015 provisional results'. Available at: https://www.ons.gov.uk/businessindustryandtrade/business/businessservices/bulletins/uknonfinancialbusiness_economy/2015provisionalresults

country, particularly the 12 Opportunity Areas identified by the DfE. If so, this will not help with social mobility.

Anecdotally, providers told the Commission they have noticed an increase in demand from large employers, typically not in rural or coastal areas, looking to utilise their levy fund. From a provider's perspective, logistically it can be easier to manage one large value contract than a number of SMEs. Often large businesses have HR functions and established training departments that may need less 'hands on' support, particularly those that have graduate or school leaver training schemes and are used to working with young people. Coupled with the geographic barriers highlighted in Section 2, this is a concerning trend for young people from disadvantaged backgrounds. Furthermore, emerging or fast-growth sectors may be largely or solely made up of SMEs. For these organisations, as well as the young people, apprenticeships provide a way to boost growth and develop required skills, in the same way that Anthony Impey describes. In sum, the risk is that the system is driving apprentices towards large employers and away from SMEs.

Another factor is the phasing out of Apprenticeship Grants for Employers (AGE). AGE helped to stimulate apprenticeship provision by small employers (less than 50 employees) who had not provided apprenticeships in the past and the funding was attached to old frameworks. The grants were available for the recruitment of 16-24 year olds, with each grant being worth £1,500.¹⁰⁶ In devolved authorities, criteria for the grant could be managed locally to incentivise best practice by employers. One Combined Authority told the Commission they valued the flexibility to incentivise employers to pay the national living wage or tackle regional skills or demographic issues.¹⁰⁷ The same Combined Authority suggested that a proportion of unspent levy funds be distributed to devolved authorities, to spend on similar incentives around social mobility. However, the Commission is concerned that this may be counter-productive by taking away money available for SMEs on non-levy funding.

¹⁰⁶National Apprenticeship Service, Apprenticeship Grant: Employer Factsheet. Available at: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/588933/AGE_Factsheet_for_Employers_-_Feb_2016.pdf

¹⁰⁷ Combined Authority, written evidence to the Skills Commission

Under the new system SME funding is expected by the Government to be financed using unspent levy funds. This assumes levy funds will remain unspent, which has been called into question:

“We’re estimating that if levy payers draw down more than 38% of the total levy contributions, then funding for SMEs will fall. The Government will need to top up that funding... Some firms are predicting that employers will draw down as much as 70% by year two, by the time they’ve figured out how it all works, and there will be a significant shortfall I think in funding for SMEs. If it’s true that SMEs disproportionately supply apprenticeships to disadvantaged young people then that’s bad news.”

- Impetus-PEF, evidence session 1, September 2017

SMEs were hopeful that the levy transfer mechanism to be introduced next year would help to divert more funding towards them, but are now concerned that this mechanism will allow large employers to transfer a proportion of their unspent levy funds to other large employers in their supply chain, rather than help provide a focus on the smaller ones. The Commission believes this new mechanism could be an ideal opportunity to ring fence additional funding for SMEs and to target this funding at the recruitment of young people, particularly 16-18 year olds.

3.3 16-18 year olds

Funding

The cumulative effect of the reforms outlined in this Section 3, accompanied by specific funding changes for 16-18s, is thought to be having serious unintended consequences on the provision of apprenticeships for this age group. 16-18 is a crucial point in a young person’s life, making the transition from school to employment, technical or further education:

“For us that transition from 16 to 18 is a crucial step towards a positive vocational outcome and one that can really set them up for the rest of their lives. In the past there have been far too many people who’ve been written off at that age and the consequence is then, in terms of their future progression is that their future opportunities are very very grim in terms of what they might do next.”

- Training provider, interview, 2017

A one-off £1,000 incentive for providers and employers is now available to recruit under 16-18s or 19-24 year olds who were formerly in care or had an Education and Health Care plan. According to research by the DfE, this figure has been deemed to be

appropriate, regardless of ‘subject or length of apprenticeship’.¹⁰⁸ Evidence presented to the Commission suggests otherwise. Though described as a ‘financial incentive’ for the employer, in reality this additional funding is necessary to meet their additional costs of recruiting a young person who will need more support. Some employers and training providers feel that this is simply not enough to meet the additional costs of recruiting a 16-18 year old:

“In many sectors employers have told us that the current Government incentives to take on young apprentices are inadequate. For example in the property services sector, both the largest levy paying estate agents and their SMEs competitors have told us that the employer 16-18 incentive payments are negligible and they intend to forgo the potential £1k incentive payment to instead take a 19+ apprentice as (a) they are more likely be able to drive (b) they don’t need to be supervised at all times so can undertake unaccompanied viewings for their employer.”

- AELP, written evidence, 2017

At the current level these payments are not actively incentivising the recruitment of young people, particularly if other parts of the system make this too challenging. Where the support costs are not met by central funding, it is up to employers and training providers to fill the gap, meaning the levels of support can be patchy. There is also a risk of ‘downward pressure’¹⁰⁹ on quality, as employers try to recoup some of these costs.

Witnesses were vocal in expressing concerns that the new funding system is at real risk of leaving 16-18 year olds behind without the right incentives, and where the financial incentive does not outweigh other disincentives. Employers may prefer to recruit at an older age, where the cost and perceived risk is reduced.¹¹⁰

“Some organisations have already said that they’re going to focus on 19+ rather than 16-18 because of the uncertainties of funding with 16-18 learners and the additional challenges that generates.”

- Training provider, interview, 2017

“We spoke to... a very large training provider in engineering, they reckon they are looking at two thirds reduction, looking at their pipeline and talking to existing customers, based on demand from employers in 16-18 year olds.”

- Witness, scoping session, July 2017

¹⁰⁸Department for Education (2016) ‘Apprenticeship Funding from May 2017’, pg 10. Available at: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/562401/Apprenticeship_funding_from_May_2017.pdf

¹⁰⁹ Anonymous Training provider, Interview, August 2017

¹¹⁰ EEF, The manufacturers’ organisation written submission to the Skills Commission

While it is not clear whether this problem will reduce as changes bed-in, it could be of real significance in achieving the aims around social mobility and economic achievement, and should be monitored closely over the next year or so.

Quality requirements

To ensure high quality training, funding reforms have been accompanied by the new 20% off the job requirement for all apprenticeship standards, which does not include English and maths study.

Awareness of the 20% requirement is low. A recent Learning and Work Institute Survey found:

- 54% of employers surveyed were unaware of the requirement
- 23% were not aware that off the job training must be paid and allowed for within contracted hours¹¹¹

One large employer told the Commission that they value this requirement, for giving young people the space to acquire and practice the skills required for the role, making them more productive when they are in work. However, there are concerns that the time a young person now needs to spend off the job, not contributing to the productivity of their company is too great, when weighed up against their costs, particularly for SMEs.

When faced with the choice, it is rational that employers with tight financial constraints would prefer to recruit someone who can spend more time on the job contributing to the productivity of their business. Given that economically disadvantaged 16-18 year olds are most likely to be resitting their English and maths qualifications, this requirement is further putting this cohort at a disadvantage, closing off opportunities.

Alongside greater investment in English and maths to help young people succeed, the Commission therefore recommends the following:

Recommendation

A portion of the levy transfer mechanism to be introduced in 2018 should be ring-fenced for SMEs and used to incentivise the recruitment of 16-18 year olds.

3.4 Transferability of standards

The new employer-led system offers an excellent opportunity for employers to develop tailored skills for their organisation, boost their productivity and help their company grow. Allowing employers to design new standards through ‘trailblazer’ groups was designed to aid this and increase employer engagement with apprenticeships, with large

¹¹¹Learning and Work Institute (2017), ‘Apprentice Pay: Sticking to the rules’, November 2017. Available at: <http://www.learningandwork.org.uk/wp-content/uploads/2017/11/Apprentice-Pay-sticking-to-the-rules-FINAL.pdf>. Survey includes a mixture of employers who do and do not currently employ apprentices.

employers telling the Commission they welcomed the new standards for their flexibility.¹¹²

Despite clear benefits for employers, a lack of ‘employee voice’ in this process has been highlighted by IPPR.¹¹³ For the learner involved, apprenticeship standards have the potential to become too narrow, focused on job specific skills, failing to provide broader transferable skills. Transferable skills are vital for a young person’s progression, particularly if they chose to move sector. For a young person from a disadvantaged background, these skills are even more essential, given the increased likelihood that they will have below average academic attainment.

The Institute for Apprenticeships is responsible for approving and publishing standards, rejecting them when they are too narrow. The Institute has only been formally in place since April, but so far there is evidence of the IfA taking steps to address these concerns:

“I think there’s some evidence that they were going in the right direction of travel with the reforms, if you look at the engineering technicians standard, [it] started out as 89 discrete standards, they’ve now all been withdrawn, and it now sits under a single standard called the engineering technicians standard.”

- Witness, scoping session, July 2017

End Point Assessment

An additional issue around transferability and quality is the introduction of End Point Assessment (EPA). Dr Simon Reddy highlighted that young people may change their mind about what they want to do or the sector they want to work in. A volatile employment market means those facing financial challenges may take a job in a different sector at the end of their apprenticeship rather than become unemployed, even if this is not where their apprenticeship would ideally have led them. For these young people, ensuring that the vocational element is not wasteful and is backed up by wider skills development is essential. One end point exam is perhaps at risk of failing to capture those skills, if the quality of the entire course is not monitored effectively.

Industry Apprenticeship Council survey data showed that 92% of apprentices want formal qualifications to be mandatory as part of the new standards, with nearly 90% saying they disagree with the introduction of EPA.¹¹⁴ Existing apprentices surveyed liked the continuous assessment methods and were fearful that a two-tier system might be created, where larger or well-resourced employers still provide professional qualifications, whilst others will not.

¹¹² Written evidence to the Skills Commission

¹¹³ IPPR (2017), ‘Skills 2030: Why the adult skills system is failing to build an economy that works for everyone’, p43

¹¹⁴ Senta (2017), ‘Industry Apprenticeship Council Annual Survey 2017’. Available at: <http://eal.org.uk/centre-support/learner-support/99-iac-2017-annual-survey-results-report/file>. Sample of

Despite a level of resistance from existing apprentices, some employers feel the EPA will add credibility to the system by creating uniformity and comparability. One witness also expressed that while the EPA is new, it does not have 'traction' or a strong reputation and so is bound to face some scepticism.¹¹⁵ The manner in which this reform has been introduced, with some apprentices starting without an EPA in place, may have contributed to short term confusion. Efforts should be focused on ensuring that EPA gets that traction, which can only be done by ensuring the EPA is synonymous with high quality.

The regulatory landscape is complex and the Commission hopes the Education Select Committee's inquiry will assess this in more detail. However, the IfA have a key role to play in ensuring that high quality, transferable standards are embedded and upheld. Apprenticeships must help to prepare people for their future career progression, as well as their current job.

¹¹⁵ Witness, Skills Commission Scoping Session, July 2017

4 THE FUTURE OF THE POST-16 LANDSCAPE

As *The Post-16 Skills Plan* is implemented in the coming years, there will be a number of opportunities to improve routes of progression from school to an apprenticeship or technical education. The introduction of T levels, a proposed transition year and the results of the *Careers Strategy* are key aspects of these reforms that will interact with apprenticeship policy. This is a real opportunity to think about young people's post-16 options holistically and to create clear pathways for young people. In order to do this, Government must urgently provide clarity on who the new apprenticeship system is for and what their aims are.

The DfE have found that young people from disadvantaged backgrounds tend to miss out on the work experience they need.¹¹⁶ The significant work experience element involved in T levels is therefore to be welcomed for helping to make the transition from education to work or an apprenticeship. However, these reforms are not occurring in isolation and the apprenticeship levy is showing early signs of a ripple effect in the graduate and entry level jobs market. A recent survey by Pearson and CBI found that 23% of employers surveyed were planning to curb their graduate intake as a result of the levy and 27% to cut back on non-apprentice training.¹¹⁷ As T levels are introduced, with their significant work placement component, the method of implementation needs to address the combined pressure on employers to provide opportunities in a way that still benefits their business.

The idea of a 'transition year' is an additional opportunity to think about what pre-apprenticeship training looks like. As highlighted in Section 2, there are a vast number of routes and funding streams available to help with employability skills for disadvantaged young people that can help make the transition in to an apprenticeship. The role of level 2 in T levels also remains unclear. For 16 to 18 year olds in particular, the apprenticeship reforms are having the unintended consequence of reducing starts at this age. The Government have a question to answer about what vocational training at this age should look like and what these young people will be doing instead.

¹¹⁶ DfE (2017), 'Work experience and related activities in schools and colleges: Research report'. Available at: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/601373/Work_experience_and_related_activities_in_schools_and_colleges.pdf

¹¹⁷ CBI/Pearson (2017), 'Helping the UK thrive: CBI/Pearson Education and Skills Survey 2017', p62. Available at: http://www.cbi.org.uk/index.cfm/_api/render/file/?method=inline&fileID=DB1A9FES-5459-4AA2-8B44798DD5B15E77

The term 'apprenticeship' now covers a very broad spectrum of training. The Commission would like to see renewed clarity on who apprenticeships are for and what their aims are. Upskilling and workforce development are extremely important, but we must be cautious that if these types of training begin to displace apprenticeship opportunities for young people, particularly the most disadvantaged, this will be detrimental to social mobility.

There is much to be positive about, including employers increased engagement with the skills agenda and progress on achieving better Careers IAG in schools. Time must be allowed for employers, providers and learners to familiarise themselves with the reforms, but as new processes are being established by employers and the Government, it is vital that social mobility is embedded within these, in order to achieve the ambitious goals around social mobility the Government has set itself.

APPENDIX A

Wider reforms to the skills system

More broadly in the sector, reforms to the post-16 landscape have also been taking place. *The Post-16 Skills Plan* was developed as the result of a review by the Independent Panel on Technical Education, chaired by Lord Sainsbury. It set out plans for 15 new technical routes, for two year college-based programmes, known as ‘T levels’. A *T level action plan*¹¹⁸ has since been produced, detailing the 15 routes, work placements and a timetable for their phased introduction between 2020 and 2022.

Additionally, a new Careers Strategy has recently been published. Apprenticeships and Skills Minister Anne Milton MP has indicated that the strategy will have four key pillars:¹¹⁹

1. Ensuring a high quality careers programme in every college and school
2. Making sure employers are ‘an integral part of our approach’
3. Ensuring everyone can benefit from tailored support
4. Making the most of information available on jobs and careers

The Careers and Enterprise Company, a new Government backed organisation announced in 2014, has begun working with schools to tackle some of the issues raised in the pillars above. Its ethos is based around building networks for young people, creating ‘Enterprise Adviser Networks’ comprised of schools and colleges, employers and career programme providers, also working with Local Enterprise Partnerships (LEPs).

Youth obligation

In April 2017, the Department for Work & Pensions (DWP) launched a new ‘Youth Obligation’. After 6 months of claiming Universal Credit, a young person aged 18-21 who is still out of work, will be required to ‘apply for an apprenticeship, a traineeship, gain work-based skills or take up a work placement’.¹²⁰ The DWP have also established a new ‘Support for Schools’ programme, which involves JCP coaches going in to schools to offer career related services.

¹¹⁸ Department for Education (October 2017), ‘T Level Action Plan’, Available at: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/650969/T_Level_Action_Plan.pdf

¹¹⁹ <https://feweek.co.uk/2017/11/07/milton-reveals-four-pillars-of-new-careers-strategy/>

¹²⁰ Department for Work and Pensions (2017), *Single Department Plan 2015 to 2020, Corporate report*. Available at: <https://www.gov.uk/government/publications/dwp-single-departmental-plan-2015-to-2020/dwp-single-departmental-plan-2015-to-2020>

METHODOLOGY AND STEERING GROUP

Methodology

Scoping for the *Spotlight* series began in late 2015, with work on this report, the third in the series, starting in summer 2017.

The findings and policy recommendations herein are based on a review of pertinent literature, semi-structured interviews, responses to a written call for evidence, evidence given to the Commission by expert witnesses and responses elicited during a focus group for young people held at the Houses of Parliament, attended by young apprentices from a range of organisations including YMCA, Pearson, Transport for London and APM UK.

Three steering group evidence sessions were held between July 2017 and October 2017 to explore and scrutinise key issues and inform and guide the desk based research. The evidence sessions were led by the inquiry Chair Peter Mayhew-Smith and Co-Chairs Lilian Greenwood MP and Michelle Donelan MP.

Steering Group

Inquiry Co-Chairs:

Peter Mayhew-Smith	Group Principal and Chief Executive South Thames College Group
Michelle Donelan MP	Conservative Member of Parliament for Chippenham
Lilian Greenwood MP	Labour Member of Parliament for Nottingham South

Steering Group:

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Barry Sheerman MP	Labour Member of Parliament for Huddersfield
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Association of Accounting Technicians (AAT)
 ACCA
 Association of Employment and Learning Providers (AELP)
 Association of Colleges (AoC)
 Assessment Services Ltd
 Association of Teachers and Lecturers
 BLP Manchester office
 Chartered Association of Business Schools

Chartered Management Institute
City of London Corporation
Dale Power Solutions
Dr Simon Reddy – City College Plymouth
EEF, the manufacturers’ organisation
Electrical Contractors Association
Energy & Utility Skills
Federation of Awarding Bodies (FAB)
Great Manchester Mental Health NHS Foundation Trust
Greater Manchester Combined Authority
Hadlow Group
HS2 Ltd.
HVM Catapult
KPMG
Movement to Work
Rathbone Training
Semta
Solicitors Regulation Authority
Sutton Trust
UK Theatre
Veolia
West Yorkshire Combined Authority
Young Enterprise

Interviews

Barnardo’s
Catch 22
Centrepoint
Employment Related Services Association (ERSA)
National Centre for Universities and Business (NCUB)
PM Training

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This report is not an official publication of the House of Commons or the House of Lords. It has not been approved by either House or its committees.

The Higher Education Commission, the Skills Commission, and the All-Party Parliamentary Group for Skills and Employment make up the Education and Skills team as part of the Policy Connect network.

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DEDICATION

This report is dedicated to the memory of Eileen Cavalier OBE (1945-2016), founder of LCBT and member of the Skills Commission, in thanks for the thousands of opportunities she created and the support she gave the sector.

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