Industry and Regulators Committee

Corrected oral evidence: Skills for the future: apprenticeships and training

Tuesday 21 May 2024

10.35 am

Watch the meeting

Members present: Baroness Taylor of Bolton (The Chair); Lord Agnew of Oulton; Lord Altrincham; Baroness Armstrong of Hill Top; Lord Best; Viscount Chandos; Lord Clement-Jones; Lord Cromwell; Baroness O'Grady of Upper Holloway; Viscount Thurso.

Evidence Session No. 5 Heard in Public Questions 42 - 51

Witnesses

I: David Hughes CBE, Chief Executive, Association of Colleges; Ben Rowland, Chief Executive Officer, Association of Employment and Learning Providers.

Examination of witnesses

David Hughes and Ben Rowland.

Q42 **The Chair:** Good morning. This is the Industry and Regulators Committee of the House of Lords. We are conducting an inquiry into the skills necessary for the future. Our witnesses this morning are David Hughes CBE, who is chief executive of the Association of Colleges, and Ben Rowland, who is the chief executive officer of the Association of Employment and Learning Providers. Good morning. Thank you for coming. I know this is a subject that you know a great deal about.

Perhaps we can start with a general question. Tell us what you think employers will be needing for the future in terms of training and retraining. Is the existing system up to the challenges that we undoubtedly will be facing?

David Hughes: Good morning. Thank you for the invite. There is a lot to talk about. There are big changes in the world. There are big technological changes and big digital changes. There are demographic changes: people are living longer and needing more health and care. The world of work is changing; attitudes are changing. There are lots and lots of changes happening.

There are big issues for the young people coming through the system around the skills and education that they get to make them resilient and able to change with the changing world, and there is a really big issue about adult skills. This is about adults who are in the labour market and getting good jobs where they are supported, and, probably more importantly, the adults who are in poor-quality jobs that are poorly paid, perhaps insecure and without good prospects. Their skills needs are really paramount. The employers are not training them. They do not use apprenticeships. The apprenticeship programme does not work for them.

There are some big priorities around the digital transformation, which will mean some new jobs but for nearly everyone else will mean a change to the job that requires some training. It is not that they need a full-time programme for a year, but they will need some training to be able to adapt.

There is a big net zero need. We know that affects construction. If we are going to retrofit all the houses, we need a massive boost in construction training. We do not have that in place at the moment.

The third big priority for me is around the NHS and the care system. The *NHS Long Term Workforce Plan* has some quite stunning statistics in it about the needs for lots of people. That includes doctors and nurses, of course, but it also includes all sorts of other people who will be trained through colleges and training providers, not through universities.

Those priorities are just not being recognised at national level. The funding from Government is not there to support that. We have seen an incredible drop in adult funding in the last 15 years. We have less than

half the funding now, in real terms, that we had in 2010. That means a drop from something like 3.5 million adults learning every year to 1.5 million learning every year. It needs to reverse. It should be more like 4 or 5 million a year.

Employers do not invest either. We have a massive issue in this country compared to all of our OECD counterparts. Employers simply do not invest enough in total. Some are brilliant and there are always exceptions, but overall we seem to have a system that is underfunded by the Government and employers and is not prioritising the real skills needs of adults and young people.

Ben Rowland: Likewise, I am really happy to be here. We would agree with loads of the things that David says.

It is worth thinking about the types of skills needed in different strands. One is around particular technical skills, so things like electricians and welders, which are vital for net zero and our energy infrastructure. We need digital skills. Leadership and management is a crucial skill, not least when it comes to supporting staff, who report to the boss, to be trained well.

Then you get into what are sometimes referred to as essential skills, which are the confidence and competence type of skills—how to take instructions, how to be part of a team, problem-solving and things like that. It is important to recognise that breadth of different types of skills that are required at all stages of life.

It is worth acknowledging that we are quite good in some areas of skills as a country. Typically, those are the white collar professions, such as legal, accounting, consultancy, journalism, quantity surveying and things like that. We are pretty good at those skills. It is just in most of the other areas that we are not. We need to invest in all those skills.

In terms of understanding the skills system as a whole, it is important to understand two things. They are parts of the same single system. One part of this is that, if we develop high-end skills for people, we still need the low-end skills to service them. It is no good training someone to be a brilliant cybersecurity technician if there is no one to look after their children when they go to work. We need both of those skills.

The other thing is that the labour market operates as a single funnel. If someone at the top end of the labour market moves up, that creates space and a draw behind them that pulls other people up. Similarly, if you train people at the lower end of the labour market, that pushes people above them to continue learning. In this discussion about whether we should do high-end or entry-level skills, it is both. That is the answer to that.

On the second part of your question I will be brief. Is the skills system up to it? Nearly. Our view is that it could be. Lots of the problems, which David has identified, with how apprenticeships are working at the

moment are solvable administrative problems rather than fundamental problems with the idea of an apprenticeship or fundamental problems with the levy.

Once the levy was introduced, part of the problem was that employers really embraced it and took it on. They then discovered some of the rules around how they could deliver apprenticeships: they had to be 12 months, come what may; they had to have all of the knowledge, skills and behaviours. These are the things that have strangled the apprenticeship programme, not the apprenticeships in and of themselves.

It is amazing. Loads of employers still have embraced apprenticeships as the way to do it. It is these other administrative issues that are the problem, in our view.

The Chair: You have both given us quite a challenging picture of what we are going to need going forward. We have been hearing some of what you are saying in other ways. People have also been talking about employability skills. It seems from what you are saying that this is a problem across the spectrum. We probably cannot solve this simply by doing more of what we are doing at the moment.

David Hughes: That is right. There is no system. There is no strategy that holds it all together. We have lots of bits of initiatives and programmes that are set up, run for a while and then die. There is no overarching system and no stability in the system to allow colleges and training providers to think about their long-term strategy and, importantly, to allow employers to be certain about where they invest. The lack of employer investment in part is down to the churn and the change. We need much more of a systems approach to this with an overarching strategy.

I still find it quite bizarre that we do not have a national skills strategy. Therefore, we have no priorities, no targets and no way of measuring the system and whether it is delivering to meet the priorities of the country. That is a massive gap that needs to be filled urgently.

A strategy would allow us to say, "How do you focus and prioritise scarce public resource? How do you encourage the employer investment? How do you signal to people where they can get the skills that matter?" That would help an enormous amount.

Q43 **Lord Altrincham:** You are very clear on the lack of an overarching skills strategy, but could you comment on the importance of a long-term strategy? I would also like you to comment on another issue that we have heard about. Would it be beneficial if the Government consolidated some of its skills programmes and funding pots and provided them over a longer period? Could you comment on both those issues?

David Hughes: I will start with the consolidation. The average college has over 60 funding lines. Each of those funding lines is individual and separate. There is no virement between. They have to hit the button on

every single one. If they underspend, the money gets clawed back. If they want to overspend in one and underspend in another, they cannot.

Often the same course has funding from three, four or five different pots with different rules and different requirements. It creates complexity. If we all walked into a college tomorrow and asked to do the same course, there would likely be a different answer in terms of what our eligibility was because of where we have been, where we live and what our prior learning is. The complexity of it gets in the way. That is one thing. The transactional costs of that are enormous.

There is a more important bit, though. Take construction skills, for instance. If you want construction skills across the country everywhere, which we need for net zero and for economic growth, that requires long-term capital investment. It requires kit and facilities that take a long time to develop. You need the staff to back it up. At the moment, there is not the capital to fund it and the staff cost too much for colleges to employ them. If you are a bricklayer, you can earn a lot more laying bricks than teaching others to lay bricks. It is the same in engineering and it is the same in digital.

We therefore need a consolidation around the funding to allow that long-term investment. Stability, which the Government need to provide, would enable colleges and training providers to make those investment choices and take some shared risk with the Government.

Ben Rowland: If I could add a little to that, the issue of devolution makes the complicated landscape even more complicated. Different devolved authorities have their own criteria and processes. For any employer that is based in more than one, it can be a real problem because they want the same programme to be delivered at all their sites across the country. If they are prevented from doing so because different areas have different rules, that can add to the complexity.

On the issue of investment and capital, historically the Government have been very suspicious of private investment. That is a huge source of the investment required. If you are a business owner or an investor and you want to put money into a training programme to give it new equipment, get it up and running and so on, there needs to be stability of return coming back out of that. The chopping and changing makes it difficult for people to access that pot of funding.

I have been in post now about five months. I have spent quite a lot of that time going around the country seeing my members. It is very moving to see people who, with no government money at all, are taking on all the risk and remortgaging their homes to buy the equipment that is needed for green skills, to build out classrooms, to invest in the salesforce who will go and knock on the doors of employers to make these programmes really happen. That is something that gets a bit lost in all of this and needs to be part of that strategy that David talked about, which we really need.

The key thing is that we lack a strategy. It is all run by initiative. There are two things that make a genuine strategy. The first is phasing. It is not just everything all at once. We are not going to create a brilliant system that is going to go from zero to 100 in two years or whatever it is. Phase 1 is five years; we are going to fix problems X, Y, and Z. Then there is phase 2 and so on.

The other thing is that the holder or originator of that strategy has to be an organisation that has levers of delivery and budget. Having an organisation that is separate, that somehow creates the strategy for others to implement, is not a strategy. It is a piece of advice.

Q44 **Baroness O'Grady of Upper Holloway:** I just wanted to check something with Ben Rowland. You said you thought the apprenticeship levy had been strangled by a lack of flexibility. That would not explain why employer investment in training and skills is so poor both by historical standards in this country and compared to our key competitors internationally. I just wondered whether you could say a little bit more about why employers in the UK are not investing in skills and training and what we could do to change that.

Ben Rowland: It is a really important question. There is not enough proper evidence about attitudes towards training and the real reasons why employers do not train. Very often they will use bureaucracy as the reason why. The great sadness of the introduction of the levy is that it could have been a moment when we really did change UK plc's attitude towards training. We might have other moments in the future.

They did not make enough of this at the time, but what the levy says brilliantly to large employers is, "You are going to spend money on training. It is up to you whether it is on your own staff, your supply chain or on someone else's training". It levelled the playing field. It removed that dilemma, that situation in which the short-term rational decision for an employer is not to spend money on training but to keep your money and then employ someone from somewhere else who has been trained with the money you have saved. The logical short-term thing to do is to not train.

That kind of poacher's fear is true around the world, but we have a particular issue in the UK. This has been gleaned from my conversations with training providers and my experience as a business owner beforehand. In the UK, we cherish upward management more than downward management.

The ability to keep your boss happy, give them the reports that they want and give them the comfort that they want, et cetera, typically is more of a priority than looking after the people who report to you. That is not universal. Of course, it is not universal. There are many companies that are brilliant at that. You can normally tell when you go in if an organisation really cherishes, trains and develops their staff.

There are other countries where some of this is baked in. I think it is in Japan and Finland—I would want to check that—that some employment contracts specify that you have to spend 10% of your time training the people who report to you. There are a couple of things going on in relation to that.

The levy could have been the moment where we triggered something different, but, because of the rules and bureaucracy, it pushed people back towards safe existing employees on higher-level programmes rather than new starts.

David Hughes: I have a number of things to add. We had a very liberal labour market and employers got very lazy. It was quite easy. You could advertise most jobs at graduate level and there was quite a buoyant graduate market. Lots of EU nationals came here. That has changed since Brexit. It is very polarised as well. Lots of investment has been at the top end. As you know, at the bottom end there is lots of precarious employment where there is no support whatsoever for the people who are in those jobs and who are churning in and out of jobs.

The levy reinforced that binary divide between those employers who take skills seriously and those who do not. If you look at the analysis of the levy, a lot of it has been spent on people in high-paid and high-level jobs, who probably do not need an apprenticeship but might need some training. There has been a lot of substitution, with graduates coming into what were graduate programmes and are now apprenticeship programmes. We have seen a big shift in the overall apprenticeship system. There are far fewer young people, far fewer people coming from disadvantaged backgrounds and far more older people in better-paid jobs from more advantaged backgrounds. There has been a shift from the north to the south. I could go on.

The levy reinforced a problem that was there. There are signs that some employers are starting to recognise that the labour market has shifted so much that they need to change the way they recruit, who they recruit and how they develop their own people. The shoots are only just starting to show. We need to reinforce that bit. The labour market and the demographic changes mean that every employer needs to think about where they recruit, how they widen their pool and developing the people who they have much more.

That puts a big pressure on the training system to train people in work in bite-sized ways. An apprenticeship programme really does not work for that.

The Chair: Ben, what you said about devolution was interesting. Some people think that has been a help and some people, like yourself, say it is making things more complicated. I am going to bring in Baroness Armstrong, who wants to take it in a slightly different direction.

Q45 **Baroness Armstrong of Hill Top:** Good morning. It seems to me that we live with a contradiction. We want a national system where everybody

knows what is going to happen, what the requirements are and so on, but we also have an industrial pattern and a work pattern across the country that has great differences.

I come from the north-east, where manufacturing was historically much more important. They knew about apprenticeships at lower levels as well as some very skilled engineering levels and so on. As you have also said, David, there has been a shift in investment from the north to the south. The consequences of that are seen very greatly. Devolution has been seen as one way of tackling this.

I really want to ask about the LSIPs, the local skills improvement plans. Are they an effective way of ensuring that long-term strategic approach? Are they linking as closely as you would want to the needs and demands of the area that they are in?

David Hughes: The local skills improvement plans are in their infancy. They vary. Some are much better than others. You would expect that in the first year.

We like the concept of the plan. We think local labour markets really matter. You cannot have one-size-fits-all for the country. You have to understand the tensions between those national priorities and the local labour market needs. It is about who manages those tensions.

The local skills improvement plans should be about stimulating demand. They should be engaging employers to think longer term about where they get the skills that they need and what the priorities are, whether it is the north-east or the north-west, within more local labour markets.

They have not quite got there yet. At their worst, they are a bit of a wish list of skills that are needed tomorrow or today, rather than a longer-term look at how do you stimulate the demand for the right skills to improve productivity, economic gain and economic development over the longer term. They are the right starting point.

There could be some reform. We have a report coming out in about a month that will go into some detail on this. Who is involved needs to widen. We think the universities that want to be part of the skills system should be engaged in them. They should include training providers, colleges and probably schools, to a certain extent, if they are thinking about how they develop the young people for the future. We think the employers that are involved need to widen. Some of them have been a bit too narrow in the sectors in which they have engaged. They need a much stronger plan to get to the wider labour market.

They would benefit from a set of national priorities as well. We know the NHS needs people everywhere, but the NHS workforce needs do not feature in every LSIP adequately, just as an example.

The LSIPs are one part of it, but it is about that stimulation of demand. If all we do is just describe the skills that are needed in today's labour market, we are missing a major part of what needs to happen.

Ben Rowland: It is a really important question. The first part of my career, before I got into vocational training, was in local government, advising councils around the country. I was a huge fan of devolution and still am. David has put it really well. There is a question over what is good about devolution. The emphasis has not been quite in the right place. It has been about local process, local definitions and local programmes rather than local doing.

That point about employer engagement and motivation is that is one of the things that a devolved area can do that is impossible for a civil servant in Whitehall to do, which is to get out among employers, ask them what they are doing, link them up with colleges and training providers and make stuff happen. They can overcome the inevitable hurdles that will happen rather than reinventing Whitehall, as some people have put it. As some of my members put it, having one Whitehall machine to navigate is bad enough. Having 16 does not improve things for learners and employers. It depends where those new devolved authorities and local authorities put their emphasis.

Going back to the point about administration and administrative rules, at the moment for an apprenticeship standard you have to do all of it. That means it has to be the same in Newcastle upon Tyne and Newquay, even if there is a really distinct difference between them. It would not be very difficult—loads of other countries do it—to say 70% is the core or is required and 30% is available for the employer and the provider to work out between them. That means you do not have to have a localised programme to the north-east, but it does mean that someone who qualifies in the north-east can take something recognisable to Newquay.

It is not complicated. We save all those devolved authorities all the time and pressure of trying to devise the perfect programme for their area, which of course will not be perfect for their area. It will need variation locally as well.

On LSIPs, through local government eyes I have seen lots of these things come and go. They always start with great enthusiasm. People get round the table and say, "It is going to be new. It is going to be exciting. This time it is different". There is lots of enthusiasm, and then it is the usual suspects, a dwindling number thereof, getting around the table, getting increasingly frustrated that nothing is happening. I am not saying that will happen with LSIPs, but it might.

In terms of who is involved, whenever you get a group of people around a table, whether locally or nationally, the question is whether it is all employers. Are they representative? Do they have someone who is canny and getting their elbows in to get their point across? Similarly, all independent training providers will tell me they have had hardly any involvement with the LSIPs, despite being the people who deliver the majority of apprenticeships in a given area. That would be my comment on that.

Baroness Armstrong of Hill Top: We were also wondering about

whether what the LSIP is saying will be and is being delivered and whether they are really engaged in what they do to make sure they get delivery. From what you are saying, I am not sure we are ready to ask that question yet.

David Hughes: There are a few answers. There is not enough funding to deliver what is being asked for in the LSIPs, first of all. The flexibility in qualifications that Ben talked about are not allowed. With some of the things that the LSIPs ask for, DfE is saying, "No, we cannot have that".

This idea that we have this employer-led system with a bottom-up approach that describes the need is a fallacy. We have a very centralised Whitehall-driven system. There is no trust in providers to flex to meet need. There is no qualification flexibility at all. That is one aspect of it.

The other part is that many skills shortage vacancies—by the way, they have gone up significantly in the last few years—are not just about skills. They are about the job, the design, the terms and conditions, the pay and the attractiveness of that job. We need much more of a dialogue between employers, training providers and colleges to say, "How do you make the job more attractive? What are the skills needed that go along with it?" It is not just a skills-driven answer. If anyone thinks it is, they are nearly always wrong.

The HGV truck driver issue was not about skills. It was just not a job that people wanted to do. It is a really good example of that, and there are lots of other examples of that. You then have to get into this discussion about how we make changes on both sides, on the skills side as well as the employer and employment side. That is really important.

The Chair: You mentioned a report that is coming out in a month. What is the actual scope of that?

David Hughes: That is looking at the LSIPs. We have reviewed all 38. We have interviewed quite a few people involved. We have tried to look forward positively. We are not just taking a critical view. We are saying, "What changes can be made to help make the LSIPs work more effectively?" We will come out with those recommendations in about a month's time; it might be six weeks.

The Chair: We would find that quite interesting.

David Hughes: Yes, we will certainly pass it on.

Q46 **Viscount Thurso:** Good morning. My question is really a follow-on from your last answer, in that it is around the relationship between employers and training providers and colleges. What level of engagement do colleges and training providers have with employers, including the provision of information on the types of courses and apprenticeships that might be available to students? Is there a close enough link between training provision and the needs of employers? I will chuck everything in. You have already said that it is a fallacy and it is not working, but would you like to amplify on that?

David Hughes: Employers are not the same, are they? BAE Systems is a bit different to your local corner shop. We have to differentiate between SMEs and larger employers, first of all. There are lots of very good large employers doing really good work in skills and engaging training providers, colleges and universities effectively. There is a lot to learn from that.

That model does not work for your average SME. Colleges tend to work more with SMEs, though they work with some large companies. In the SME market, there are some brilliant examples all over the country of colleges and training providers helping with recruitment, onboarding, induction and doing the training and apprenticeships.

That works really well, but, since the apprenticeship levy was introduced, we have less than half the number of SMEs involved in the apprenticeship programme than were involved in 2017. They have been pushed out of the system. Their skills needs are not being met. That is where the rigidity of the system gets in the way and becomes a real problem.

At the same time, we have colleges with waiting lists. The lack of funding means we have waiting lists in construction, engineering and digital. We have capacity problems as well to meet labour force needs. We sometimes cannot recruit the electricians and the engineers to be able to train people. That causes problems. It is the same for ITPs as well.

There are lots of reasons why things are not working for employers. As I said before, we need employers to meet colleges and training providers halfway. What can they do to help? How can they support the learning? How can they make sure they are making the jobs attractive? How can they train the staff who they already have to progress rather than just expecting oven-ready people to come in with the skills that are needed?

The good employers understand that. The good employers really get that. I would argue that we have too many employers who just do not understand that part of their responsibility.

If you go to other countries—I was in Germany recently—there is an expectation among many employers that they will train people and they will invest. It is their duty to be able to do that as part of the system. We do not have that culture here. We need, in some way, to start pushing that cultural shift. Otherwise, we are going to be here again in 10 and 20 years.

Viscount Thurso: My background is in the hospitality industry. One of the things that we were always taught from very early on was, "Get to know your local college. Go in there and help out", which an awful lot of the people who I know do. Is it that particular industries are good at it and others are not? Certainly, what I am hearing from you is—this would be exactly my experience—if you thought you had to send somebody away for a year and you could not do a day release for four months or whatever was appropriate, you might not do it. I am trying to get at what the core problem is for which we should recommend a fix.

David Hughes: Just quickly, funding is fundamental to this. SMEs will not be investing lots of money in training their staff. The Government have to step in on that. The withdrawal of enormous amounts of funding from the adult side and the shift of the levy towards larger employers has left a massive gulf. You cannot get over the funding, but the funding is not enough.

You then have to trust the training providers and colleges more to do a deal with the employer to get the skills delivered in the right way. Ben said it earlier. We have too many programmes and products developed in Whitehall that are rigid and cannot be flexed. We need an element of flexibility and we need to look much more at outcomes. Do people get into work? Do they progress in pay? We need the ability to be able to sit down with an employer and provide the skills that they need in the way they want for their staff.

We need a much stronger national strategy, allowing much more trust in people at local level. Again, in Germany one of the things that is startling is that they trust the professionals—the educators, the teachers and the lecturers—to teach and educate. They step back from it a bit. They engage the employers and trust the employers to get involved and make sure they are getting what they want. We seem to do it differently. We think we need a national approach to that. That does not work.

Ben Rowland: Among my members, we have colleges, universities and a growing number of employers, some of whom are employer providers. One of the unsung jewels in the crown of my members is the sales force. If we are talking about employer engagement, particularly in a culture that is perhaps hesitant at best when it comes to training, you need people to persuade them.

It is not just about sending them a flyer once or giving them a phone call and saying, "Are you interested?" Funnily enough, the first time you get in touch with them, they are likely to say, "Yes, but next week or next month". You need a sales team and a sales process to knock on the door and then knock on the door again.

You need to engage those employers, get them to understand it and get them excited by it. I have been there. I have done this. I did this with Google. I did it with Barclays. I know how long it takes to get an employer over the line to do it. When they do it and it goes well, they are converts.

At the grassroots level, that is something that we need to acknowledge as part of the system and the strategy. Who is going to go out there? Whether it is a corner shop or indeed BAE, who is going to be there engaging with the employer? That is a really important part of the solution for how we engage employers.

It does vary across sectors. A lot of it is to do with the maturity of the training, the extent to which there is a profession, family or tribe that a person would join. When we come to accountancy, it is very well

established and very mature. People recognise that they have to do training, give back and so on and so forth. In hospitality there is less of that, even though there is a very vibrant training market. Some of my members are very successful working with some of the biggest brands in hospitality across the country to address that. I agree with you. It varies.

Q47 **Lord Clement-Jones:** I just wanted to follow up. It is very interesting that you are talking not just about the quantum of finance but, to an extent, the flexibility and the envelope within which you deliver. You talk about trust as well. We have seen issues in the past about abuse of systems in terms of money devoted to training and so on. How do we get through that barrier?

It is absolutely understandable that you want to have flexibility in the finances for training providers, colleges and so on, but central government think, "Aha, I have to keep control over this. Otherwise we are going to see abuse of the system". How do we get through that?

Ben Rowland: There are a couple of things that we need to do. This is a huge issue. First, we need to establish what our level of tolerance is. To say it has to be 0% misuse is totally unrealistic. We do not have a single market where there is 0% misuse of the funding that is available. We cannot just say, "I do not know. It should be as little as possible". We ought to have a very serious view of what constitutes too much because there will always be some.

That is in part because the more you screw down the rules each and every time there is a perceived infringement, the more chance there is of people making mistakes. When I was working in a training provider, you might have a delivery team of 20. You will have a compliance team of five trying to make sure all those deliverers, who are experts in their field, are doing things the right way.

We have been doing a piece of work—it is not published yet—on the regulatory burdens on training providers. When we kicked off the piece of work, I said to my team, "Hold on to your hats. We might get up to 20 or 25". We are at 55 and counting. These are all things that a training provider on the ground has to interpret, get right and so on and so forth.

The scope for someone getting something wrong simply because they do not have enough hours in the day is really high. It is very hard to be compliant. The fact that they are is extraordinary. We have to acknowledge that every time we put a rule in place we are making it harder to be compliant. We really need to think about those two things, while recognising that this could and should be a really dynamic market with people investing in new ways of doing the delivery of learning. We know loads more about learning than we once did because of neuroscience. How do we invest in those things? We need a dynamic market, but in a dynamic market you will get some people who are more noble than others.

David Hughes: At its heart, the problem is that we think this is a market. You cannot have a market in education and skills. You need to

manage a system. That is the fundamental shift we are looking for. It does not mean you do not have a range of different types of providers, but you can invest in providers that you can trust in more over the longer term and you can manage entry to exit much more strongly than you do. We do not have that system in place.

As Ben says, we keep introducing more and more rules to make it more and more complex. We need to turn that on its head. We need to think about the priorities. Who are the priorities in terms of people and sectors? What are the outcomes that we are looking for? We need to invest over the long term for people and organisations to be able to deliver on those in ways that will benefit enormously the labour market and communities.

If we see it as a market and we keep auditing to death how many individuals are sitting in a room at a certain point in time, we are missing the point. That is not the point. The point is whether people get the skills that they need to help them in their lives and their work. The accountability system, therefore, needs to shift markedly.

Q48 **Lord Cromwell:** Can we just go back to this interaction between employers and providers? From an employer perspective, if I am going to invest my time in going to meet the providers and explaining what I need, am I going to get that? Is it a question of, "I want apples", and, "Well, we can do oranges. They are quite similar, but we cannot do apples because we are funded to do oranges"? Is there an issue there?

David Hughes: There is definitely an issue. Some employers are getting what they want from the system. They are lucky. There are lots who look at it and do not get what they want.

When they ask for that flexibility or shift, the answer is, "Whitehall will not let us", quite frankly. Whitehall finds it very difficult to free it up. That is what I mean by the trust issue. We are talking about that ability to flex. We are not asking for anarchy. There have to be rules and there have to be boundaries, but the boundaries are very tightly drawn. We are just not there yet. We are a long way from that.

Devolution could help. It could provide the ability to convene employers to get the specialist provision that is needed. Most SMEs say they get confused by the market of providers that offer them everything. They do not know who to trust. It goes back to the previous point.

Lord Cromwell: There is a flipside to this, which is, "My training institution provides oranges. You want apples. That is going to involve me investing in that as well". The risk is also on the provider. Is it worth their time investing and saying, "We are going to start making apples as well as oranges in our training to deal with this employer"? They might say, "That is too risky for us. We will not bother". I am sorry to keep on with the oranges and apples.

David Hughes: That is where the stability and the longevity of the system helps, does it not? You see lots of really good long-term

relationships between employers or groups of employers with training providers and colleges. That works really well. The transactional bits do not work very well because the system is a bit too rigid.

Q49 **Lord Agnew of Oulton:** I want to ask a very simple question. Assuming that either of you were the Secretary of State for Education, what three changes would you make to the apprenticeship levy that did not require legislation?

Ben Rowland: I would remove the need for functional skills to be an exit requirement. At the moment, it is the only qualification in the country where you can only achieve it if you also demonstrate a level of English and maths. You can get a PhD in Mandarin and you do not have to prove your functional skills. You can get an A-level. You can do any other course.

Functional skills is a massive blocker for social mobility. It kills the joy of being an apprentice. People who start an apprenticeship to contribute to society and earn money, despite 11 years of failing at school, are being told, "No, you have to go back to that horrible experience just to be a continuous apprentice". My first one would be functional skills.

Secondly, I would allow a level of flexibility—perhaps 30%, but that could be determined—around content.

Thirdly, I would say that you do not have to wait 366 days in order to do endpoint assessment. You could do endpoint assessment within the 12 months, but you would only qualify once you have completed the time-served element of 366 days.

None of those requires any legislative change. Together, they would make a massive difference to the number of people starting, the number of people completing and social mobility and productivity across the labour market.

Lord Agnew of Oulton: Can you explain the endpoint assessment? This is just my ignorance. What is the impact of having it backloaded?

Ben Rowland: At the moment, for a number of programmes, for a number of people, a lot of the really exciting purposeful learning will have happened in the first half or first two-thirds of the apprenticeship.

Lord Agnew of Oulton: Why does it help to do the assessment on a rolling basis? I do not quite understand.

Ben Rowland: You would not necessarily do it on a rolling basis. You could do it at a point in time. You would allow the learner and the employer, who are excited by the fact that the person has reached what they think is the right level of competence, to go through that part of the process. If you do not do that, you have to synthesise; you have to create training for the sake of training. You only get paid if you prove that you have done training in a given month. The person might have

completed the purposeful training to the point where their employer says, "Yes, you have definitely learned something".

It becomes this attenuated and slightly artificial learning experience, which becomes, bluntly, pretty demoralising. You are having to tell your line manager that you have to go off and do a session on something that they do not see as adding any value, which takes you away from the workplace and means they need to backfill you. It is not surprising that people lose a little bit of appetite for the apprenticeship programme all round.

The Chair: Does that affect the dropout rate?

Ben Rowland: Yes, it massively affects the dropout rate. The biggest fundamental cause of dropout in apprenticeships is that people find it—I do not want to use unparliamentary language—a real pain. It is like, "I have to do this. Who am I doing it for?" Does the learner want to do it? Does the employer want to do it? Does the training provider want to do it? No. A rule in Whitehall needs to be done. That is when people drop out.

When they embrace apprenticeships, they get it. It is incredible for the line manager and the learner. When they are being asked to do something that is clearly pointless to them again and again, that is when everyone loses the will to live in relation to apprenticeships. It would have a massive impact on dropout rates.

Lord Agnew of Oulton: David, what are your three things?

David Hughes: First of all, you need someone to manage the fund. We do not have that. The idea that it is individually owned by 29,000 companies is a mistake. That has meant that quite a lot of the money has gone back to the Treasury. It is not a managed fund, and it needs to be.

These are the three changes that I would make. First, I would determine that a certain percentage of the money needs to be spent on young people. The money is really important, not just the numbers. Young people's apprenticeships tend to be cheaper than older people's apprenticeships. The money is really important.

Secondly, I would limit apprenticeship levy funding to up to level 5, which is just below degree level. If the learner and/or the employer want to top that up, that is fine. You could take out a loan for the level 6 element. That would free up an enormous amount of money for SMEs at lower levels.

Thirdly, I would top-slice the overall fund nationally in order to intervene where the market is failing. We have seen a lot of market failure in the apprenticeship programme. I use that phrase advisedly because what we have to do is prioritise apprenticeship funding where it is needed most. We have talked about the NHS, construction and engineering. There are others, such as net zero. Sometimes we need to intervene and say, "The north-east needs some more money spent on offshore wind. Let us put

some money in to stimulate demand, bring the employers together with the training organisations to make those apprenticeships work". It is really important to top-slice the fund in order to have a strategic impact.

Lord Agnew of Oulton: Several times you have said that the system is starved of money, which everybody says across the whole public sector. How much money do you think you need to make a difference? We can at least put your view in our report. Otherwise it is meaningless, is it not?

David Hughes: Yes, it is a really good question. It is very difficult to answer. To be realistic, we need to reinstate the £1.5 billion taken out of adult skills funding in the last 14 years.

Lord Agnew of Oulton: With inflation, that is £2 billion a year more.

David Hughes: Yes. We need to increase the apprenticeship fund as well, by probably only another £500 million. They are slightly top-of-my-head figures.

Lord Agnew of Oulton: Do you want to write to us and think about it?

David Hughes: We will do that, yes.

Lord Agnew of Oulton: I do not want to put you on the spot. You will understand the system better than we can, and your view is an important one.

David Hughes: I am very happy to do that.

Viscount Chandos: What percentage would you set for young people? How does it compare with, as far as can be identified, where we are now?

David Hughes: I would be very bullish about it. I would set the percentage quite high. Two-thirds or three-quarters should be young people. That is young people probably under the age of 21 or possibly 24, so you are really focusing on those young people who are trying to enter the labour market and who are starting out on their careers. That is fundamentally what an apprenticeship is about. You go from being a novice to having mastery. That has to be much more about young people than about adults.

You would not exclude career movers, career changers and people who have been out of the labour market and coming back in, such as women returning after childcare. But I would go really quite hard on it.

Q50 **Baroness O'Grady of Upper Holloway:** I have a simple question. In 2009, the then Government introduced an obligation on local authorities to secure suitable education and training opportunities for young people, including apprenticeships, but this was abolished in 2011. First, should it be reintroduced?

Secondly, we have heard the issue of money. If it were to be reintroduced to make it meaningful, to give some punch to local authorities' convening power, do local authorities have sufficient power or

leverage that they could use to bring employers to the table to invest or do they need new powers?

Ben Rowland: You cannot guarantee an apprenticeship to anyone because you are saying, "I can guarantee you a job". We cannot guarantee people jobs. If we could, we would not have 850,000 NEETs or the many millions that we have out of the labour market. It is different for training. By that we mean classroom training, whether that is online or in a physical classroom. An apprenticeship is a job, and you cannot guarantee a job.

When it comes to local authorities and their convening power, they just do not have the headspace to do it. They would love to do this, but they have too many other short-term challenges to be able to meaningfully engage with enough employers. They would say that this is what the LSIPs are there to do in terms of picking up that slack.

David Hughes: I was in Government when that was introduced. It was quite an interesting set of discussions about what the guarantee means. It was a very strong clarion call for all of the different stakeholders to think differently about the future.

I like the idea of a young person's guarantee. We have put it into our proposals. It should probably go up to the age of 21 or 24. There are lots of young people who fall out of the system at some point in their teens. They find it very difficult to come back. They are treated as adults, but they are not. They are still young people needing that start in life. Conceptually, it is the right thing to do.

It is difficult to see local authorities now compared to where they were in 2009. We need to think a bit about the capacity that they have to operate in the system and whether there are other ways to do that. For instance, you could ask colleges to lead that. They are public sector institutions with a public sector duty.

In terms of the funding, it is interesting that we allow higher education to be completely demand-led. Anyone who has the qualifications to start a higher-education qualification is funded. They are funded through an income-contingent loan, but the funding is available. For young people who have missed out in the education system in their teens or earlier, we cap the numbers and therefore we cap the opportunity. We say to the training providers and colleges, "You can only spend up to a certain amount", and we have cut that over the years.

We can turn to a demand-led system. It would be a really bold move. It would show that the Government care about young people and their future. It would make a massive difference if colleges and training providers knew they would be funded for every young person who they got in to support them both in an apprenticeship and on the way towards being ready to be attractive to an employer.

For a demand-led system, we are not talking about hundreds of billions. We are probably talking about a few hundred million in a system that is

spending £28 billion a year by 2030 on higher education. A marginal amount of that would allow a young person's guarantee to be a meaningful system, led by colleges and training providers going out and really promoting that both with young people and employers.

Q51 **The Chair:** You are talking about employability skills and a pre-apprenticeship approach. Can I therefore tempt you to pick up on what Ben was saying about one of his priorities being functional skills in English and maths? It sounds great to say that all kids should get to a certain level of English and maths, but, if it is having a counterproductive impact, how do we get that balance?

David Hughes: It is complex. I am not a fan of the maths and English GCSEs. They do not prepare young people for being numerate and literate in the world. They are fine if you want to go on and do engineering or maths at a higher level, the GCSE is quite helpful in maths. If you want to be able to operate in work and life, that GCSE does not really help you. There is a lot of work that needs to be done around a much more functional type of—

The Chair: This is about employability skills.

David Hughes: Yes. Unfortunately, the functional skills qualifications are not quite where they need to be. They look too much like GCSEs, if I might put it like that.

AQA is doing some work that I am involved in on trying to design a much more real-world maths for everybody. We need to do loads more work on that. I would challenge anybody to say that, just because you get a grade 4 in GCSE English or maths, you are numerate and literate. I just do not think that follows.

The Chair: We would probably agree with that; I certainly would. It has been a really interesting session. We have heard a lot of very valuable information. I am very grateful to you both. We will look forward to your report and any details that you want to provide in response to Lord Agnew's point. Thank you very much indeed.