



Education Committee

Oral evidence: [Apprenticeship Levy, HC 159](#)

Tuesday 10 March 2020

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Members present: Robert Halfon MP (Chair); Fleur Anderson; Apsana Begum; Jonathan Gullis; Tom Hunt; Dr Caroline Johnson; David Johnston; Ian Mearns; David Simmonds; Christian Wakeford.

Questions 1 - 58

Witnesses

I: Mark Dawe, Chief Executive, Association of Employment and Learning Providers; Nick Linford, Apprenticeship funding expert and Editor, FE Week; Paul Raby, Group HR Director, Balfour Beatty; Sally Gilson, Head of Skills and Welsh Policy, Freight Transport Association; Chinara Rustamova, Senior Policy Advisor for Education and Skills, Federation of Small Businesses; Stephen Radley, Director of Strategy and Policy, Construction Industry Training Board; and Laura Burley, Apprenticeships Ambassador, The Open University.

Written evidence from witnesses:

– [Add names of witnesses and hyperlink to submissions]



Examination of witnesses

Witnesses: Mark Dawe, Nick Linford, Paul Raby, Sally Gilson, Chinara Rustamova, Stephen Radley and Laura Burley.

Q1 **Chair:** Good morning, everyone. For the benefit of the tape, we will go round the room, and please state your name and organisation. My name is Robert Halfon. I am Chair of the Education Committee.

Laura Burley: Laura Burley, The Open University.

Ian Mearns: Ian Mearns, MP for Gateshead.

Dr Caroline Johnson: Caroline Johnson, MP for Sleaford and North Hykeham.

Mark Dawe: Mark Dawe, Association of Employment and Learning Providers.

David Johnston: David Johnston, MP for Wantage.

Sally Gilson: Sally Gilson, the Freight Transport Association.

Jonathan Gullis: Jonathan Gullis, Member of Parliament for Stoke-on-Trent North, Kidsgrove & Talke.

Christian Wakeford: I have a smaller title than that one. Chris Wakeford, MP for Bury South.

Nick Linford: Nick Linford, apprenticeship analyst and Editor of *FE Week*.

Tom Hunt: Tom Hunt, Member of Parliament for Ipswich.

Stephen Radley: Steve Radley, Director of Strategy and Policy, CITB.

Apsana Begum: Apsana Begum, Member of Parliament for Poplar and Limehouse.

Paul Raby: Paul Raby from Balfour Beatty.

Fleur Anderson: Fleur Anderson, MP for Putney.

Chinara Rustamova: Chinara Rustamova, Federation of Small Businesses.

David Simmonds: David Simmonds, MP for Ruislip, Northwood and Pinner.

Q2 **Chair:** Thank you. It would be helpful if you could speak as loudly as you feel able to for the sound system. Our aim for today is to find out your views of how the apprenticeship levy is working. What could be done to improve it? Is it meeting our skills needs? Is it working in the way it was intended, getting more young people doing apprenticeships, or is there just too much gaming of the system by employees? That has been extensively written about and highlighted recently by the Secretary of State. To start, is the apprenticeship levy meeting our skills deficit? That is much needed. Are we closing the gap? Who would like to come in on



that first?

Sally Gilson: I will go first. Certainly for the logistics sector, no. Traditionally, we have probably not done many apprenticeships before. It has been more of your HGV mechanics-type role, so it has been a big adaptation for us. Trying to fit our training needs into the rigidity of apprenticeships has been quite challenging. We feel that there are some excellent opportunities for some of the training but LGV driver, in particular, is very tricky to turn into an apprenticeship. Of course, that is the area that we really need to train the most. We are 59,000 drivers short at the moment.

We are trying to make things work but not quite achieving it. We love apprenticeships. We think they are brilliant for young people to come into the sector, but it is clear that that is not the only way of training people and other vocational training could also be funded.

Stephen Radley: It has also been very challenging for the construction trade, although the experience has been quite varied. One thing to note, first of all, is that apprenticeship numbers are down in England but growing in Wales and Scotland, so it does suggest there is something specifically happening in England with the policy changes.

Secondly, what we are seeing is that if you look at construction as a whole, including the professions, numbers are stable; but if you look at more core construction, it is down by almost one quarter. Within that, the biggest falls are in the trades. We are seeing some growth in high-level apprenticeships, and that is not necessarily a bad thing. That may be reflecting how the industry is changing. In the key areas where we are short of people—areas like bricklaying and carpentry; the sorts of things we need to build more homes—we are seeing falls in the teens or close to 20%, so that is a concern.

It is an industry that is quite unique, in that it takes more young people and people at Level 2, and a lot of the apprenticeships are delivered by small firms. It is also an industry that has very varied and specialist needs, which providers have always found challenging to respond to anyway, even before we saw all these reforms. I am happy to expand on that a bit more, but I would say, overall, it has been quite challenging.

Mark Dawe: SMEs are down 49%, Level 2 is down 45% and young people are down 20%, so it is not a surprise that you are suffering. That is why we have specifically called for £1.5 billion funding for SMEs. The wider issue here is that it is meant to be employer-led, although I think employer-defined is a good way of describing it. Clearly, employers are not getting the standards they are looking for, so to me there is a job for IfATE to do to listen to the employers in the whole of the sector to make sure those standards are in place. It is probably the best form of skills training there is—learn, apply, earn.



All the stats that are now coming out are showing it is better than any classroom-based programme. We were given a stat yesterday that at Level 3, an apprentice has an earning power 37% greater than that of an A-level student. We are seeing that at every level. It is a great programme. The levy payers are fully engaged. We need to sort out the SMEs, and IfATE needs to make it properly employer-defined.

Q3 **Chair:** Anyone else? Nick?

Nick Linford: Having worked in this space for 15 years looking at different forms of apprenticeship funding—I say different forms in the context of England, because we have been through so many different forms in those 15 years—it is really important to separate out levy funding from what is fundable and the funding methodologies that sit behind that, both of which change at the same time.

It is important, first, to understand that the Treasury was already putting £1.5 billion into apprenticeships before the levy. It saved £1.5 billion when the levy tax was introduced, which is now generating around £2.5 billion. In simplistic terms, there is now £1 billion more money available to fund apprenticeships, all other things being equal. At the same time, the Government changed the amount of money that each apprenticeship would be worth.

You will remember well, Rob, when you were the Skills Minister, that frameworks—the types of apprenticeships that are now being phased out—saw their funding drop by many percentage points as of 1 May 2017, which, from the perspective of colleges and training providers, was when the apprenticeship programme came into play. The very significant funding rate reductions are a big part of why providers ramped up delivery before the levy and then scaled back after the levy was introduced.

There were a number of other significant funding rule changes around subcontracting and who is not allowed to deliver to SMEs, none of which existed before the levy. They did not need to exist when the levy was introduced, so it is really important that we separate out funding as a source of income—where the Treasury has currently saved £1.5 billion and there is now £2.5 billion available—from a number of significant policies and funding methodologies that were introduced on the day of the apprenticeship programme launch, as far as the college and training providers are concerned, on 1 May 2017. They were very significant changes. In preparing for this I have listed six very significant changes that all came in at exactly the same time. Those changes are the reason why, initially, the starts dropped very substantially and have not picked up to the level they need to be. We have been hearing figures of 20% to 30% at Level 2, 50% down and so on.

It is important that your Committee and your new members try to separate out the amount of money that is available—and whether it should be for more than just apprenticeships—from very important and



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significant funding rule and regulation changes, which have made it quite difficult to deliver the programme as it was delivered before.

Q4 Chair: The Government have said £2.5 billion extra will be spent by 2020. How much money should be spent on apprenticeships over the next five years, by 2025?

Mark Dawe: Both you and I have said that half of those that go to university should be doing degree apprenticeships—your two favourite words. That is £10 billion-worth of funding, so there is £10 billion. Then, if you look at the SMEs, the big change has been moving from Levels 2/3 to Level 2 to Level 8, as well as everything else: the average cost going up 40% per standard and the higher levels costing more. There is an enormous funding ask.

I do not think it can all be sustained by the levy, so we should be looking across the education budget and saying that somehow we need to bring in HE money here. We need to bring in 16-to-18 money here. Treasury should be funding this out of taxes and the levy should be funding this. It needs to be a suite of funding to support the ambition, because I think everyone agrees it is a fantastic policy.

Q5 Chair: Obviously the 50% is an aspiration and it would not happen all at once, so how much extra money should be spent on apprenticeships over the next five years? What is the figure?

Nick Linford: I think the starting point is: how much should the Government put in, and how much should employers put in? Then you have a total there. Coming back to my point about what happened on—

Q6 Chair: What should that total be?

Nick Linford: Well, to come back to my point, on 1 May there was a very big change. For the first time employers had to pay; it was mandatory. They had to put money in. They did not have to—

Q7 Chair: Yes, but I am asking: what should the total be?

Mark Dawe: £1.5 billion out of general tax for the SMEs and then some form of access to 16-to-18 money that already exists and some form of access to HE money that already exists.

Nick Linford: Surely, if you include the employer spend, it is only limited by their demand. Why would you want to put a number on that? Surely you want the best possible programme so they will spend their own money, without capping that with a figure.

Stephen Radley: It is not just about the actual level, which is really hard to pin down. It is also giving smaller firms that do not pay the apprenticeship levy, and also the providers that will be meeting their needs, the confidence that over a long period of time the funding will be there for non-apprenticeship levy payers. At the moment we do not have that level of confidence.



Q8 Ian Mearns: I am really interested to go around and find out how the introduction of the levy in 2017 affected employers in individual industries. I think this is my third meeting with the Federation of Small Businesses in the space of a week. I met people in the north-east on Friday. They reiterated some statistics to me about the number of businesses in the north-east and how many people are likely to pay the levy. Of the 156,000 businesses in the north-east of England, only 1,000 of them have more than 50 employees, so it is quite unlikely that large swathes of employers in the north-east of England are going to be paying the apprenticeship levy. I am interested to see how the levy has impacted individual industries or individual organisations, and to see what we need to do in order to make sure that we are training up young people, in particular, for the future workforce, but also the general working population.

Chair: Paul, do you want to come in?

Paul Raby: Stephen works for the Construction Industry Training Board, so he has a good handle on the industry. I work for Balfour Beatty, which is probably one of the largest in the sector. I am quite happy to share some of our experiences on the apprenticeship levy since it was introduced.

Q9 Ian Mearns: Paul, before you go on, as good as the CITB and some construction industry employers are, the nature of the industry has changed dramatically. The industry has not been training its own future workforce for a few decades now.

Paul Raby: It is fair to say there are skills issues, and they have been in place for a while. To answer the question about how it affects us, we traditionally take on about 150 apprentices each year, plus graduates and trainees. That 150 has not changed from before the apprenticeship levy to today, because the number is determined by our business needs. Also, part of that is determined by our ability to make sure that we are giving them quality training, and that we maintain a rate of at least 90% completions and then moving straight on to jobs. The apprenticeship levy has not changed the numbers that we are taking on, and it has not really changed the quality.

Q10 Ian Mearns: Does the industry have a feel for how many more people it needs to train annually to get it up to the levels that it should be at? As I say, the industry has not trained enough people for significant amounts of time.

Paul Raby: Stephen is probably better placed to comment in terms of the industry as a whole.

Stephen Radley: In any year, it varies, but we are saying at the moment that over the next five years it needs to bring in about 33,000 every year. It is hard to say how many of those would be apprentices, but a rough guess is that about 60% should be apprenticeships. I just want to pick you up on—



Q11 **Ian Mearns:** How does that aim and objective match with what is currently happening?

Stephen Radley: Up to the introduction of the apprenticeship levy, the numbers were growing for four or five years, and it was fairly close to what we probably needed. It has fallen off by a quarter since then, so we are now well below where we need to be. Clearly, the scale of the challenge is now increasing. When the infrastructure plan is updated, we are going to see more demands on the industry, and clearly we need to grow more of our own with the restrictions on migration policy. While all the growth in high-level apprenticeships is brilliant, the thing that is particularly concerning is the decline in the trades, which are the ones where we need to replace the people we were bringing in from abroad. That is the area where we are very concerned.

Mark Dawe: There is an interesting stat that in construction, something like only 17% to 20% of those on college courses go into the industry, whereas 90%-plus of apprentices stay in the industry. When I ask why there are not more apprenticeship places, that is the thing. If we could have a system that supported apprenticeships in the SMEs, and everything, there would be more apprenticeship places, which would drive the numbers in the industry.

Nick Linford: Back in October 2018 the Department for Education published some experimental data for the first time about the characteristics of employers in the apprenticeship space, but it was looking at the year before the levy came in. Then it said in August that its plan to publish that information in October 2019 was going to be delayed, for the very reason that it wants to “enable analysis looking at the impact of the introduction of the apprenticeship levy on employers engaging with apprenticeships, as well as including data from the 2018 to 2019 academic year.” It is now saying that it is going to publish that data at 9.30 am in two days’ time, on Thursday. That will be particularly interesting to look at.

For example, back in 2016-17, 7% of all apprenticeship starts were in the construction industry. We are talking about the characteristics of the employers, not of the apprenticeship programmes themselves, because, of course, construction firms will hire finance staff, admin staff and so on. This is information that only the Government can produce. It is unfortunate they have waited this long to get around to preparing and producing it. I am looking forward to seeing it. They use information from the Inter-Departmental Business Register, which allows them to look specifically at the characteristics of the firms and how many are using the apprenticeship programme. Look out for that in two days’ time.

Chinara Rustamova: I will answer your question more broadly. The apprenticeship levy is a good policy. We found that there were four reasons why the apprenticeship starts decreased after the introduction of the levy-based system. The first reason is the complexity of the system. We now have new components of the system. The minimum requirement



is for 20% on-the-job training or core investment, which used to be 20% at the time. Not many people knew how this would work and there was a lot of catching up to deal with the system.

Then there was this funding issue. Apprenticeship funding for non-levy payers was delivered through a procurement system, which meant that some providers or small businesses that used to work with certain providers were no longer able to do so. For instance, one small business from Salisbury told us that they used to work with a particular provider who would provide them with Level 2 and Level 3 apprenticeship training, but they can no longer get it, and they have to travel to either Southampton or Bristol, which takes at least an hour and a half.

So procurement was an issue, with the funding problems, and then the costs have increased. Obviously, that includes the travel costs. Also, for instance, the 20% off-the-job training was interpreted by different providers—not all of them, but some of them—as a release from work one day a week. Some employers found that extremely unproductive, because they believed that apprentices were not actually being trained while they were not working or studying.

Together, those things all contributed to existing problems. For instance, if the north-east was behind with certain elements of the apprenticeship system, it was worse affected, or different industries were worse affected if they already had complicated skills issues, skills shortages and skills gaps. We found other issues as well through our research: consistent challenges for small businesses when they were engaging with apprenticeships. Two main challenges are recruitment of apprentices—they always struggle with finding apprentices or with the recruitment process itself—and providing the management time.

Q12 Christian Wakeford: That leads into my question very well. Following the introduction of the levy, there was a large fall in the number of apprentices moving forward. Why do the other industries think that was? Was that similar to what has been said about a lack of understanding about the levy and the complexities of it? Was there any particular reason for that?

Sally Gilson: Our starts in the logistics sector fell by 35%. A lot of that is to do with moving from the framework to standards. We have had a real difficulty with LGV training because an LGV driver is not just one occupation. There are many different roles within that occupation, but you can only create one standard and that one standard does not fit everybody's business. We are trying to make something fit, which is not quite ideal. I have been very involved with the trailblazer. We have spent many, many days—months, it feels like—writing these new trailblazer standards. It has been very difficult to create something that works for the entire sector, whereas the frameworks gave us those alternative routes.



One more point I would like to make is that many of the HGV mechanics courses were done by local colleges, so you could do your day release. It worked really well, especially for local councils, to be able to put people through that. Those courses are all stopping and what you will find now is that you just have light vehicle mechanic courses, and no HGV courses. It is forcing people down into a residential route, so they have to go away for two weeks to do the course, and it is not ideal. We certainly need to look at the funding of local colleges to be able to provide that again.

Q13 Christian Wakeford: Hopefully I am not paraphrasing on that point, but it is almost like it is a one-size-fits-all policy in a world of different sizes.

Sally Gilson: Yes, exactly.

Q14 Chair: Thank you. Mark, just briefly.

Mark Dawe: When the levy came in, I think only 15% of large employers had apprentices and it took them time to strategically plan how they were going to use them. That led to a big drop because, at the same time, we had standards brought in—many of them did not exist—endpoint assessment, changes in delivery, changes in funding and changes in the relationship between the employer and the provider. All of this started at the beginning of the levy. You had large employers not engaging quickly enough and the SME market dropped off a cliff. I was in meetings where officials told our members to forget SMEs. They said, “That market has gone. Just focus on levy payers.” When you are a business thinking, “What am I going to do?” obviously, they are going to do it.

We had the procurement process that knocked out hundreds of providers in the SME market, and then the funding started getting squeezed. So you had large employers taking their time to pick up, and now they are; and for small employers, the funding is getting less and less, and the providers were told basically to avoid them. You can see why at the beginning it was so bad. It is picking up now, but it is mainly on the levy side.

Chinara Rustamova: To add to what Mark said, we are particularly concerned about Level 2 and Level 3 apprenticeships. We found last year in our research, where we surveyed our members, that 92% of all apprenticeships offered by small businesses were held by 16 to 24-year-olds. The decrease in the number of younger apprenticeships and lower level apprenticeships is really concerning.

Stephen Radley: There is also a Level 2 issue. Whether it has been intentional or not, there has been a signal sent out, almost, that a Level 2 apprenticeship is not good. It is poor quality. It is fantastic that there is an aspiration for all people who take apprenticeships to go on to high levels and progress, but for many people when they are leaving school, Level 2 is what they need to start with. With the funding band changes and some of the policy statements, it has given out—intentionally or



not—a negative signal about Level 2 apprenticeships, and I think at the moment that is where the industry predominantly provides.

I also want to emphasise the point that not all the changes have necessarily been wrong, but there has been so much change at the same time. In our industry, 70% of apprenticeships are delivered by firms that have fewer than 50 employees. Companies like Paul's—I have never met any of them, but I am sure he has a very sophisticated well-run HR department. Many of the smaller firms will not have people that are covering this, and the amount of change they have had to deal with has been bewildering for them.

Chair: I am going to bring in Jonathan Gullis. Something I touched on at the beginning is: how can we ensure that more young people from disadvantaged groups have access to apprenticeship funding?

Q15 **Jonathan Gullis:** I find it interesting that we are talking about the standards. I am assuming they are driven by the DfE—the one-size-fits-all approach that you are having to create these courses to fit into, which obviously quite clearly needs exploring. My concern goes to the fact that we are talking about Level 2. As someone who was a teacher in a classroom for eight years, I know that if a kid did a Level 1 or Level 2 we would instantly dismiss that, because it would look bad for the school as a destination point, and we would talk it down. It is interesting to hear that the industry is saying, “No, Level 2 is actually where they need to start.” Education of teaching staff on this stuff would be useful to make sure that when we are encouraging apprenticeships, we understand what we are sending kids into.

Has the levy in any way assisted disadvantaged groups in accessing those apprenticeships where, hopefully, they are going on to high-skilled or high-wage jobs in the long term?

Laura Burley: I am at The Open University, and providing life-changing opportunities is what we do. Apprenticeships and higher degree apprenticeships are a big part of that, so I think that is a very good question. As the levy has come in, how has it incentivised and ensured that disadvantaged groups have access to it?

We work with a mixture of large providers and SMEs. With the large provider behaviour, what we have seen—a bit like what Mark said—is that in the first couple of years of the levy, the big employers were sussing it out, testing the water and trying to understand the impact on their business: do they have the training for the line managers, the mentoring in place? As you say, there is only so much an HR function can take on. There is a limit to it.

Only now, as those skills strategies are being signed off by the finance leads, are we starting to get large employers saying, “I have tested the levy in the first few years. We have had a couple of existing staff that have not had degrees before. That has worked for them. We can see the



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impact on the business.” How can we—Open University—now help diversify a workforce and specifically target certain groups?

What is interesting is that we are talking here about the future of the levy and the funding. We need to be careful of what data we are basing those trends on. This year we are seeing slightly different conversations, so people are coming to us and saying, “How do we support more disabled apprentices in the workplace?” The Open University is well placed to do that, because we do not have any prior qualification criteria. You can still study with us without having a set number of A-levels. Indeed, 17% of our apprentices have a Level 2 qualification or below. I think it is just finding incentives in the system. The Government target for disabled apprentices, for example, was 12%. Now, around one in five working-age adults have a disability. Where is the ambition to help incentivise those disadvantaged groups?

Jonathan Gullis: My father was from a disadvantaged background himself and seeing the opportunities The Open University gave him to go on to his future career—in both education and the finance sector—was a massive thing. I am pleased to hear that you are having those positive conversations with employers. Like you say, the next big step is about how we make sure that those conversations become actions.

Q16 **David Johnston:** We have talked so far about apprenticeship starts, which is usually what happens in the media. They talk about the start figure for apprenticeships, but for quite some time the completion rate was two thirds, and that means the picture is even worse than people were led to believe. What is the completion rate at the moment overall, and what do you know about the people who do not complete? What sorts of backgrounds are they from, and what are the reasons why they don't?

Nick Linford: I happen to have those figures. I would also like to come back on the disadvantage point afterwards, if I may.

Chair: Yes.

Nick Linford: The current achievement rate, as it is known, is running at 67%. It is 0.1% down on the year before for 2017-18, so just over two thirds are successfully completing. What to look out for is that on 26 March—this month—the Government will publish the achievement rates for the academic year ending 2018, so the last academic year. It is expected, as I understand it—as you would expect, they are quite secretive about the figure before they publish—that they will fall by a record of more than 10%, so that we are looking at about 55% passing, which is very low. There will be a range of different reasons for that and why there is a good 10%-plus drop in a single year, which has never happened before.

A big part of that relates to the move from the frameworks to the standards, and a lot of people are taking a lot longer than normal to finish their standards, but bear in mind that if a course is longer—



standards often are—that is a longer length of time to drop out. The retention rate is going to be affected there. Standards have exams at the end where frameworks did not, so typically the achievement rate on a framework was the same as: did they get to the end of the course or not? Now, on a standard you have to get to the end of the course and then you have to pass the qualification. It is something that I raised this morning on Twitter about whether there is enough talk about how many are completing—or not, in this case—and I am glad that you raised it.

If I may, I would like to say something on the disadvantage point very briefly, because I think this is incredibly important.

Chair: Very briefly.

Nick Linford: When the Treasury took its £1.5 billion back, it also removed about £600 million that was ring-fenced specifically for 16 to 18-year-olds. Colleges and training providers could only use it with employers for 16 to 18-year-olds. When they replaced their £1.5 billion with the £2.5 billion tax, there were no ring-fences. It is employer-led. Employers can do whatever they want.

I said at the time—and I stand by this—that if you remove that protection that young people and disadvantaged people have for the use of the money, and if you put in very high funding values for very high-level qualifications, that is where the market will move, and it has. They have moved to higher levels with adults and they have moved away more than 20% of 16 to 18-year-olds. As a matter of priority, the Treasury needs to revisit the question of why we are charging employers for 16 to 18-year-olds. It used to be free. There was £600 million ring-fenced for them. Now we charge for 16 to 18-year-olds.

Q17 **Chair:** All right. I just want to bring Stephen in.

Stephen Radley: In our industry the figures are probably a little bit lower. I will get the exact figures, but they are probably more in the low 60s. What we found is that we provide support to a range of employers, and I think within those the completion rate tends to be at 70%. The issue is that quite a lot of young people who drop out of apprenticeships drop out in the first year. The reasons for that are, first, they started and then they realised the sector was not for them and, secondly, they lack the employability skills necessary to do an apprenticeship. What we are doing with the Government's funding, which seems to be making a real difference, is this: there is a fund called the Construction Skills Fund, and it gives people a limited period of work experience and training on live sites. It is starting to prepare them better for work, so that is probably something that needs more attention.

Q18 **Christian Wakeford:** On that last point by Nick, it is interesting to hear about the ring-fence being removed and needing to be rethought. What are your thoughts on where a future ring-fence, if one was to be applied, should be? Should it be back at 16 to 19? Would it be for disadvantaged



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background, BME communities, disabled or long-term unemployed? Where would you see a future ring-fence being most beneficial?

Nick Linford: It is a good question. It is interesting that Professor Alison Wolf is now within the No. 10 policy unit advising on this space. She has talked before about 16 to 19-year-olds and how it is a Government priority to ensure that the public purse pays for them. I would anticipate that, as a matter of urgency, the Government will be revisiting the fact that employers are charged for 16 to 18-year-olds, not least because there is a law for raising the participation age and they need to be in education. If we take the Level 2 business admin away, it raises major questions about what the 16 to 18-year-olds will actually be doing in the workplace, given the rise in participation age.

It was interesting at a conference IfATE ran last week that Jennifer Coupland, the new chief executive for the Institute of Apprenticeships, who is defending the removal of Level 2 business admin—obviously, that is affecting a lot of 16 to 18-year-olds—was able very effectively to bat away back to her former employer and say, “Well, the DfE needs to come up with a solution. It is not the apprenticeship. We need a solution at Level 2. That is now the DfE’s problem.” They need to look at funding 16 to 18-year-olds as a priority, and at who is taking responsibility for the disadvantaged among the agencies.

Mark Dawe: On retention, it is a job. The standards are tougher. It is employer-led much more now, and employers are behaving in a way they would with employees and saying, “You are going to stop, or you are going to change.” That affects the retention rate in a way it never used to.

On widening participation, it is fantastic for HE and I would put all their widening participation money into apprenticeships. But 40% leave school without a Level 2, and we have a situation where maths and English in apprenticeships are funded at half the rate of any other programme, so we are disadvantaging the disadvantaged there.

On the whole thing around business admin, it is an elitist Whitehall snobbery that these young people and adults that are at Level 1 are not doing a full apprenticeship when they do Level 2. It is just wrong. They need to get out and see these individuals and understand how much support the employers and the training providers have to give them. The DfE has Level 2 business admin apprentices in their own building, and it is saying that that is not a proper apprenticeship. It is just wrong, and that is one of the big things we need to change very quickly.

Q19 **Fleur Anderson:** We have touched on the issue of complexity quite a few times. You mentioned it, Chinara, as your number one issue. Is it too complicated? To unpack the issue of complexity, in what other ways is it complicated, and is it more complicated for different industries than others or for different ages of apprentices than others? I come from a charity background. We had an apprentice, but it was quite complicated—



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both to bring that apprentice in, but also there was a huge amount of paperwork during the apprenticeship time, which made us think twice about doing it in future. What kind of complexity are we talking about?

Chinara Rustamova: If you are a small business who wants to engage with apprenticeships then you have to—

Chair: Can you speak a bit louder?

Chinara Rustamova: Down? Am I too loud?

Chair: No, up. We all want to hear what you have to say.

Chinara Rustamova: Okay. If you do not want to go to a provider and you want to engage with apprenticeships yourself, you have to find out about different elements of apprenticeships. You need to know about the minimum requirement for 20% off-the-job training. You need to know about co-investment. First of all, most people will go online and start searching for different details. They get confused, because they do not know which source they can rely on and trust to enable them read and find out about apprenticeships and then take action.

That is why most of the time they go to their providers, but providers are also stretched, as far as I understand. There are really good providers out there. There are not so good providers, and sometimes they try to game the system and try to sell apprenticeships to small businesses, even if they don't need them. Or sometimes they will not take small businesses on; if they have funding, they will think that they do not have the cohort. They cannot have as many people, and it is not cost-effective to run a course for a small business.

Small businesses experience a number of issues when they engage with training providers as well as with the system itself, with apprenticeships, and they need more support. We found through our research that as the size of the business increases, they become a lot more capable of engaging with apprenticeships. The micro-businesses are the ones that struggle the most and need some sort of support. Ironically, they are the ones that need the support most, because that is how you grow your business. I have heard from a number of micro-businesses how they recruited a young apprentice at a lower level, invested in them and trained them, and they stayed at the business. The way one of my colleagues put it is that they are like large cogs in small machines, as opposed to small cogs in larger machines and larger businesses.

Q20 **Fleur Anderson:** They are too large a cog? They don't fit the business any more, or they do fit the business?

Chinara Rustamova: They fit the business, because they have this broad set of skills. In small businesses, you tend to do lots of different things. You don't do just one thing. You don't work just in HR or in admin. You do a number of other things.

Q21 **Fleur Anderson:** If they got over the complexity and had someone, it



worked, but that complexity is a barrier?

Chinara Rustamova: Exactly, so starting somewhere is a problem. Also, I wanted to add to what Mark said on retention. It is important, now that we know the number of SMEs recruiting apprenticeships is falling, that we need to look at retention in large businesses, where the large businesses are able to retain all those apprentices they are taking on. Obviously, they upskill their employees as well, but I do think that small businesses—I do not have this data, so I cannot compare large businesses with small businesses—will be best placed to offer opportunities to stay in a business, and we need to look at that.

Q22 **Apsana Begum:** On the theme of the flexibility of the levy itself, some stakeholders have compared the levy to a tax. Do you think that this is a fair assessment?

Sally Gilson: Within the business we have paid in over £200 million and drawn down less than 10%. Certainly for our businesses, yes, it has been a tax. One of the reasons—if I could come back to Fleur—is to do with the complexity, not just the complexity in delivering but the complexity in writing. As I mentioned earlier, I am very much involved with writing the standards with IfATE. As businesses, we are not qualification writers. It is a great positive that you have employer-led standards, but employer-written does not always work. There has to be a lot more support for employers while developing.

We have had three years of back and forth to try to get a Level 3 standard for transport and warehouse supervisor, and it keeps being knocked back and knocked back. We have thousands of apprentices literally waiting to do this course, but we still cannot get it processed.

Stephen Radley: Can I support that point? In our industry the approach of developing the new standards has been really challenging. I think even the largest firms that, in theory, would have the expertise and time have found it extremely difficult. The idea of it being employer-led is great in theory, but it is hard for smaller firms to engage with it. If you think they deliver the majority of apprenticeships, the fact that they are not really involved in it is a real weakness. One thing that could be addressed is, alongside it being employer-led, involving those bodies that have the expertise and the ability to represent the voice of their sector. I say, modestly, that might be ourselves in construction, but I think also bodies like the FSB, the Federation of Master Builders and the chambers of commerce probably need a greater role alongside employers to help them navigate the complexity.

Q23 **Tom Hunt:** It would be interesting to know because I have a large employer in my constituency that I represent—in the insurance sector in my town—that has about 36 apprentices. It pays approximately £3 million levy. It uses up only about half of it, and it is absolutely convinced it does everything it can to create apprenticeships. That is why it personally feels like it is a tax. What are your views on that?



Nick Linford: Can I come in there? That is an interesting case study. It demonstrates that the policy is working, because the Government designed this tax so that large employers would use about half of it, and the remaining £1 billion or so would be used for small employers. It would be used for English and maths, for some extra funding for the disadvantaged and so on. The fact that large employers are not using it all demonstrates that they have enough that they need for apprenticeships, which leaves the rest available for others. That is the design of the system.

At *FE Week* we get press releases every other week from large employers lobbying and complaining that they want the system to be more flexible. They cannot spend it all. The reality is that that is the policy. What is left over is used for everyone else.

Paul Raby: To reinforce that, at the end of the day, if that was the aim—if that was the policy—it is working because, as a company, we spend £3 million a year on the levy. We are at 46% that we can actually draw down and we are looking at ways of drawing further down. It is costing us £1 million a year when, as an industry with very small margins, it is quite difficult to find that. We are looking at ways of drawing down further but without necessarily taking on that many more apprentices. I just do not know where that £1 million is going and I cannot see a demonstrable increase in the skills of the supply chain in the construction sector, which is a real concern.

Mark Dawe: It has always been a tax. It was a very clever marketing tool to say to levy payers, “We are taxing you but you can get it back through your account.” That was a great thing, because I think 80% of levy payers are now employing apprentices rather than 15%, or something like that. The complicated bit—it has always been complicated. Apprenticeships are complicated because you are combining job training, on the job, off the job, all of this stuff. Providers used to hide the wiring and then the Government and others decided that providers and assessment organisations were the devil’s spawn and said, “Stay away. It has to be employer-led.” Employers suddenly saw the wiring and thought, “Oh, we don’t want this.”

The providers do play an important role, especially with SMEs that do not have the capacity to deal with this. We are starting to see that come back now, where providers and assessment organisations are being involved in the trailblazers, because they have the expertise of delivery and assessment and are then involved in the selling of apprenticeships to the right people. Therefore, it is settling back in again, but for a couple of years they were excluded.

Q24 **Christian Wakeford:** You are drawing down 46% or 49%, but you have seen more of an issue with your supply chain. To what extent are companies like yours co-investing your levy, so that you are investing in your suppliers who benefit and you get a long-term benefit as well?



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Paul Raby: It is interesting, because in all of the discussions around reform over the last few years the only thing that has really changed is 10% to 25%. There has not been a lot of reform. We have found it very difficult to have discussions with our supply chain about transferring some funds direct to those. I think that is in part because of the complexity around the previous arrangements where you have to sponsor an individual and track that individual through their training, and take some responsibility as well.

Our concern is when our supply chain might work with us for three months on a project and then they might work for somebody else for three months and so on. The disparate nature and the fragmentation of our industry has not lent itself to that transfer of funds.

Q25 **David Simmonds:** This is something that has been touched on by quite a few people. The question is about SMEs. I think the first part about accessing funds for the scheme has been answered. Looking at the Department's supplementary estimates, one of the things that balanced the books last year was a very significant surrender of funds that were raised through the apprenticeship levy that simply were not spent by anybody on that. The question that flows from that is: we know there is a problem, so what changes do you think need to be made to the operation of the levy that will make it easier for SMEs to access it?

Mark Dawe: However it is funded, if there is a guarantee of £1.5 billion, both the SMEs and the providers know there is a market there. It may be there is spare levy that is thrown in, and it may become 16 to 18, or whatever, but without that guarantee we are seeing a fall year on year. The officials are sitting there, nervous that the money is going to be spent, so they are not giving it all out. Then some of it goes back, because they have not spent it all. For everyone's sake, that guarantee of money, taking SMEs back to where they were before the levy came in, to us is the simplest thing. That will then solve the lower levels, to some extent, and the young people's issue as well. It all ties in to this local delivery in areas of disadvantage where they generally don't travel, and the SMEs are much friendlier and almost family-like with their apprentices. All of this could be solved by that one solution.

Q26 **Chair:** Are you talking about abolishing training costs completely, Mark?

Mark Dawe: I would get rid of the 5%, because the SMEs say, "We have to look after them. We have to feed a lot of them. We have to help them with their travel, and we are putting a lot of time into supporting these young people, and now you are telling us we have to pay for that privilege as well?" So, get rid of that. £1.5 billion tomorrow in the Budget and we are sorted.

Chinara Rustamova: I agree that funding needs to be sorted so that small businesses have access. Funding is the biggest problem. When they try to find a training provider, most training providers they approach say, "We don't have the funding." We have heard that from a number of small



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businesses. Once they have access to funding, a huge number of problems will be eliminated.

I should also say that the fact that small businesses are now transitioning on to the digital apprenticeship service is an excellent improvement. By November I think all the apprenticeships will have to be delivered through that platform. Until this point, a huge number of problems small businesses experienced with training providers, or other issues, were because they were not using the service. Their experience of engaging with apprenticeships was very different from that of larger employers.

Nick Linford: It is really important that the Committee understands that the money is running out. It is the case that last year there was a £489 million underspend. As IfATE reported in April—although I do not think the Government have officially said this—about £300 million was given back to the Treasury. That is one-time only, because it is a new programme and particularly because we have been phasing out frameworks that have seen their funding rates drop through the floor, as I mentioned earlier. We are seeing apprenticeship standards, even at Level 2, for £5,000, £6,000, £8,000. As the NAO reported, that is more than double the cost per start that the Government had budgeted for.

The reality is—and you can read this in the Government’s own accounts for the ESFA—even before we talk about making it a more flexible programme and employers can do all sorts of other things maybe as well, an increased demand for apprenticeship funding in future years has the “potential to place pressures on funding provided by the apprenticeship levy” and budget pressures will be “explored through the spending review process”.

I want to be clear with the Committee. Right now behind the scenes, or certainly when the spending review process kicks off formally, the issue is—the Permanent Secretary sat in front of this Committee in the last Session and said this—what are the hard choices that are going to need to be made based on what is currently allowed to be funded as an apprenticeship? The programme as it stands cannot be afforded for everything employers want to do at Level 2, all the way up to not just Level 7 and the now famous MBA, but there are three Level 8s in development.

The first thing—coming back to an earlier point about employers and the money available—is employers need to pay for it. The idea that you would remove a 5% fee and make it all free, you would fully subsidise, for example, an apprenticeship MBA—to me, you cannot pay for everything. This is where the hard choices have to come in. This is where the Treasury needs to say, “There is a £2.5 billion public money tax here. What are we going to prioritise? Are we going to prioritise young people?” Two Conservative Party manifestos with reference to the £3 billion said “young people”. As Gavin Williamson said in his letter about the MBA, are we going to prioritise people entering the job market? For me, right now,



serious debate needs to take place about what those hard choices are, while lobbying for more money. There has to be realism about that.

Q27 Chair: Let me follow that up with a question. If it is the Government's priority to have more 16 to 18-year-olds or meet our skills deficit or address social injustice, should the levy then be on a sliding scale? If you use it for certain MBA apprenticeships, you would use a tiny part of your levy, and if you use it to employ a 16 to 18-year-old you would use a larger part of your levy. What is the view of the panel on that, please?

Laura Burley: If you speak to employers, they are saying, "Keep all levels, all standards" but, as Nick said, can we do that in this environment? Certainly, when employers are looking at what their skills gaps are, when SMEs are saying, "What do we want?", I think they want to be able to choose which standard and which level is going to work better for their business. They can assess the skills gaps. Is it policing or nursing or management and leadership? Is it digital? You need to be able to give them that choice, so I think the question is: is it better to buy less of something useful than more of something useless? How can those employers make those choices? They need to be able to assess what their skills are in their own business.

Q28 Chair: Should there be a sliding scale?

Mark Dawe: It is only just getting going, and it would be a real shame at the moment to cut the levy payers off at the knees. The easiest choice is to put that extra money in for now and give some breathing space to say, "This is a brilliant programme. It will spend the levy many times over."

Q29 Chair: Did you say the extra you are talking about—the £1.5 billion?

Mark Dawe: Yes, £1.5 billion, but to make it sustainable there will need to be some conversations about how it goes forward.

Q30 Chair: Should the levy be extended to the £2 million wage bill?

Chinara Rustamova: No. We do not think that would work. It would not generate enough money. Also, we have to bear in mind that many small businesses out there are struggling. They are paying four different types of tax; I hope I will be able to count all of them. If you are a micro-business and a limited company you have to pay a corporation tax, VAT, business rates and National Insurance contributions. A number of small businesses out there are just surviving and if you introduce another tax for them, lower the threshold.

Q31 Chair: What about if you extended it but then had completely free training, on-the-job training?

Mark Dawe: Our research with Public First showed that even if you drop it £0.5 million, it only raises £800 million extra levy and hits 150,000 companies. That payoff is quite a lot of pain for quite a small gain, relatively. While we thought that was a solution, when we looked at the stats it probably is not the best solution going forward.



Nick Linford: It is worth noting that fairly early on in the role the new boss at the Institute for Apprenticeships and Technical Education came out quite publicly to us at *FE Week* and said, "I want £750 million more to help with the small employers." Certainly, I think there is an argument for more funding, if you want to pay for all of these Level 6 and 7 degree apprenticeships for existing employees with public money. If you want to do both of those things, you will have to put more money in.

In reality, the Treasury will look at this through the spending review and say, "There is an extra £1 billion in there already. If we keep putting more money in and keep letting employers use it for whatever they want, it will always be overspent." I ask college and training providers, "Which would you prefer? Would you prefer the Institute for Apprenticeships to cut the funding rates, as they are currently projecting to do in their consultation, to the point where you cannot deliver it any more, to afford it, or actually make some hard choices now and say employers should pay for their MBAs, and employers should pay for the university professor apprenticeship at Level 7?" What are we doing using public money when we should be subsidising young people? What are we doing using that money for existing employees to get their second, third, fourth and fifth degrees?

Laura Burley: That is an interesting example, but at the moment the senior leader degree apprenticeship, which is the MBA that Nick is referring to, is only 0.86% of all starts across the entirety of the programme. I appreciate that is part of it, potentially, but it is not going to solve it. You are not going to get the money through that.

Q32 **David Johnston:** One of the things I saw at the charity I was running before I was an MP was more and more graduate employers putting all the members of their graduate scheme on an apprenticeship when they came in as part of paying the money. Thankfully that was not the ones we were working with, but we could just see the growing practice once people realised this was a wheeze: you put every graduate on an apprenticeship and spend the money. I think that is part of the context of how the money is being spent, whether we are running out or not. To what extent do you think the money is being used for the Government's original intention, which to my mind should be to help young people get their first steps on the ladder rather than to help people already way up the ladder take a couple more rungs?

Paul Raby: We have done very little graduate retraining. However, we have to look at the whole concept of what the apprenticeship levy is. It is a very blunt instrument, and it is one size tries to fit all. Large organisations have teams of people looking at this. I personally have a budget and I have £1 million extra that I am looking to try to draw down. One of the unintended consequences is I am going to look at how I can spend that and create more apprenticeships. That may well be by transferring individuals on to different types of training, so that is a



possibility going forward. I think you will see all large companies looking at how they can do that, because it is a tax.

The alternative is that any reforms have to be targeted, and I think it has to recognise that large companies will carry on training people and bringing in apprenticeships, but some of the smaller organisations find it very difficult to do. Any reforms just have to be targeted around some of the smaller businesses.

Mark Dawe: Let's be clear: when the Government started this, they said, "We want higher and degree apprenticeships." Again, they said to us, "If it means we lose Level 2, Level 3, so be it." Originally, when it was in BIS, the Government's goal was productivity, productivity—high level stuff. "We don't care about the low level and the first steps."

Q33 **David Johnston:** Can I just separate those two points? I acknowledge and agree with the Government wanting those higher-level apprenticeships. This is a slightly different thing of graduates on a graduate scheme being put through an apprenticeship just to spend the money, which is different to the aspirations—

Mark Dawe: I am a chartered accountant, and to me that was an apprenticeship post degree. They have been doing it for years, and spending their own money on it. Suddenly they were taxed, and they were saying, "We do this anyway so we will just transfer the money over." Now the question is: is that good or bad? They were leading the way in many cases, overtraining for the rest of the sector. I am not saying that is where we need to end up but in the early days you can't blame those organisations for saying, "We are doing an apprenticeship anyway and the standard is available, so we will move on to that." The biggest problem I see is that while encouraging this—and degree apprenticeships are transformational—we are hitting the very people we need to help. Those young people and adults, the whole levelling-up agenda, these are the people that we are hurting the most at the moment by affecting SME funding, by affecting Level 2 availability and by not putting in additional incentives to recruit young people. It used to be that you got almost 50% more if you took a young person on; now it is flat.

Q34 **Chair:** I am going to come on to Caroline, because there is a lot of overlap between the questions, but going back to the sliding scale, wouldn't that solve some of this problem?

Mark Dawe: It would. I think we have to step back and say we want all of this work and we want to make sure there is enough funding at every level, so the last thing we want is a sliding scale that somehow just ends part of what is working really well. With HE funding, 50% is going to have to be Government funded anyway, so why not use that to support the degree apprenticeships more?

Chair: Caroline, there is a fair bit of overlap between you and David.



Q35 **Dr Caroline Johnson:** My question was about whether the employers should be allowed to use the levy to fund things like MBAs or senior courses. Nick sent me a Twitter message this morning about being able to become a university professor. My thoughts on apprenticeships—and I do not have a background in education—are that they were either to train young people on their first rung or where someone was having a complete career change; perhaps, as part of our green revolution, they were being retrained to do something else that was completely new. Does the Committee think this is the right use of funds?

Chair: We could not let this Committee go without Nick responding to this particular bit.

Nick Linford: Let's just start with the one that is in the limelight. Out of over 500 standards, the one that is in the limelight is the MBA, not just because we have been reporting about it but not least because of the Secretary of State's letter last week about it. Let's just be clear on some of the numbers. In September, single month, there were over 1,600 starts at £18,000. That is about £30 million, which would pay for about 14,000 16 to 18-year-olds instead of 1,600 individuals getting their MBA qualifications, which I think in the vast majority of cases would be senior employees. I am not suggesting that MBA is not a great qualification, but asking whether public money should be used for that arguably instead of other things we have been talking about, like young people. To me, the answer is obvious where it should be going. It should not be going on the MBA.

I think it is a much broader question. I tweeted this morning about the academic professional Level 7, as it is known, which I would call the university professor apprenticeship. What is quite shocking, arguably, about that particular apprenticeship is that the plan is that about 115 universities will be delivering that to the tune of about 2,000 starts a year at about, I think, £9,000 each. You do the maths on that: tens of millions of pounds. This is an apprenticeship for professors. They are already professors. It says in the guidance from the IFA you need to have a Level 7 already—that is a pre-entry requirement—before you can do this apprenticeship at Level 7. It has got quite ridiculous now.

As I do, you read the board minutes from the Institute for Apprenticeships and they are very nervous. They have meetings, they talk about what is in the spirit; what is value for money is one of their responsibilities at the institute. They are very nervous, for example, about the eight PhD-level apprenticeships in development at the moment. It is the Department for Education, as I understand it, right now, which is steamrolling those through on the basis this is employer-led. Employers want the PhD apprenticeship; they should get what they are paying for. Well, just to come back to the original point, it is proven now. The Permanent Secretary sat in a committee room and talked about hard choices, because there is not enough money for everything. If the employers use it all, there will be £0 for small employers.



Q36 Chair: I have had a letter from the Chartered Management Institute about all this, and I will quote what they say. First, they give a whole load of statistics about these management MBA apprenticeships improving productivity and say that we are way behind. On the specific master's degree apprenticeship standard, which has come under controversy, they say, "Of the near half CMI SLMDA apprentices where we can identify the sector, 61% work in the public sector or not-for-profit: 52% in the public sector and 9% not-for-profit. There are only 7% employed in FTSE 350 companies. 70% of CMI SLMDA apprentices are in regions with lower than average UK productivity levels, 40% are located in the four regions of England with the lowest levels of productivity and 48% are females." What is your comment on that?

Nick Linford: Let's be clear: CMI are the assessment body for all these apprenticeships, so they can only make their money from selling these qualifications. These are figures that they have produced based on the information they have—and no one else has—available to them. I will give one example there. They talk about it being in the public sector. We ran a story with *FE Week* last week about which sorts of organisations are running it. It is quite true that the public sector has picked up a lot of the MBAs. That is driven in part because there is a policy for which they have to achieve a 2.3% target—a classic Government target, like the 3 million, no granularity. The Department for Education has 34 MBA apprentices and they need to hit their 2.3%. People like Emma Hardy, the Shadow Minister, have asked, "How many are they doing at Level 2?" Should we not be saying, "Okay, have a target in the public sector, but why is the Director of Apprenticeships, who has now moved, being at the time at the Department, enrolled on an apprenticeship MBA?" It is great to have management training. I do not think anyone is questioning the quality of lots of management training, but if that is public money not being spent on a young person, how do we justify that, as a society?

Stephen Radley: I was going to say that although the issue of whether or not MBAs are funded is important, it is almost a subpoint. The key issue is we need the clear statement about what the priorities are for apprenticeships. I think if we have a commitment to build more infrastructure and more homes, we want to grow more of our own people rather than bringing them in from abroad. We are also committed to levelling up. It does suggest that more of the priorities should be about younger people and entry-level apprenticeships. We need that clear statement of priorities and everything else falls out from that.

Q37 Dr Caroline Johnson: I can see that degree apprenticeships are useful. I used to be on the Health Select Committee, and there is a nursing degree apprenticeship. As I saw it, the purpose of degree apprenticeships was enabling people to work and gain income while studying for a degree, thus allowing people perhaps that were older or had caring responsibilities to do them. Whether that funding should come out of the apprenticeship levy or whether it should come out of degree funding is of interest to me. What do you think on that?



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Chair: I also think there were two very different perceptions of degree apprenticeships. There was this MBA-type training and there were degree apprenticeships, like nursing degree apprenticeships, police degree apprenticeships, engineering—

Dr Caroline Johnson: Which funding pot should they be coming out of?

Laura Burley: It is going back to Stephen's point about what the levy is designed to do. Is it productivity, as it was in the big 2017 fanfare, or is it social mobility; is it both? It is having those difficult conversations.

To your point, Caroline, about the NHS and nurses, NHS is the biggest levy payer. There is chap that a few people might have met who came to the All-Party Group on Apprenticeships a couple of weeks ago who left school at 16 with Level 2 qualifications, sold trainers on Brick Lane—amazing guy—and started working as a mental health nurse associate in Northamptonshire. Having worked there for about six years—he started doing it full time, having done it part time alongside the trainer stuff in Brick Lane—his employer then said, "I see something in you. Let's put you on the registered nurse degree apprenticeship." The OU helped him with his functional skills and we are supporting him to ensure that he is working at degree level. That is transforming his life; it is changing what he is doing in his mental health training with teenagers. I guess the apprenticeship levy has enabled that to happen. Where else would the funding come from in that scenario? I don't know.

Q38 **Christian Wakeford:** I was fortunate enough, as part of National Apprenticeship Week, to spend some time with mental health nursing associates. Now, in hindsight, if they had told me it was a high security unit I might have thought twice. Part of the issue they highlighted while I was there was that while it was great to be able to onboard these apprentices, the difficulty was in actually paying them. They had this large amount of levy left over. They are still having to pay them on bank shifts and everything else, whereas if they could dip into that they would potentially be able to get more apprentices on. It was the lack of flexibility that was holding them back. What would you see as a possible solution to overcoming some of these obstacles? There is the will there to do more, but it just seems there is a boundary saying you can't go any further.

Laura Burley: There is an issue within the NHS, for example with nurses, of the supernumerary function. If you are taking a nurse off the ward for the 20% off-the-job, you still need to backfill them on that day and the trust needs to pay for that. That said, there are fantastic examples now, up and down the country, in England of where trusts are managing to overcome that. As different parts of the hospitals and the health workforce, in social work as well—there is a fantastic social work provision in York and that is transforming it—see it is working NS see the impact, they are finding other ways to get around some of the inflexible parts of it.



Sally Gilson: Going to back to the previous point, over 70% of occupations within logistics are at Level 2, so that emphasises our need for those foundations of level and to keep the flow of money coming that way.

Chinara Rustamova: I was going to answer Caroline's question, and Laura said that apprenticeships should be about productivity and social mobility at the same time. But it is also important to look at who uses MBA degree apprenticeships. If this is about productivity, Britain's productivity problem is about small businesses. I think we have heard the term "the long tail of productivity", and that is where all this conversation started from—that Britain has too many small businesses that don't grow. That is why we need to make sure businesses have funding.

Paul Raby: Picking up on that point, don't assume that all apprenticeships at degree level are bad. We take on electricians and they move through the different grades and become chartered electrical engineers. We take them on at entry level, sometimes from disadvantaged backgrounds, and they become very successful.

Q39 **Chair:** That is why I describe them as my two favourite words in the English language. Those kinds of degree apprenticeships are the ones that I am talking about. I think the levy, the higher education system and the bureaucracy needs to be incentivised in order that we can have more from them.

We are going to sum up. I would like to end by going around the table with all of you and asking you to give one or two things—we have to finish just after 11.20-ish—that you would do to reform the levy. Just to put you on the spot, why don't we start with you, Chinara?

Chinara Rustamova: I think it should be the funding, making sure that small businesses have access to funding. Whether it is by injecting money or by some other means, there has to be funding for SMEs. That said, if the Government were to introduce a new system—a new funding injection—and if they were to have two separate systems for levy payers and non-levy payers, they have to make sure that in practice there is no difference between them during the delivery; that small businesses are not discriminated against.

Paul Raby: I have two things to say. The first is the use of the funds. We are a great supporter of organisations like Prince's Trust, who do a great programme called Get Into. It is a six-week programme with people from very disadvantaged backgrounds. They learn about the construction industry and then we take on quite a few into jobs.

Q40 **Chair:** What would be your recommendations?

Paul Raby: Could we fund some of that out of the levy? It is duplicating some of the training.

Q41 **Chair:** To fund their training work?



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Paul Raby: We pay thousands of pounds—

Q42 **Chair:** As part of your supply chain, in other words?

Paul Raby: Yes, we pay thousands of pounds to the Prince's Trust to run these events. When we take them on—

Q43 **Chair:** What you are saying is: extend the supply chain to those civil society organisations?

Paul Raby: Yes. I would like to be able to draw the £24,000 down from the levy.

Q44 **Chair:** Thank you, and the second thing?

Paul Raby: The second one is whatever we do, can we try to keep things really simple?

Q45 **Chair:** Keep it simple. Stephen, keep it simple?

Stephen Radley: Chinara has already made what I think is the most important point, which is about SME funding. Probably following on to that I would say the 16-to-18 premium. That is important to—

Q46 **Chair:** The 16-to-18 what, sorry?

Stephen Radley: I think we should look at restoring the 16-to-18 premium.

Q47 **Chair:** Sorry; what do you mean by that?

Stephen Radley: There was formerly a premium for employers that took on 16 to 18-year-olds.

Q48 **Chair:** I see, yes. Nick?

Nick Linford: I run a small, successful business. As an example, for the price of £900, which is 5% of £18,000, I can put myself on an apprenticeship: £900 for an MBA, and public money pays the remainder to get you to £18,000. That is absolute lunacy, and there are other examples. To make the point, you have to get social justice ahead of employer ownership. It was great in phase 1 to tell employers they had ownership; it got them excited and it got them on board. Now there needs to be some realism about the impact that this is having on the ladders and the rungs. It is the bottom rungs right now that are suffering as employers are cashing in.

Sally Gilson: Where apprenticeships are not particularly working for us, we have to be able to try to use levy funds for vocational training as well, just so that we can respond to market demands. Over the next 10 months, we have to train and recruit 50,000 customs officers. Our members straight away say, "Why can't we use our levy funds for this?" It is ludicrous. This is training for long-term jobs.

Q49 **Chair:** You are saying it should be used for non-apprenticeship training.



Okay. Mark?

Mark Dawe: £1.5 billion for SMEs, level up the English and maths funding for apprentices, which is half the rate of any other learner in the system, and properly support Level 2 standards development, including Level 2 business administration.

Q50 **Chair:** Would you scrap all training charges?

Mark Dawe: My preference would be for that, but that is part of the discussion.

Q51 **Chair:** Nick, you wouldn't do that, because you think the employers have to buy into it; is that right?

Nick Linford: I have been doing this for 15 years, with many funding methodologies. History has always shown that when you give it away, it is not valued.

Q52 **Chair:** 5% is not a big ask.

Mark Dawe: For care homes—low margin, low wage—5% is actually a big chunk of money when they are also putting in the effort to train. It was always free, so let's not get that wrong. It was always free.

Q53 **Chair:** It was never free; it was paid for by the taxpayer.

Nick Linford: If an employer cannot afford 5%, the chance that the apprentice will still be in a job before they finish—

Mark Dawe: That is not true.

Nick Linford: If an employer is unable or unwilling to pay a 5% subsidy, you have to question their cash flow and whether you really want an apprentice working there, in terms of the longevity of that business.

Q54 **Chair:** Paul, what is your view on the 5%?

Paul Raby: It costs us £3 million and we get half of that back. The delta means that we are not investing that money somewhere else.

Chinara Rustamova: We feel that 5% is fine, but let's not forget that it used to be 10%, and 10% is a lot for small businesses. Keeping it at 5% is also important. It shouldn't go back to 10%.

Laura Burley: I don't have a view on the 5%, but you need to think about the social mobility angle. It does need to remain employer-led and have that aspiration and those pathways so you can see where you are going when you take on a Level 2 apprenticeship, where you could go and all the different exit points there. The other thing is funding stability and long-term thinking. There is going to be no quality and innovation in the system from providers, from SMEs or from the employers, thinking about what they are doing, if everything is changing weekly. I appreciate that there is a lot up in the air at the moment, but we need to be able to feel secure and understand where the apprenticeship levy policy is



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heading so we all, as a sector, can make it work and really make the difference for those apprentices whose lives it is going to transform. We can't keep chopping and changing.

Q55 **Chair:** Is that a plea for stability?

Laura Burley: Yes, keep it employer-led and that stability.

Q56 **Chair:** Is that a general view, a plea for stability?

Laura Burley: It is evolution, not revolution, isn't it?

Ian Mearns: I can understand why Laura has said what she said, but unfortunately it was the fact that it was kind of a laissez-faire employer-led strategy that led us to the levy in the first place. It just wasn't working with the numbers of people that were getting into training across the board. I think if we went back to a completely employer-led system, we would probably before too long revert back to what we had prior to that. Increasing participation at whatever level has to be the foremost objective of this. I thought that the 3 million target was an arbitrary figure and was probably completely mistaken, but the fact that the Government just abolished it, or just put to one side the numbers target, was a shame, because it was a driver that would increase participation across the board.

Q57 **Chair:** On the sliding scale proposal, is there general agreement on that or not? If the priority is to have more younger apprentices, you would use more of your levy, and vice versa.

Nick Linford: I believe there was a proposal, Mark, was there not, at one point from AELP that for the higher level, the degree apprenticeships, there should be a 50% contribution from employers?

Mark Dawe: We have looked at different models, either 50% for a higher level or you have a salary level where whatever salary you are on when you start the apprenticeship—say, under 25—is free and then beyond that maybe you have a scale there. There are different ways of cutting it. It very much depends on where the priorities need to sit, and that is the wider discussion we need.

Laura Burley: The Augar review in the last Parliament looked at the equivalent or lower qualification rule, so if you already have a prior degree and want to get another one and retrain. I think the key there, though, is this: for me, with my history of politics degree, if I now wanted to retrain as a nurse, which is a Level 6 equivalent, should that be funded because that is reskilling in a shortage area? Then, what is defined as a skills shortage area? We are hearing that leadership and management is a skills shortage area with the fourth industrial revolution and so on, and also social work, policing, nursing. That is quite a difficult debate to square.

Q58 **Christian Wakeford:** That goes back to David's question earlier on in the debate. If we highlight in the public sector where there are issues in



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employment and recruitment, while a sliding scale is beneficial, there also need to be exemptions—nursing or civil servants or civil engineering—provided that it stays within the public sector.

Laura Burley: But then what about the nurses and the managers who are in the NHS?

Stephen Radley: I think the policy of a sliding scale is a good one. It might be a good idea to pause first and see. We have two major changes this year: moving everyone over to the digital system and phasing out frameworks. Let's see how that works first before making any other big changes.

Chair: I appreciate your time. This has been an invaluable session. We hope to have a session soon with the Skills Minister where we will reflect some of the things that you have said. I wish you all well and thank you all for what you do.