HOUSE OF LORDS

Select Committee on Economic Affairs

Corrected oral evidence: The Economics of Higher, Further and Technical Education

Tuesday 27 February 2018.

3.35 pm

Watch the meeting

Members present: Lord Forsyth of Drumlean (The Chairman); Lord Burns; Lord Darling of Roulanish; Baroness Harding of Winscombe; Lord Kerr of Kinlochard; Lord Layard; Lord Sharkey; Lord Tugendhat; Lord Turnbull.

Evidence Session No. 12 Heard in Public Questions 140 - 153

Witnesses

I: Professor Alison Fuller, Pro-Director, Research and Development, UCL Institute of Education; Dr Hilary Steedman, Senior Research Fellow, Centre for Economic Performance, London School of Economics; Mr Antony Jenkins, Chair, Institute for Apprenticeships.

II: Professor Sir Alan Tuckett, Professor of Education, University of Wolverhampton; Professor Ewart Keep, Director, Oxford University, Centre on Skills, Knowledge and Organisational Performance; Mr Stephen Evans, Chief Executive, Learning and Work Institute.

Examination of witnesses

Professor Alison Fuller, Dr Hilary Steedman and Mr Antony Jenkins.

Q140 **The Chairman:** I apologise for the temperature in this room. I am told it is going to get better; it certainly cannot get worse. Mr Jenkins, Dr Steedman and Professor Fuller, welcome to the Economic Affairs Committee. I think you are familiar with our inquiry. Perhaps I could start off with quite an easy question. The Government say that apprenticeships should be offered to existing employees only where substantial training is required to achieve competency in their occupation. To what extent do you think this is adhered to?

Professor Alison Fuller: At one level, we do not know because we do not have sufficient indicators to measure. However, there is no reason to suggest that things have changed specifically since about 2008 when Lorna Unwin and I were specialist advisers to a House of Commons Select Committee looking at the Apprenticeships, Skills, Children and Learning Bill. We asked for and were given data on the percentage of those converted from existing employees to apprentices. It was about 70%-plus. There is no reason to suggest that may have changed, so that is an indication that we need to be cautious about the level of additional significant training people may be getting, even if they are on an apprenticeship.

There is a kind of correlation between people who are converted to being apprentices and a more limited programme of new learning, and perhaps a stronger likelihood that it is around accrediting existing skills and assessment rather than new learning. There is concern about that. Ofsted picks this up to some extent in its inspections, when it focuses on older apprentices and lower-level apprenticeships at level 2 where it is not clear that there is a substantial programme of new learning. It is very much a cause for concern, and it is not clear that the levy will have any positive impact on that. There are no strong metrics or indicators to show us what the additionality is around apprenticeship provision.

The Chairman: The Government's most recent survey found that only 43% of existing employees on level 2 or level 3 apprenticeships were aware they were doing an apprenticeship.

Professor Alison Fuller: That is another piece of evidence, but it is not systematic. That is not to say that we do not have incredibly high-quality apprenticeships in the system, but we are talking about a significant proportion, and it would be good to have clearer data to enable us to answer that question more specifically.

Dr Hilary Steedman: In the past, and possibly the present, it is the case that there is quite a lot of incentive for providers, who are struggling to recruit apprentices and spend their government funding, to offer apprenticeships to employees already in place. They may be training for a new occupation within the company they are working for, but they are easy prey, and it is much easier for providers to supervise their apprenticeship. They are older and already quite skilled in many ways. We often do not get value for money when that happens.

However, if the new standards are introduced in a more widespread way, with independent assessment, it could mean that we get much better value for money, even if it is a case of older experienced employees being put on to apprenticeship programmes. We are in for a period of change and, hopefully, a change for the better.

The Chairman: We have had evidence of people using the levy to send people on MBA courses and other things.

Dr Hilary Steedman: I thought that was a different question, but I am happy to offer an opinion. I had a quick look at what happens in France. They allowed graduates to be trained through apprenticeship some years ago and now a quarter of their apprentices are doing degrees or above. Then I thought about Germany, and I recalled—

The Chairman: I am sorry to interrupt you. I was not thinking about degree apprenticeships and their merits, but whether or not the levy was really designed to provide funding for employers to send senior people on MBA courses. Perhaps rather naively, I thought that was not its purpose.

Dr Hilary Steedman: It is whether you can argue that it is a new occupation. If they have not had a new occupation before, which is often the case for undergraduates or new graduates entering a company, you could argue that it is a new occupation. If they are to be moved to a new position in a company, it could also be argued that it is a new occupation. Without firm management, that is what will happen.

The Chairman: It is what we used to call deadweight cost. Mr Jenkins, do you want to comment?

Mr Antony Jenkins: The only additional point is that we are in a process of significant transition from frameworks to standards. Frameworks themselves were quite light touch in their specificity, and, as Dr Steedman observed, they were driven by providers. The notion is that standards are created by employers to reflect not only their overall skills needs but the knowledge, skills and behaviours required in any particular occupation.

I recommend that the Committee look at the institute’s website. I happened to pull out one standard: level 2 in fishmongery. This is the endpoint assessment plan that describes what you have to do to qualify as an apprentice. It is 33 pages long and goes into great specificity about everything you need to know to fulfil the standard. As the standards are taken up by employers, and we are seeing some early encouraging evidence of that, not only will we have the skills employers need, but the apprentices themselves will have skill acquisition that will enable them to build their careers and be more economically productive.

The Chairman: How many standards are there going to be?

Mr Antony Jenkins: Right now, just over 200 standards have been approved.

The Chairman: But how many are there going to be?

Mr Antony Jenkins: There are another 300 in the process of going through, so we think there will be about 500.

The Chairman: How long will that take?

Mr Antony Jenkins: We think another two to three years.

The Chairman: If you are not a fishmonger, if you are somebody who does not have a standard and wants to take on apprentices, what happens?

Mr Antony Jenkins: There are still frameworks available to you to take on apprentices under the old framework system. We have focused on where there is real employer demand. There may be only a small number of employers in the 300, but we now have standards for nurses, paramedics, teachers and so on. The other important thing is that, if you look historically at the data on apprenticeships, they suggest that most apprenticeships are at level 2, which is basically one level above GCSE. There is nothing wrong with apprenticeships at level 2, but the skills gap in this country is primarily at levels 3, 4 and 5. We see a lot of standards being set at levels 3, 4 and 5.

Professor Alison Fuller: Level 2 is seen as broadly equivalent to four or five GCSEs. There is a lot of debate about whether it actually is because, for example, level 2 in customer service does not necessarily include the stretch and significant learning that would be needed to get four or five subject GCSEs, but level 2 has always been equivalent to GCSE.

Lord Turnbull: Can you confirm that the distinction that matters is not existing versus new employees—it could be either—but whether as a result of the new arrangements the level of training is more demanding and effective than they would otherwise have got?

Mr Antony Jenkins: I think that is correct. It is knowledge, skills and behaviours that they did not previously have. It is not simply validating that somebody has the ability to work in a customer service call centre, and, therefore, gets an apprenticeship after the fact. It is the acquisition of new skills.

Lord Turnbull: Are there signs that that step-up in the quality of the training, broadly defined, is happening?

Mr Antony Jenkins: It is very early to say whether or not it is happening. There is a lot of evidence to the contrary, as my colleagues on the panel have described. The institute came into effect only in April last year. Standards existed before that, but the real operation of the standards system is less than a year old. There is enough to say that there are reasons to be cautiously optimistic.

The Chairman: I just had a look at the standards for fishmongers. They are very detailed, right down to naming the parts of lobsters. Presumably, quite a lot of that could be left to the employer, could it not?

Mr Antony Jenkins: In the endpoint assessment, the apprentice has to demonstrate that they have mastered those skills. In reality, although there is a requirement for 20% off-the-job training, a lot of the training itself will occur on the job, backed up by off-the-job components.

Q141 **Lord Kerr of Kinlochard:** First, the introduction of the levy seemed to be followed by a sharp drop in the number of apprenticeships, which seems to be continuing. Is this simply transitional, or have we got something badly wrong? Secondly, a number of bigger companies that run apprenticeship schemes seem to have decided that the levy should be treated simply as a tax. They will carry on with their apprenticeship schemes but do not expect to get anything back. Thirdly, a number of colleges seem to say that the job of setting standards is an extraordinarily bureaucratic one, which is taking a very long time. Mr Jenkins, you said you thought another two to three years would be required. If that is partly the reason for the fall in apprenticeships, this transition is going to last quite a long time. Should we be worried that a new policy and a levy has increased the costs to business but produced a lower number of apprentices?

Mr Antony Jenkins: First, what happened prior to the levy being introduced in April last year was that a lot of apprenticeships were booked on the old standards, principally by non-levy-paying companies because they had the opportunity to do that. What we have seen in later months is that the number of apprenticeships booked on the standards is increasing significantly. We are also seeing higher levels of apprenticeships being undertaken, which, broadly speaking, is a positive thing, because it implies a high level of skilling and is consistent with the desire to put the control of training in the hands of employers. My view is that, although it is too early to call it definitively, what we are seeing is caused principally by transition. We are seeing some positives, such as higher-level apprenticeships under way.

Of course, the design of the levy is more a matter for the Treasury than for the institute, but it was always intended that it would be available to non-levy-payers—in other words, smaller companies that do not meet the payroll threshold. There was always an assumption that some of it would not be consumed by the levy payers. There has also been a recent change that allows levy payers to use some of their levy in their supply chain, for their suppliers, if they choose to do that.

On the final point about the process of production of standards, I do not think the elapsed time in the current process is acceptable. It is a partnership between the employers, represented by what we call trail blazers, and the institute. The trail blazers themselves have to do the majority of the work, but the process is still not efficient, so we launched a body of work in the institute called Faster and Better which uses industrial re-engineering techniques to look at how to shrink the cycle time to get it down from approximately 15 months today to closer to six to eight months. That work is launched and is in full flight; it includes digitising and simplifying the process, and crucially, because each apprenticeship has a funding band allocated to it, bringing funding into the cycle much earlier, so that the trail blazers know what they have to work with. We are confident that the cycle time can be compressed, and that the standards will be produced much more effectively. It represents a significant change in the overall operation of apprenticeships.

Dr Hilary Steedman: It is worrying that starts have fallen, but it is not really surprising. These are huge changes. I have been a bit concerned that the emphasis in preparing employers to cope with the changes, which is work carried out principally by the National Apprenticeship Service, has focused very heavily on levy-paying employers. These employers are tremendously important. It was considered important to hold their hands, and I think it was described as hand-holding; but it has meant that the vast bulk of small companies, which after all provide a majority of apprentices, were basically just given a website and some numbers to call. Recently, there has been a bit more of an attempt to get out and meet those small companies, but they have been hit in a different way because they have been asked to provide some funding for apprenticeships. I think the department is beginning to think again about that. It could have been a reason why a number of companies have not offered apprenticeships.

Employers were asked to negotiate with providers, to put their apprenticeship out to tender, get offers from providers, get on the phone and negotiate a price. They have not negotiated, as the DfE has just admitted. All of it has been made too complicated. It ought to be simplified. Even if the levy payers are a bit slow in coming forward, which is understandable because they have two years to spend their levy money, it should be possible to re-energise the smaller employers. They do not have to switch to standards immediately. We can hang on to the frameworks for as long as we need to.

Professor Alison Fuller: The levy arrangements have played a role in destabilising the system. That is not necessarily a comment that it is a bad thing to try to do, but for a long time, through policy, we have treated employers as a passive partner in the vocational education and training system, including apprenticeships, with a provider-led system and providers being the advocates for apprenticeships, saying, essentially, "It won't hurt; we'll do it all for you". A switch to make employers an active partner is going to take a bit of time, and perhaps that was underestimated.

As to why standards are taking so long, it is probably worth saying that the Institute for Apprenticeships has taken a while to become established, and in that time there have been a number of changes in the rules of the game, and in what is expected in the standards and what is not. There has been a lot of concern and contestation around whether qualifications, for example, should be part of them. There was some guidance before, and that has changed. The view of quite a number of stakeholders is probably to stand back and wait for things to settle down, and ultimately that has led to major drops, particularly for young people. It also suggests that people are perhaps trying to play safe with existing and older employees, continuing with the frameworks and so on. There are a number of factors that help us to understand the change, in addition to the ones Hilary and Antony talked about.

Lord Kerr of Kinlochard: When do you think we will get back to the pre-2015 level of apprentices? When do you think we will hit the target of 3 million apprentices?

Dr Hilary Steedman: I hope we do not. I do not think we should have the target. We should not be driven by it. I would like to see fewer apprenticeships at level 2 and more apprenticeships going to young people. If you look at the very latest figures, level 3 has declined less than level 2, so maybe we can see some hope in that trend.

Lord Kerr of Kinlochard: Do you think that, with all the complications of this new procedure, we will get back to the level of apprenticeships we saw as recently as, say, 2015?

Dr Hilary Steedman: I am not sure I want to. There is a long tail of very low-quality apprenticeships. Although one does not want opportunities for young people to be restricted in any way, some young people on apprenticeships are not well served and they deserve better.

The Chairman: Is your argument that it has been "Pile them high. Sell them cheap", and you want a smaller number of higher quality?

Dr Hilary Steedman: I would love a larger number of higher quality, but if we see a decline in the long tail we should not be too concerned.

Lord Sharkey: Do you know whether that is the case? Is that where the decline is?

Dr Hilary Steedman: As I said, the latest figures show level 2 declining a little faster than level 3.

Baroness Harding of Winscombe: I have a degree of sympathy with the argument that these are very big changes and that the process of going through any change is never painless, and, therefore, there is a hiatus when employers step back and wait and see, so it is too early to judge. My concern is that I do not know how we are going to tell, over the course of the next 12 to 18 months, whether or not we are coming out of that and the changes have been worth it, which may be a different way of asking Lord Kerr's question. What are the leading indicators that we should see in the next 12 months that would give you confidence that all of this transition has been worth it?

Mr Antony Jenkins: The indicators would be starts on standards increasing significantly, and there are some data to suggest that is true. The mix is very important across levels, because the skills gap in our country is at levels 3, 4 and 5, and we want to see more apprentice starts in those areas. Sometimes a level 2 is fine if there is progression to levels 3, 4 and 5. Many apprentices do more than one apprenticeship, which is also fine. That is what we would want to see.

Regarding the target of 3 million, approximately 1.1 million apprenticeship starts have happened to date. Most of the modelling I have seen suggests that the target is still achievable, but our responsibility at the institute is to ensure high-quality apprenticeships. I very much support the comment that we want high-quality apprenticeships, not only apprentices who know they are undertaking an apprenticeship but ones who will truly see their skill level increase, and thus their economic prospects.

Lord Turnbull: Can you clarify the terminology? When you talk about a level 2 apprenticeship, is that the level they get to or the level at which they start?

Mr Antony Jenkins: The level they get to.

Lord Kerr of Kinlochard: I am puzzled. Personally, I rather agree that the target of 3 million is odd and possibly undesirable, in that it puts emphasis on quantity rather than quality, but, Mr Jenkins, I would have thought that it was your job to deliver what the Government said they wanted, which is 3 million apprenticeships. Am I wrong about that?

Mr Antony Jenkins: That is not the job of the institute. The institute has three responsibilities. The first is to set standards for each apprenticeship. That standard has to be robust, in line with best practice and consistent, so that a standard in education is as robust as a standard in engineering.

The second thing we do is to recommend a funding band to the Secretary of State for the training and assessment component. There are, by coincidence, 15 funding bands, and we recommend one of those. In all cases, I think the department has accepted our recommendations, but clearly that recommendation has to be economically viable for the employer, the provider of the training and the provider of the endpoint assessment.

Our third role, which is a default role, is endpoint assessment, which is the way it is assessed that apprentices have acquired the knowledge, skills and behaviours of the apprenticeship. There are organisations that do that, but those organisations have to be quality assured. When there is no other body that will provide that quality assurance, the institute will do that. We have no mandate for that target.

Lord Kerr of Kinlochard: I understand that; I was wrong. What would be your answer to Baroness Harding’s question? You say it will take two or three years before we get back to the level we were at, let alone the target. How will you know whether this policy is succeeding or failing?

Mr Antony Jenkins: As I said to Baroness Harding, the critical thing to look at is the starts on standards increasing, ideally starting at higher levels, particularly those aligned to where we believe the skills gap is in this country, which is around levels 3, 4 and 5.

The Chairman: Who is actually responsible for delivering the 3 million target?

Mr Antony Jenkins: It is a target spread across many different organisations. For example, the National Apprenticeship Service has a big responsibility in the promotion of apprenticeships to both apprentices and employers.

The Chairman: But who is responsible for saying that this target will be delivered by this time?

Mr Antony Jenkins: The department.

Q142 **Lord Darling of Roulanish:** I want to ask about quality. I understand that, of the apprenticeship providers surveyed by Ofsted, about half were found to be inadequate or to require improvement. When you consider that "inadequate" covers 37,000 people, it seems a very high total. I thought you were just telling us that one of your jobs at the institute was to look at quality.

Mr Antony Jenkins: If I may take a second to clarify this, the apprenticeship landscape is quite fragmented. There are many organisations involved in the provision of the overall quantity and quality of apprenticeships. For training providers, that is principally the role of Ofsted. There are some other organisations—for example, where degree-level apprenticeships are involved.

Lord Darling of Roulanish: Ofsted inspects them. Who is responsible, their having been inspected, for making sure that something happens? Are you saying that is Ofsted as well?

Mr Antony Jenkins: It is the organisation under whatever measures Ofsted imposes upon it.

Lord Darling of Roulanish: It is up to them.

Mr Antony Jenkins: Yes, but one of the things we were concerned to do was to ensure that the fragmentation across the system did not lead to gaps where every body or agency felt they were doing their own job just fine, but the system did not work. We have convened, under the auspices of the institute, a quality alliance where all the key bodies involved in apprenticeship provision—the National Apprenticeship Service, Ofsted, Ofqual, the Office for Students and certain trade bodies such as the AELP, which represents independent training providers—sit together to look at the system as a whole, begin to identify where quality is not being delivered systemically and put in place measures to deal with that.

Lord Darling of Roulanish: If I was one of the apprentices getting my apprenticeship from somewhere deemed inadequate, to whom would I look to put it right? If I understand you correctly, it is the very people who were inadequate in the first place.

Mr Antony Jenkins: And the ESFA, which controls the funding for the training provider.

Lord Darling of Roulanish: That is not a great port of call for the apprentice concerned, is it?

Mr Antony Jenkins: I agree completely.

Lord Darling of Roulanish: It is striking that the evidence we have heard so far paints a picture of apprenticeships being a very hit-and-miss affair. There are some very good ones, especially if you work for a well-established company, and there happen to be a number of firms and a good college or whatever. In other parts of the country where you do not have that combination, or where, as Doctor Steedman said, smaller providers may have one or two apprentices, but do not have the superstructure, the whole thing can be very hit and miss. If that is the case, an awful lot of people will not get the training and additional skills that I thought the apprenticeship scheme was meant to be about.

Dr Hilary Steedman: It has never worked well for everybody on apprenticeship. There always have been concerns, because we knew that some apprentices were not being allowed any time off the job and were not being given more than the bare minimum of on-the-job training. There have been very excellent apprenticeships, as you point out.

We now have the statutory requirement that apprentices must spend one day a week off the job, or the equivalent. We know that more than half are not getting that requirement. In my view, we should insist absolutely that any provider who cannot provide documentary evidence of that day a week being accorded to the apprentice immediately loses their status as a registered training provider.

Lord Kerr of Kinlochard: Who is "we"? You said "we should insist". Who is responsible? Businesses are paying a levy this year of £2 billion; it is £2.25 billion next year, and £2.5 billion the year after. Who is responsible for value for money in that?

Dr Hilary Steedman: I think it comes back to the department.

Lord Kerr of Kinlochard: The department tells us that it is about the National Apprenticeship Service; we are told by the department that they are the people in charge. It is not the taxpayer's money, the department says, and, therefore, we do not have the public expenditure controls of the Treasury looking over it. Who is responsible?

Dr Hilary Steedman: Perhaps we should look to the Education and Skills Funding Authority; it is the one that can cut off the money.

Lord Darling of Roulanish: You are suggesting that "perhaps" we should do it. This is not your collective fault, but the architecture for it seems woefully inadequate, because at the end of the day no one is in charge. Everybody has a finger in the pie, but nobody is in charge. If you look at it from the point of view of the poor apprentice, who may think he or she has been hard done by, it is not at all clear where they would go. There is no point sending them to Whitehall because we all know what happens there.

The Chairman: I am sure the clerk will correct me if I am wrong, but was it not the lady from the ESFA who said she was doing chartered management degree apprenticeship.

Lord Darling of Roulanish: Yes.

Lord Layard: It was the NAS.

The Chairman: It is a circular argument.

Lord Darling of Roulanish: You see all this in front of you, but you keep referring us to somebody else. You are not alone, because every single witness we have had has said, "It's not my fault".

Mr Antony Jenkins: If I might make an observation, we have to recognise that the system is in transition.

Lord Darling of Roulanish: I am just wondering where it is transiting to at this rate.

Mr Antony Jenkins: It is transiting to a position where a fishmonger apprentice can go online and see all the knowledge, skills and behaviours that he or she has to master, and how he or she will be assessed to be a fishmonger. Funding for the training is now allocated to the employer, not the training provider. The employer can then use that money to secure training for the fishmonger and for conducting the endpoint assessment. That is a radically different approach from the one in operation previously. A lot of the points that are rightly being raised in this Committee are a product of the way the old system works.

I do not want to claim in any way that we are at a point of success; we are at the very start of a process, but I recommend that the Committee look at the IFA website. The Sainsbury report defined 15 occupational routes. Those occupational routes have a taxonomy of occupations inside them, and for each one there is a standard. That standard is very clear about the knowledge, skills and behaviours that the apprentice should be acquiring. If they are not acquiring them, they can talk to their employer and say, "I'm not acquiring these". Employers have leverage with the training provider, because if the training provider is not giving the training they can talk to the EFSA and get the funding pulled. In my opinion, we are progressing to a more effective environment, but the process of transition is difficult.

Lord Darling of Roulanish: I do not want to labour the point, but let us take the fishmonger example. Suppose the fishmonger is a sole trader and not a large organisation. Everybody signs up for the points you raise, but who inspects him to make sure that it is actually happening?

Mr Antony Jenkins: The training component will be largely inspected by Ofsted; the quality assurance and the endpoint assessment will be done either by the institute or a third-party body. The training from the employer will be assessed by feedback through the apprentice.

The Chairman: You might be interested to hear that we have had a number of meetings with apprentices about their experiences. One of them, admittedly only one, said to us that they found government and official websites extremely difficult to understand, whereas the employers' websites were much more practical and made it easier for them to follow the system.

Lord Sharkey: I declare an interest. I am a member of the council of UCL. I would be interested to know how employers, especially small ones, are qualified to make judgments about choosing training providers. I think you said that is what they do. How are they qualified to do that, especially small employers?

Professor Alison Fuller: There is a real challenge around quality and capacity, which at the moment is not particularly well served by the available architecture. Ofsted has a particular remit, which has limitations; the Institute for Apprenticeships has a limited remit; and employers themselves are often not well supported in helping them to develop the capacity to make those kinds of judgments.

Lord Sharkey: But are small employers supported at all in making those kinds of judgments about choosing training providers?

Professor Alison Fuller: Very little support is available for employers to develop that kind of capacity. Some employers have it, and there may be potential for them to support smaller employers in their supply chain, or through procurement, but there is very little local expertise available for business support and that kind of thing.

Lord Sharkey: Would you accept that this is a critical point in the whole architecture and mechanism?

Professor Alison Fuller: Yes.

Lord Sharkey: Unless an employer has some ability to choose properly, the whole thing is rather in danger.

Professor Alison Fuller: An assumption underpinning a lot of the policy is that employers know best, and things should be employer-led. That is the kind of underpinning strategy or assumption. We know from our research and the research of many others that there is enormous diversity in the employer population and it is dangerous to treat them as a homogenous group. There is everything from employers with tremendous expertise and experience through to those that do not have it and really need support.

When we have done qualitative research with employers, particularly small employers, it is not that they do not want to do it properly or well; the default is that they are not sure how to do it, and that feeds into not being very confident with young people in the workplace, for example. How do you look after and support young people in the workplace? There is an enormous issue of capacity, and at the moment very little policy is directed towards developing capacity and support for employers.

Lord Sharkey: Does that not seem like a fundamental defect?

Professor Alison Fuller: I think so, because the very best apprenticeships are where all those things are in place. They are high-quality jobs with stretch in the job; there is expertise in the workplace, with workplace trainers and supervisors, and extremely well-established relationships with their providers. A whole range of things goes to make up a world-class apprenticeship. It does not come easy, cheap or overnight; it needs to be built up. We have not really focused on how we might develop that and distribute it much more widely across the economy.

Q143 **Lord Layard:** I would like to go back to how the apprenticeship levy is spent. We heard from the Association of Employment and Learning Providers that probably about half the funding will go to level 4 and above. In a situation where the real difference between us and our competitors is the absence of people at level 3 more than anything else, do you think it makes sense to have that allocation of resources, or should there be some general principle that although this is, as it were, an apprentice levy on employers, it is a state-sponsored arrangement? We have been talking about who is responsible for how it gets spent. We say it is the state. Should there not be some principle that a very sizeable proportion of it goes on people who would otherwise end up as the underprivileged members of our workforce, let us say 80% on level 3 or level 2?

Dr Hilary Steedman: I agree very strongly that we have a historical deficit at level 3—associate professional and technician level—which you do not find in other countries. There are many excellent jobs awaiting those who reach that level, particularly in STEM subjects. We need them for productivity and for our young people's future. I would like to see the levy spent predominantly on that level.

I am at a bit of a loss as to what we should do about the tendency we have noticed so far among employers to spend the levy on higher levels, in a way that suggests quite a lot of deadweight. I suppose the department could take some draconian action and impose a quota of some sort on how the levy is spent. It is the Government's money, not employers' money; it goes to the Government. As I said earlier, there is now a strong tendency for employers to want to extend apprenticeship to higher levels of education, which is a trend that I think we cannot ignore or completely hold back.

The other point is that young people will, we hope, see level 3 as a really important goal and will work towards it. Many of them want the option of continuing. Even if they are not going to choose it immediately, they like the idea that their qualification at level 3 gives them an option to continue to levels 4 and 5, so the existence of those levels is very important. There is also the fact that companies would be likely to support them to progress. That is rather different from the MBAs, which I hope are a short-lived phenomenon. When companies start thinking seriously about how to spend the levy, rather than rushing to spend it, I hope we will see a much more balanced spend of the levy.

Professor Alison Fuller: There is a real worry about this being at the expense of level 3. We need to be careful. It sounds as if there is a very consistent standard at level 3, whereas we know that it covers quite a range, from what we sometimes call skimmed milk level 3 through to full-fat level 3, which really does provide a platform for progression. Putting focus and emphasis on establishing a good quality level 3 would be welcome.

It is particularly important for the point about social mobility that Lord Layard mentioned. There is a danger that we are potentially imposing a bit of a glass ceiling on apprenticeship for people coming from beneath. We are getting to the point where perhaps the best and most attractive options for higher and degree level apprenticeships are being taken up by those with A-levels who could be going straight into conventional degrees. It is something to be aware of and wary of, and it would be good to get some data. The Sutton Trust is very interested in that point.

There are two things. There is a real challenge to develop a good quality level 3 across the board that provides a solid platform for progression for people who reach that point, so that they are not trapped. At the same time, we should be thinking about who is taking the higher level and what progression should be followed.

Lord Layard: The scale of the challenge is so great, is it not? I do not have the exact numbers, but, roughly speaking, our main European competitors have about 80% of their young people reaching level 3 or above and we are not much more than 50%, so there is a huge gap. Just saying that we want a good system does not give us a strong enough clue as to how we dynamise the system to make this huge change. I do not see in anything said so far a clear picture of how it is going to happen. Can any of you give us an idea about to how to dynamise the apprenticeship, the part-time route, the FE sector, et cetera?

Mr Antony Jenkins: Many initiatives have been attempted over the years to secure that goal. I looked recently at the famous speech Harold Wilson gave at the Labour Party conference in 1963 about the white heat of technology. Interestingly, he was talking about Britain's place in the world, which is very relevant today. He talked specifically about apprenticeships, the UK falling behind our competitors in Europe and the free rider problem. In the intervening time between then and now, numerous initiatives have attempted to address the problem. We have not yet talked about T-levels—the 29th initiative to address the question of technical education.

Speaking not only as the chair of the institute but as somebody who was an employer for many years, in my view the balance of having employers drive the skills agenda is broadly welcome, although I accept the comment of my colleagues that not all employers have perfect visibility or knowledge in that area. The setting of standards and clear definition, which is a common characteristic of the systems we admire in Europe, is very important because it has not been done well before. Policing of the system becomes very important. How much of a skew do you want to put into the system? Do you want to deal with younger people? Do you want to deal with older people? Do you want to deal with both? As the nature of work changes, people will have to reskill themselves multiple times in their life, particularly as we are living longer.

On the question of degree level apprenticeships, I share the concern that in some senses they could consume a lot of resource, but I do not think it is inherently bad that middle managers should be upskilled to become senior managers. A lot of the work on our productivity challenge is to do with the fact that our management capabilities are not as strong as those of other countries.

How do we put dynamism in the system? I think you go down the standards route, stick with it and make it work. You bring in T-levels, which will take a number of years, and make them work. We have to be honest about how many things we want the system to solve, because it is impossible to solve all the problems you have described.

Lord Layard: There is basically a funding issue, is there not? We have dynamised the academic route by uncapped funding. Anybody who does A-levels gets paid for and anybody who goes to university gets paid for. Do we not have to have the same principle in this other sector?

Mr Antony Jenkins: You may be right, that the resources allocated are not sufficient to cover the objectives we seek for the system. The institute has done work on the notion of multiple routes. The typical route into tertiary education is a good route for many, but it is not a good route for all. Many people are capable of achieving the same level of skill and attainment but need to do it in a more practical context, which is where technical apprenticeships come in. Providing fluidity across routes is very important. Looking at the whole sector as one, as opposed to a set of stovepipes, is also important, and, hopefully, the review announced last week will get to some of that.

Professor Alison Fuller: We have to watch that people who already have a degree can still access a higher or degree apprenticeship. There is potential for concern about that as regards the amount of money going towards the higher and degree level. I would like to get more data on that.

On the point about quality, until we get much more forensic about the input indicators that help us to assess an apprenticeship as high quality, we will not be very clear about quality, and that takes funding, resources and time. What is the balance of the funding to pay for training and assessment? What are the structures that ensure that somebody has a really strong learning experience?

Dr Hilary Steedman: If we can achieve our goals for level 3 by putting resources into level 3, we should certainly do it. However, there is another little lever we can try to pull. We have been trying it for years. Our careers education is appalling. We should be telling every child what they can earn if they do an apprenticeship. We should keep telling them that it is more than they can earn if they do a degree.

The Chairman: That was a point made very forcibly by the youngsters we talked to.

Lord Turnbull: I am rather concerned about the emphasis on getting the numbers up to level 3. My concern is about level 2. Level 2 by definition relates to people who have got to 16 but have not reached level 2. It seems to me that, if you want to prioritise some group, surely that is the group that has been worst served. Often, they come out of school with next to nothing, so effectively it is a remedial programme. To get to 3 million, there will need to be 600,000 starts per year. What proportion should be taken up by people who do not have level 2 but whom we really want to get there?

Professor Alison Fuller: I am not quite sure what the proportion is, but a lot of people who start level 2 already have level 2. It is not the case that, just because somebody is at level 2, they have only got level 1 and are progressing. A lot are reversing and going down the ladder in order to go back up the ladder, or even just to go to the same level.

What should apprenticeship be doing? What counts as apprenticeship? Should it be doing what you described as remedial work, or is it better focused on the development of occupational expertise at intermediate level?

Q144 **Lord Tugendhat:** Let me approach the question of money from the other end: the minimum wage for apprentices. Is it too low? It certainly seems very modest compared with the national minimum wage.

Dr Hilary Steedman: I am inclined to say that it is too low, because I hear of a number of cases where young people are being paid the minimum wage; they are working a full week with no training and no off-the-job training, and when they get to the age of 19 they lose their job. It is straightforward exploitation. It exists in some apprenticeships and it has to stop. On the other hand, in general, median apprentice pay is rather high. It is not that all apprentices are being paid a very low wage; that is not true at all. A lot of them start on a decent wage.

Our problem is that employers do not seem able or willing to set the apprentice wage at a level that enables them to recoup some, or even all, of the costs of the apprenticeship over the period of apprenticeship. If that were the case, we might find that a few more of the small employers who find apprenticeship very costly, not just because of the wage they have to pay but because of the training they have to do on the job, might come forward. I am just arguing for a wage that is not so excessively high that the employer is unwilling to allow any off-the-job training at all because it is too expensive. I am also arguing against apprenticeships where people are, frankly, exploited. I am not quite sure where we should set the limit.

Professor Alison Fuller: I think it is too low. We should be particularly worried about the fact that the apprentice minimum wage of £3.50 an hour, going up to £3.70 in April, is applicable to apprentices aged 19-plus, right up the age scale, for the first year of their apprenticeship. Given that a lot of those apprenticeships will not last for more than one year, it means that they are getting £3.50 an hour for a whole year and potentially progressing nowhere. That is a real concern. For younger apprentices aged 16 to 18, notwithstanding the sensible points Hilary makes about recouping the proper expenses of apprenticeship over the long term, there is an issue about family benefits and young people taking up apprenticeships on those low wages. They are losing benefits through the benefits system, which means that overall the family is worse off if the young person takes an apprenticeship. The interaction of the apprenticeship wage and the benefits system needs to be looked into.

Lord Tugendhat: Do you think there is scope for maintenance grants or loans to be available to apprentices?

Dr Hilary Steedman: It rather surprises me that they are not available. I would like to see maintenance grants.

Q145 **Lord Burns:** The Prime Minister said that the Government's review of tertiary education would look at "breaking down false boundaries between further and higher education" so that we can achieve a joined-up system. To what extent do you think that is really achievable, and what part can apprenticeships play in breaking that down and providing something that looks like a seamless set of options for people with different skill sets and ambitions?

Professor Alison Fuller: Personally, I think it is a worthy ambition. It would require a fundamental challenge to the way the funding arrangements are now divided between further and higher education to the disadvantage of further education. It would also require a lot of work to be done around concepts such as the permeability of the qualifications, the options between further and higher education, and the challenge of progression to ensure that people really can progress across the tertiary system. We see tertiary systems working well in some countries. It is a helpful way of breaking down some of the cultural privileges that have grown up around university being the best.

It is a worthy ambition, but it needs a lot of development around permeability, progression, transparency, quality and possibly a lot of attention to the hybrid nature of the provision. If something is in the vocational route, it still needs sufficient educational content to allow somebody to move within and up through the tertiary system.

Lord Burns: To take the people who have level 3, about whom you spoke earlier, and those who do not take the degree route, what proportion of the rest do you think could reasonably be expected to go through an apprenticeship-style education? Can it make a big impact on that set of people, or do we have to look at other styles of further education?

Professor Alison Fuller: It could, and it does in some countries, but we do not have that tradition and infrastructure. We will still need a strong, full-time route through a tertiary system. We have a lot of history there; we have BTECs, and in the past we had HNCs and HNDs. We have a history whereby there was a ladder through. There is perhaps a danger with T-levels that we are trying to reinvent the wheel yet again. We had diplomas and so on. The idea of a ladder is powerful, as long as people can find the rungs in a timely way.

Lord Burns: Lord Layard raised the question of whether it would make a significant difference if the funding system between the two routes was equal.

Professor Alison Fuller: That would also apply to the way teachers and trainers in the FE sector are treated compared with those in schools and higher education. As I am sure you have heard from other contributors to this inquiry, there is quite a bit of evidence that they do not come off very well in that comparison.

Lord Burns: What do you think about the whole question of having a more integrated route?

Mr Antony Jenkins: It makes a great deal of sense. We also have to look at it longitudinally. I spend a lot of time thinking about how the economy is changing, how the nature of work changes as technology automates a lot of jobs and changes jobs much more quickly, and how, with greater longevity, people are working longer and longer. It is not just an issue about people leaving school at 18; it is about what happens when you are in your 40s, 50s, 60s and 70s, and you still need to be economically productive. A system of education and skilling that benefits all our citizens across the different parts of the tertiary sector, and over a lifetime, becomes incredibly important.

There is an interesting data point about apprenticeships. Approximately 50% of people leave school at 18 and go on to university, as we know, but if you look at it on a cohort basis, about a third of the remainder end up doing an apprenticeship by the time they are in their mid to late 20s. They do not all do it immediately, but they do it at some point along the way. That is possibly encouraging, but the slightly less encouraging thing is that only 60% of people starting apprenticeships complete them, so we have a malfunctioning component in the overall system.

As somebody who employed a lot of people at one point and still employs about 100 people in other things I do, I think about what we need as an employer.

Lord Burns: What is stopping people completing them? What is your analysis of the reason for the breakdown?

Mr Antony Jenkins: My colleagues are much more expert. I am not somebody who has observed this for 30 years other than through the lens of an employer, but it seems to me that we have not had an integrated view of the system. We have sought to deal with different components of it in different ways. We wanted to promote people going to university. We wanted to promote apprenticeships. We wanted to promote technical education.

Lord Burns: But why do people not complete apprenticeships?

Mr Antony Jenkins: It is a combination of things. Sometimes people do not even know that they are on an apprenticeship; sometimes the selection of people to do an apprenticeship is not very good; sometimes the training is not very good; and sometimes people do not have the necessary meta-skills, which is a fancy word for commitment, to get the job done.

I speak about that from the work I did when I set up a big apprenticeship programme at Barclays. Initially, we targeted the NEET population. We put 1,000 people in the NEET population through the programme. Fully 50% of that was training. Part of that was maths GCSE, but part of it was hard-core mentoring to help people who had not got a lot of experience of the world of work to get through it. It is very hard to generalise. There is a set of reasons, and it depends on people's individual circumstances. Clearly, if we have a better functioning apprenticeship component, it will be a positive.

The Chairman: We can probably allow you to escape to the warmth of the corridor. Thank you all very much for giving evidence to us today and for everything you are doing to try to make this very important work function properly.

Examination of witnesses

Professor Sir Alan Tuckett, Professor Ewart Keep and Mr Stephen Evans.

The Chairman: Mr Evans, Professor Keep and Professor Sir Alan Tuckett, thank you very much. I think you heard much of the previous session, so perhaps we could go to the first question.

Q146 **Baroness Harding of Winscombe:** It is very straightforward. Why is adult learning in decline? Answers on a postcard, please. In particular, what do you think are the financial barriers that are stopping people, or is something other than finance driving the decline?

Professor Sir Alan Tuckett: If you tried to design the decline of adult learning opportunities in Britain over the past 15 years, you would struggle to do it as well as we have done it by accident. In FE, from the moment the skills strategy was adopted in 2003, we have seen a massive decline in numbers. About 2 million people have gone in 15 years in two great chunks.

You have been talking about apprentices, but Train to Gain had some of the same wholly unintended consequences of shifting money away from things people wanted to do to funding employers, in many cases very substantially, to do things they were already doing, and squeezing money out of opportunities for adults that way. Since the coalition Government, and since we had the problems of the economic crisis to deal with, we have seen a further 40% reduction in funding for adult opportunities.

Meanwhile, FE overall has lost 25% of its budget, so there is no real possibility for funding transfers within the system. The result is that a narrower and narrower range of opportunities are being funded, so we have arrived at a position in FE where the adult budget is underspent because the rules are set centrally. It is not only funding; it is how we have constricted what we see the budgets doing.

In higher education, there are two significant points. First, in 2008-09 there was a decision no longer to fund people to study an equivalent or lower-level qualification, which in a way looked rational in the short term if you have to limit what you spend; but the reality is that, in an economy where people need to retrain or reconfigure themselves, you have taken away from them a significant plank for them to do it. Secondly, since 2012-13, there has been a 60% reduction in mature student participation, 82% of which is below degree level, which is exactly the levels 4 and 5 you have just been talking about.

If you take those two broad themes together, it is quite clear that adults have not been part of the agenda for government. It does not look like a great deal from the Government's point of view. From the learner's point of view, they have a shorter term in which to pay back loans, if they take them out, and less economic gain from doing a higher-level qualification in mid or late career. You have a perfect storm in which you have taken away chances for people to put their toe in the water and reskill themselves.

Baroness Harding of Winscombe: The more we look at this, the more dysfunctional it seems to be.

Professor Sir Alan Tuckett: It is stunning.

Baroness Harding of Winscombe: In my reading for this afternoon, I was struck by the point you have just made about the budgets being underspent. Could you elaborate a bit on what has happened there? Help us understand which rules have changed such that, although budgets are being slashed, the budget is still not being spent.

Professor Sir Alan Tuckett: If you are running a college, in order to draw down the money, you must have a viable number of people wanting to study a particular thing to be able to mount a course to run it. If smaller and smaller numbers of people are attracted to pay the fees, you reach a dysfunctional point at which you cannot spend the money. The rules we have established are not permissive enough.

Baroness Harding of Winscombe: Goodness me.

Professor Sir Alan Tuckett: There is a later question about participation targets. The way we have targeted creates a totally distorted system, and Train to Gain through the 2000s was spectacular around that. We had the Government going to Tesco to persuade it to count its induction training as Train to Gain. That is money taken from somebody who might want to do a level 2, nudging towards a level 3, or who might want to learn French or anything that stimulated them to go back to learning. It included the Army, which has a stunning history of training its people properly. They were paying for something that was already paid for, because the department had a target to hit. I am afraid you see the same thing with apprenticeships.

Professor Ewart Keep: Targets are very dangerous.

The Chairman: This sounds like a script from "Yes, Minister".

Professor Ewart Keep: Yes, there is a certain amount of truth in that.

Baroness Harding of Winscombe: We are safe here in our coats.

Professor Ewart Keep: The reason "Yes, Minister" is a classic series is that there was always an element of reality.

Adult student loans have not been a great success either, in the sense that there are large amounts of the adult loan budget that colleges and other providers literally cannot give away at the moment. When adults were confronted with having to pay the cost of the course through a loan, a lot of them walked away. It is very clear that the only bits of level 3 adult loan-funded FE that are carrying on are where, essentially, the person has to get the qualification to obtain personal professional insurance—personal fitness instructors, for example—or they are gas fitters, accountants or technicians. Essentially, they are buying a licence to practise in their profession; they have to get it. All the discretionary learning has just gone through the floorboards.

Mr Stephen Evans: If you cut funding by a third, you will have a fall in participation. Some of the funding rule changes Alan and Ewart talked about have definitely had an impact as well.

The idea was that individuals and employers would increase their investments to fill the gap as public investment rolled back. That has not happened. You have talked about the apprenticeship levy and the risk of training being rebadged. Ewart is absolutely correct that learning covered by university-style advanced learner loans has fallen by about a third since their introduction, for a whole set of reasons. It is the funding and the rules, but it is also the fact that, unless you change the culture and do things to raise demand among individuals and employers, you will not get raised demand on the other side as well.

Professor Sir Alan Tuckett: Britain is alone in the EU in the post-crash era as a country where employers are spending less on the training of their staff. Apart from Portugal, which is more or less neutral, all the other countries have spent significantly more money on training since 2008, so somewhere we have developed a culture where in general we have taught companies—not the grand ones—that the state pays for training. That is something we have to reverse, because in the long run, to reverse a decline, individuals, employers and the state need to invest more, but that includes the state investing.

Lord Sharkey: Are we losing the architecture that we need as well? I understand that it is driven by funding decisions to a large extent, but one of the consequences appears to be that the architecture and infrastructure to provide adult learning, lifelong learning, has effectively vanished, so there is a chicken-and-egg problem, which is what you were getting at.

Professor Ewart Keep: Yes.

Lord Sharkey: In theory, we could put money back in, but what do we put it into? How do we get this thing restarted, given the state it is in?

Professor Sir Alan Tuckett: Colleges had a very significant role in the provision of opportunities for adults, both general and vocational, for 30-odd years before we began playing around with the 29 changes to vocational strategies in the country. That is a particularly large area that has gone since the early 1990s. The more general group of providers putting a toe in the water, with outreach programmes and adequate advice and guidance services, relied, until the 1990s, on local authorities. They were variable in what they provided, but in the late 1990s and early 2000s we had something that looked very much like the basis for an adult strategy.

The remit letter for the Learning and Skills Council in 2001 is a really good model. Alas, its chair and chief executive did not think it was very sensible to implement quite a lot of it, but it is not a bad template for thinking about where to put money in. You could argue that participation by adults is critical. Learning leaks. You develop a skill in one context and you can apply it elsewhere. The OECD says that, after initial training, what most leads to productivity gain is getting people to learn something they are passionate about, not a formal qualification.

Q147 **Lord Turnbull:** We have a situation in which one form of learning, the post-A-level three-year degree living away from home, has become absolutely dominant, and all other forms of funding have suffered by comparison. People have argued, including you, that to level the playing field there should instead be a universal entitlement that does not specify the particular point in life when people take it up. Do you want to expand on how that might work, and how it could possibly be funded?

Professor Sir Alan Tuckett: The first point is that Britain cannot continue to have a debate on student funding that ignores half the population, because the consequences for them are what we are here talking about. The argument is that we need a fair system whereby, if people are not ready to do it at one point in their life, they might be later on. The public resource needs to be there to underpin a vocational as well as an academic system. In Switzerland, Austria and Germany, there is a much more balanced frame of investment.

I am one of the three who produced the paper we sent you, which I have brought along in case somebody does not have it. Our argument is that adding another £11 billion or £12 billion to the price of investing in education would not help equity, fairness and affordability just by wiping out existing university student fees, so what could you do that would move you towards a balance? We thought it could be £5,000 for a couple of years. It is slightly more than current costs for FE, but less than for a conventional three-year degree. There could be a blend of an entitlement and loans, but, hopefully, we would see the beginning of a movement towards different models of higher education developing in the UK on the HE side, and a lot more creativity around how we support employers on the FE side.

How do we afford it? We cannot afford not to have an adequate education and training system for the scale of industrial and demographic change we are facing as a country.

The Chairman: Mr Evans, you used to be in the Treasury. Do you agree with that?

Mr Stephen Evans: Oh dear. For me, there are two questions. One is about the level of public resource you want to put into learning and skills more generally, including at higher education level; the second is how to allocate it. At the moment, we are allocating resource not just in HE but in the FE system on the basis of age and previous level of qualification. If you are younger and have fewer qualifications, you get more money; if you are over a certain age and have a certain level of qualification, you do not.

In other sessions, you have debated the changes in the labour market in ageing populations which mean that that model cannot, surely, be sustainable, because we will be working for 50 years and we will have to change our careers and skills a lot during our lifetime. Part of the appeal of an account system or a loan system, whatever you want to call it, is flexibility throughout people’s lifetime. I would include level 3. We talked about the advanced learner loan system. One of the issues around that is that you can take it out only for a full qualification, not a module, and many employers and individuals value modules.

Much more flexibility around age and stage is important. If you want to invest more money in it, you can make more of it free; if you want to invest less money in it, you have to make more of it loans based. I would argue for more public investment, maybe because I am no longer in the Treasury. Whether or not £12 billion is the figure is a political judgment about the amount of money the Government want to invest.

I have a final point about public investment. One area that is crying out for more public investment is basic skills in English and maths, literacy and numeracy. In this country, 9 million adults lack those skills, yet the number of adults taking classes to improve their English and maths has fallen by a quarter in the last five years. We started from a low base and we have got worse. Along with the US, we are the only country in a recent OECD survey where our young people have worse basic skills than our adults. We started from a low base and we have gone backwards. If we are to put extra public money anywhere, that would be my first port of call, and then we should work our way up, out, around and beyond that.

Q148 **Lord Turnbull:** The review just announced by the Government lists some principles, one of which was that recommendations must be "consistent with the Government's fiscal policies to reduce the deficit and have debt falling as a percentage of GDP". Can any of the changes you want to see be met within that constraint?

Mr Stephen Evans: Some of them can, not least because there is a decision about what the tax level is as well as what the spending level is, and what we spend money on. If you want extra money to meet those objectives, you need either to raise taxes or to reduce spending on something else. Both of those are tricky things to do. It is possible to meet those objectives, but it requires some tough choices about what you are going to tax more of or what you are going to spend less on.

Professor Sir Alan Tuckett: If you take a medium-term view of reducing the deficit, there is a role for education in maintaining independence in later life as an investment against the health costs of dealing with early morbidity. Cross-phase accounting is not something we are very good at doing, but the arguments for post-compulsory education and training investment are too narrowly focused on immediate labour market outturns. I put it back to the Government: how do they avoid their budgets going wildly out of control because of the demographic dynamic that is going on, and how will they deal with the kind of displacement we will have, with artificial intelligence and robotics having an impact on white-collar jobs, comparable to the impact globalisation had on blue-collar jobs half a generation ago? To improve the fiscal position in those contexts is a bit of a challenge.

Lord Turnbull: Mr Evans, do you think it strange that the Treasury has allowed a situation to arise in which a programme, student loans, which did not cost the Government anything initially, although they will be paying 40% of it in the end, is subject to no constraint because it is entirely demand led? In my day, and Terry's day, that is precisely the kind of thing you put a cap on. Does that cap have to go on? Otherwise, the universities will go on getting bigger and bigger.

Mr Stephen Evans: There is more Treasury expertise round this table than I have. It looks like a function of short-termism, does it not? It does not cost any money in the short run, but someone will have to pick up the tab. Almost the inverse applies to advanced learner loans, where all the underspends Alan and Ewart talked about save money in the long run, but on a much lower scale. This is a false economy for the reasons Alan has set out. It is one of those things involving politics and economics where sometimes one wins over the other. This is clearly a short-term saving but a long-term cost. For the system that we have set up now, are the benefits going to outweigh the costs? I would argue that given the way the system is currently set up that will not happen, unless you flex it in some of the ways we have all talked about.

The Chairman: That was very clear.

Lord Sharkey: Against a background where British employers spent less on training after the financial crash, and there has been a reduction in the number of hours of training by British employers since 1997, what role should employers have in providing lifelong learning, and is it reasonable under the circumstances to expect them to have any role at all?

Professor Ewart Keep: It is reasonable, but it is not easy to get them to play ball. One of the problems, which goes back to something Alan has already mentioned, is that in the past we tried to come up with a model of rights, roles and responsibilities for the different parties in the education and training system. We had the three Rs for employers: rights, roles and responsibilities. In 1999, the National Skills Task Force came up with a pretty good idea, and the Leitch review in 2006 repeated it more or less word for word. It was roughly this: employers should be providing good, on-the-job training for their adult employees; participating in apprenticeship; upskilling their adult employees where necessary; and helping and supporting them in internal promotion through upskilling.

In other areas of skills, the requirement is that there should be different splits of responsibility between state, individual and employer. What employers were expected primarily to pay for themselves was quite clear. The problem was that in the pursuit of government targets the Government said, "We'll throw caution to the wind and pay for what you were supposed to be paying for through things like Train to Gain, because that will get us to our targets quicker".

The real problem for many employers is that they have become somewhat welfare-dependent around skills; they simply send a shopping list to DfE: "This is what we want, and we expect the taxpayer or the student to pay for it". We have to row back from that because it is not a sustainable model. We come back to the question of whether we can sustain a publicly funded system fiscally in the future. We cannot if employers do not contribute more and are not more self-reliant. That goes back to capacity building around skills in the workplace and within employers themselves, which was mentioned in the previous session.

Lord Sharkey: How do we do that?

Professor Sir Alan Tuckett: One of the things Ewart mentioned about level 3 participation was that a range of people engage because there is a licence to practise backing their involvement. The United States has twice the percentage of working population covered by licences to practise compared with the UK, and we think of that country as fairly deregulated. Licence to practise is a very practical way of overcoming anxiety about my neighbour getting an economic gain if I train someone and they pinch them from me. It also helps to create a culture of expectation about quality of training.

We do not have to persuade engineering companies to train their people, so how do we move that across the system? That is where a national system needs national regulatory encouragement to stimulate what really underpins work, and stimulate employers to do more within it. Things such as Unionlearn have helped terrifically in creating a version of the social partnership around education and training in our competitor countries.

Lord Sharkey: Does not the apprenticeship levy, at least in theory, do what you are proposing?

Professor Sir Alan Tuckett: It would work better if it worked and you did not have a target that drives all that activity. It is all right to have an aspirational target, unless that means the whole system is driven towards it. It is not just apprenticeships that employers need to spend money on. If you want to increase levies over time, which is a way of encouraging employers to play a larger role, you need a broader range of things they can do with the money.

Q149 **Lord Kerr of Kinlochard:** Are you sure that what you have just been saying about upskilling is the real problem? Is not the issue about reskilling? If people are tending to work for much shorter periods, it is a question of how to reskill them for a different job somewhere else when they are out of work.

I do not agree with what is said about upskilling. I think employers have a very keen interest in that. I should declare an interest. I am a director of a utilities company that runs a big apprenticeship scheme and takes it extremely seriously. I do not know about the fishmonger trade. I do not know why we have been talking about fish today. Big companies take upskilling very seriously.

I do not see in colleges a real interest in teaching coding, blockchain or the skills that will be needed in five or 10 years' time. Should it all be done online? Are we looking at a sector in decline? Is it all going to be replaced by online learning? I am talking about reskilling, not upskilling. Are you representative of a dying breed?

Professor Sir Alan Tuckett: There are lots of questions there. You need both upskilling and reskilling. A lifelong learning policy needs to recognise that people have different stages in their working lives where their working needs vary. That is an important idea to consider, and retraining and advice certainly comes in at those stages.

You ask why colleges are not doing it. If they get absolutely no support for doing it, that is a powerful disincentive, given that they have already lost so much money, if people in large numbers do not need to retrain. Once there are major areas of work loss, such as steel, all the colleges in the area provide substantial retraining programmes. There is mass and scale for doing it. It is a bit harder to do that given the way we fund things at the moment.

Big companies are not the issue in this conversation. They know how to do it and they do it. They operate multinationally, and the disciplines of the work require it. The issue in Britain is that we have such low confidence in this territory, and a lot of middle and small-sized companies.

Professor Ewart Keep: Can I have a go at whether we are a dying breed? I would like to think not. The experience in higher education is that all this started with the idea that universities would vanish because everyone could use MOOC. The reality is that it has not turned out like that. One of the problems is that people learn through social interaction, which is quite an important part of their learning. I used to teach executive MBAs. By far the biggest bit of learning they did was from one another, not from me; there was a load of late 30s and early 40s high-fliers in the room who had all sorts of knowledge that they passed from one to another. They will not do that so easily on electronic platforms.

I think the future is blended learning. There will be elements of learning that can best be produced and dealt with online and through ICT. Some physical skills can be learned very well on simulators. There will be all sorts of things like that, but there will still be a requirement for face-to-face learning. There will still be a requirement for interaction between students, and some of that may need to be face to face.

Professor Sir Alan Tuckett: The OU had 40 years of glorious achievement, and now we have created a funding system that is weakening it by the day.

The Chairman: I have just learned what a MOOC is.

Q150 **Lord Darling of Roulanish:** You said in terms that you thought a target of 3 million was the wrong way to go about things. What do you do about poor-quality apprenticeships? I know you were listening to the previous panel and heard what they said and what members of this Committee said, but what do you think we can do to avoid a situation where people go into apprenticeships that are not delivering what they are supposed to be doing? Listening not just to today’s session but previous ones, it strikes me that it is all pretty haphazard. There are some very good apprenticeships, but also ones that are not. What would you do about it?

Mr Stephen Evans: First, if you are to have some kind of target for outputs you would probably take the number of people completing an apprenticeship, not the number of people starting one. Secondly, focusing on outcomes is really important. If we had 1 million apprenticeships, but everyone who did one got a good job, good career prospects and higher pay, it would be better than having 3 million, where 1 million did not finish and we did not quite know what happened to the other 2 million. Measuring outcomes is important. I hope that the Institute for Apprenticeships will do much more of that than has happened to date.

Lord Darling of Roulanish: I got the impression that Mr Jenkins did not think that was his job.

Mr Stephen Evans: It is definitely somebody's job.

Lord Darling of Roulanish: I agree with that. I was just wondering who it might be.

Mr Stephen Evans: I think it is the job of the Institute for Apprenticeships. It is meant to be the guardian of quality for apprenticeships, and outcomes are the key measure of quality.

We have a system of employers signing off apprenticeship standards, which in principle is a good thing, but we argued that there should be a double tick to benchmark those standards against the best in the world. Do employers agree that they are the right thing, and do they match the best in the world for that particular sector or occupation? To meet the challenge you bring up, which is the right one, we need a combination of measuring outcomes and a double-tick process to make sure that we are getting the best in the world. In addition, Ofsted will need extra resources and a different approach to deal with the increased multitude of providers delivering apprenticeships, or that are on the apprenticeship register these days. We probably need those three levels of intervention.

Professor Ewart Keep: There is one thing that makes us very unusual, certainly in Europe. In practically all European countries that run an apprenticeship system, one of the components is a training of trainers programme for in-company trainers. Remember that a large part of the learning in apprenticeship is on the job, so, if the company itself does not have qualified staff, the on-the-job element will be extremely difficult for an external provider to arrange and make work. In Germany, they have a system where the supervisory workforce do a year-long period of training called a meister course. Part of that is how to train their own staff.

In almost every other European country with apprenticeships, there is a government-sponsored training scheme for staff in companies that have apprentices. In many countries, a company cannot take an apprentice unless it has been certified as a good trainer. We used to have those kinds of programmes. Back in the late 1970s, the Manpower Services Commission had a huge training of trainers programme, and we have lost every single element of that. We rely on external training providers to provide not only the off-the-job element but the on-the-job element. I think that is almost impossible to do well.

Lord Darling of Roulanish: That takes us back to the fishmonger point. A sole fishmonger—

The Chairman: Sole fishmonger. Very good.

Lord Darling of Roulanish: They might be acting in the best interests of everybody, but unless he or she has been trained well—

Professor Ewart Keep: Or they are part of a group training association.

Lord Darling of Roulanish: I want to ask you quite a wide question but it is one on which I would be quite interested in your views. Professor Tuckett, you touched on the important point that employers should not be let off the hook, and apprenticeship training is a joint venture. How do you reconcile the competing demands? Many people feel that what we are short of are people with basic and intermediate skills. We have to be careful about anecdotes, but I think you touched on this question: what is wrong with somebody who has a degree but perhaps wants to change to a new environment and improve their skills? You might take the view that, if someone wants an MBA to work for them, they could probably afford to pay for it themselves.

In this levy, which looks very much like a tax on people, what is the balance between the state's role in saying, "This is what we are short of as a nation", and employers saying, "Never mind that. We want an MBA who is upskilled to something else", or someone who basically wants degree-level qualifications and is using the apprenticeship system to do that?

Professor Sir Alan Tuckett: To take the higher end first, there is a difference in the investment issue when somebody is doing the rebalancing of their career later on. They may need to do a course in order to be competent to do a new job in a changed environment where the blunderbuss of the 2008-09 decision means that we do not have a mechanism for supporting them to do it. We can benefit from that. I agree with you about the MBA position. You can take the view that there are areas of work where it is quite clear that there is an economic benefit, and it does not reside with the state.

In basic education, one of the prices of the post-austerity picture is that we stopped the level of investment we had for nine or 10 years in upskilling people with literacy and numeracy needs and the relationship of those to early labour market activity. It seems to me that that is a continuing problem in our society, and it is something the state needs to take real responsibility for. Involving employers in it is quite important, but I do not think it is an employer responsibility.

Lord Darling of Roulanish: If you look at today's architecture, is there anyone around, or has any body been set up, that has any influence on any of that? It all seems very haphazard.

Professor Sir Alan Tuckett: It has been an area of work where I think we made quite significant political mistakes by asking every young person who has been through 11 years of schooling and ended up with a grade 4 in GCSE to retake it, whatever else they want to study. The skills level is fine, but as a measure of the need to strengthen their basic skills it is disastrous, because it leads people towards exactly the sort of skill requirements they have already not succeeded at for 10 or 11 years. What we have taken away with that is the focus on functional skills, and on the broader and more flexible literacy and numeracy programmes we had until 2011. We could reconstitute it perfectly straightforwardly through public partners.

Q151 **Lord Layard:** I have a question on the issue of entitlement. Your proposal is about entitlement to funding, essentially, but there is also a question about entitlement to entry to a course. Anybody with reasonable qualifications who wants to do an A-level can do an A-level, but somebody who wants to do an apprenticeship cannot necessarily find one, which is a major reason why people are not going down that route. They do not know where they can get one. It is not available.

In our previous report on apprenticeships, we recommended that if somebody got level 2 they should have an expectation, not necessarily in law, that they would find a level 3 apprenticeship. I think we envisaged at that point a duty on the National Apprenticeship Service to generate those apprenticeships, including obviously through the public sector. How important do you think that is as compared with the financial aspect? It is not enough to be entitled to have your expenses met if you cannot find a place.

Mr Stephen Evans: That would be a better sort of approach than the blunt apprenticeship starts target, because it says, "If people are demanding this, how do we give them access to it?" You will immediately come up against challenges from somebody who lives in region X and wants a job in a particular sector, and the job is in region Z. You have to be a bit careful about how you describe it. On top of that entitlement model, the funding system really matters. It is government's role to set the framework and incentives, and then employers and individuals can take decisions within that. At the moment, the consequences of the system were both entirely predictable and predicted.

One point that has not come up but is relevant to your question is how different groups access apprenticeships. We have done research that shows that, of 17,500 engineering apprentices in 2014-15, only 650 were women, and BAME applications for apprenticeships were half as likely to succeed. There is a more granular set of issues about who gets access to what. The Social Mobility Commission found that in parts of England young people from free school meals backgrounds are half as likely to get level 3 apprenticeships. How the funding system, entitlements and the whole architecture around it work matters not just for volume or total numbers in each age group but for whether we get fair access for all demographic groups.

Professor Sir Alan Tuckett: Employers have been affected too. Over the last few years, the weakening of size of the public sector has had an impact on institutions willing to support people to find an apprenticeship being able to do it. That has had an impact.

Q152 **Lord Layard:** Do you welcome the proposed devolution of the adult education budget? What effects do you think it will have?

Professor Sir Alan Tuckett: Overall strategy needs to be set nationally and it is much better to make decisions about local priorities at a regional or sub-regional level. You get co-operation across sectors; people engage together more easily in that context. I was in Korea in October for a world adult education conference in Suwon, where there is a library within 10 minutes' walk of where everybody lives and a learning centre within 20 minutes' walk. That means the fishmonger, hairdresser, library, office and factory all combined. To create the will to do that you need to bring together what effective mayoralties or sub-regional strategies can create. The role of learning post school across the social space is much easier to plan for and deliver at sub-regional level. It is hard to shift silos in central government.

Professor Ewart Keep: The other difference is that at city region level we can begin to see the emergence of a very much more joined-up skills strategy that integrates job quality, inclusive growth, in-work progression and business support and improvement, and where skills fit into a much broader offer around in-work progression, upskilling and better jobs. A lot of that is driven by the Joseph Rowntree Foundation, which has been working very hard with Leeds city region and Manchester city region. That kind of joined-up approach is very difficult to achieve at national level. National Governments of all political persuasions have been somewhat resistant to adopting that approach in England for a long time, but it is beginning to emerge at city region and it will be very interesting to see how it develops over time.

Mr Stephen Evans: I am supportive of devolution, but it needs to be a bit more ambitious than it is currently. The adult education budget is a relatively small part of the overall skills spend, so how mayors, local authorities or combined authorities look to influence or work with employers to raise demand, to go back to the point I made at the start, as well as how they shape supply, is important. I am on the Mayor of London's Skills for Londoners Taskforce. We are trying to advise and help the mayor think about all of this stuff. In London, I think there are 400 providers delivering the adult education budget, as well as all the ones delivering traineeships and apprenticeships. It is a very complicated system.

It is true that there can be, and indeed are, many silos in central government; there can be silos in local government as well, so it is not a panacea. We have argued that there should be a system that mirrors what is done in Canada where there are labour market development agreements between central government and local government: "Here's what we are going to devolve to you; here are the outcomes we expect you to achieve for that. You go off and do it in whatever way you think best, and we will judge those outcomes at the end". I would argue for a much more expansive approach based on outcomes, and trying to join up the whole of the system, recognising that local government can have some of the same flaws as central government.

Professor Sir Alan Tuckett: I would be thinking about a participation target that has an element of trusting people to find the things they want to learn for themselves, not only an outcome-driven picture. We have done best when we have done that, but on the whole, because the power of the labour market's needs and anxieties will squeeze money in their direction, it was when we had protected budgets for what I think of as seriously useless learning—learning that is useful and serious but whose use value is not immediately obvious to the labour market. We used to have that with extramural departments in universities. When funding was integrated they disappeared. It was true of local government funding from central government until 1992. It is just a complementary thing, because if you have only an output-driven picture, you end up with some of the distortions we have been talking about all day.

Q153 **Lord Burns:** I asked the previous panel about the Prime Minister saying that she wanted to break down the artificial barriers between higher and further education. She also said that we need to support flexible lifelong learning. I think the idea is that it should all be done on a cost-neutral basis. How do you think we will do all of that?

Professor Ewart Keep: With extreme difficulty. Part of the problem is that the current funding system is not sustainable, so in a way student loans will, sooner or later, implode as the debt grows, which is one of the many reasons why this inquiry has been launched. It is not as though steady state will necessarily be sustainable, but as a society—individuals, the state, local or national, however you define that, and employers—we have to think hard about what kind of economy, labour market and society we want and how much money we need to invest in skills. As Alan suggested, some of it can be a long-term saver of money, particularly around keeping older people more active, more mentally alert, more engaged and in better health, but we will have to think very hard about it, because the current model is not going to coast on merrily for much longer. Your inquiry has already detected that it is teetering on, not cruising on.

Professor Sir Alan Tuckett: What I liked about your inquiry was that it did not limit itself to one bit of the sector. That is a perfect rationale, rather than talking about HE on its own. Once you add what has happened to further education, you cannot see a steady-state picture. With all due respect to your prior experience, if we run things forward 50 years, we are not in a steady-state budget at all, are we? Every PFI and student loan initiative adds hugely to the net costs of what we are doing. If there is a willingness to take a 40 or 50-year picture and roll back from it, in the short run it might look, from the audit point, as though you are spending more money, but the aim would be to look at the whole picture and try to work back to what an FE and HE system might do to create a sustainable Britain for the future. I am afraid I would have to go back to your expertise in how to do it.

Lord Burns: Basically, you are arguing that we keep spending the same amount of money on higher education, maybe in a different way, but we should be spending an additional amount of money on further education.

Professor Ewart Keep: No. There was another government inquiry on levels 4 and 5 sub-degree provision. Professor Wolf's report in 2017 on tertiary education is correct. There is a big gap. We try to force all our students to leap from level 3 to level 6. We need to think about levels 4 and 5, and shorter courses. Quite often, to scroll back to the original foundation degrees, the assumption was that most of the people doing them would be in work and would do them part-time. That is the future. There might be fewer universities; there might be a very different subject mix and there might be a very different student mix, but the current model is not sustainable anyway, so thinking the unthinkable is quite timely.

Mr Stephen Evans: I think the Prime Minister's statement is ambitious, going back to the earlier "Yes, Minister" conversation. The question is how ambitious is the action going to be? We have to invest more in further education and learning for adults for all the reasons we have gone through. If we want to do it in a cost-neutral way, it will come only from universities and doing some of the things Alan and Ewart talked about. It is possible to do it in a cost-neutral way, but it will require some pretty tough decisions. There is a question about whether the Government will take those decisions, or get them through. If not, you have to spend more money on further education.

Professor Sir Alan Tuckett: For transitional funding for universities and for loans to be steady over time, the assumption was that universities would alter the pattern of what they offer and we would try to shift things away from the universality of full-time degrees.

Lord Burns: One of the suggestions made to us is that we have created an incentive system that meant that the universities have been encouraged to attract an awful lot of people to do degrees that probably do not deliver the rate of return people think they will, and because people are not being shown how to apply for courses other than degree courses, as there is a lack of help within schools, too much has gone in that direction. If there was a better offer, and a better financed offer, in the area you are talking about, it might be a more efficient use of the money. Do you share that general view?

Professor Ewart Keep: Yes.

Professor Sir Alan Tuckett: I work for a university that tries to do both. The measure is the rate of return. People carry on living in an area where the rate of return is nothing like it would be if you lived in Henley-on-Thames. You do not have to have a very sophisticated tool for working out whether it made a difference to their life opportunities.

Lord Burns: You are rejecting the notion that people are being dragged into degree courses, or incentivised to go into degree courses, without realising what the ultimate value is.

Professor Sir Alan Tuckett: I think you could turn it on its head. We all agree that the absence of serious vocational routes at 4 and 5 that have cultural respect, investment and security for people means that their choices are either little or a degree, and, if they have any ambition at all, a degree is the route they go down. If you want to change the balance, you have to change the offer.

The Chairman: It is worse than that. We have had evidence from youngsters who say, "If you say to your teachers that you don't want to go to university, you are immediately discouraged". We have met youngsters who have gone down other routes. Lord Burns is perfectly able to express his point himself, but I think he is 100% right: youngsters end up coming out with degrees that will not get them anywhere, whereas if they had done something vocational they would have had a far more satisfying and financially productive life. That is the question.

Professor Sir Alan Tuckett: We have organised our whole schooling system to teach them that that is not true.

The Chairman: But do not universities have a great incentive to attract these people because they all come with £9,250 attached to them?

Professor Ewart Keep: Yes, that is true.

The Chairman: That is the answer we wanted. On that note of agreement, perhaps we can bring the session to a close. Thank you for surviving not only the questioning but the temperature.