

# **Higher education, initial vocational training and continuing education and training: where should the balance lie?**

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# Aims of paper

Focus on two major imbalances in the allocation of resources within UK education and training system – and what can be done to alleviate them

1) Initial education and training (post-18):

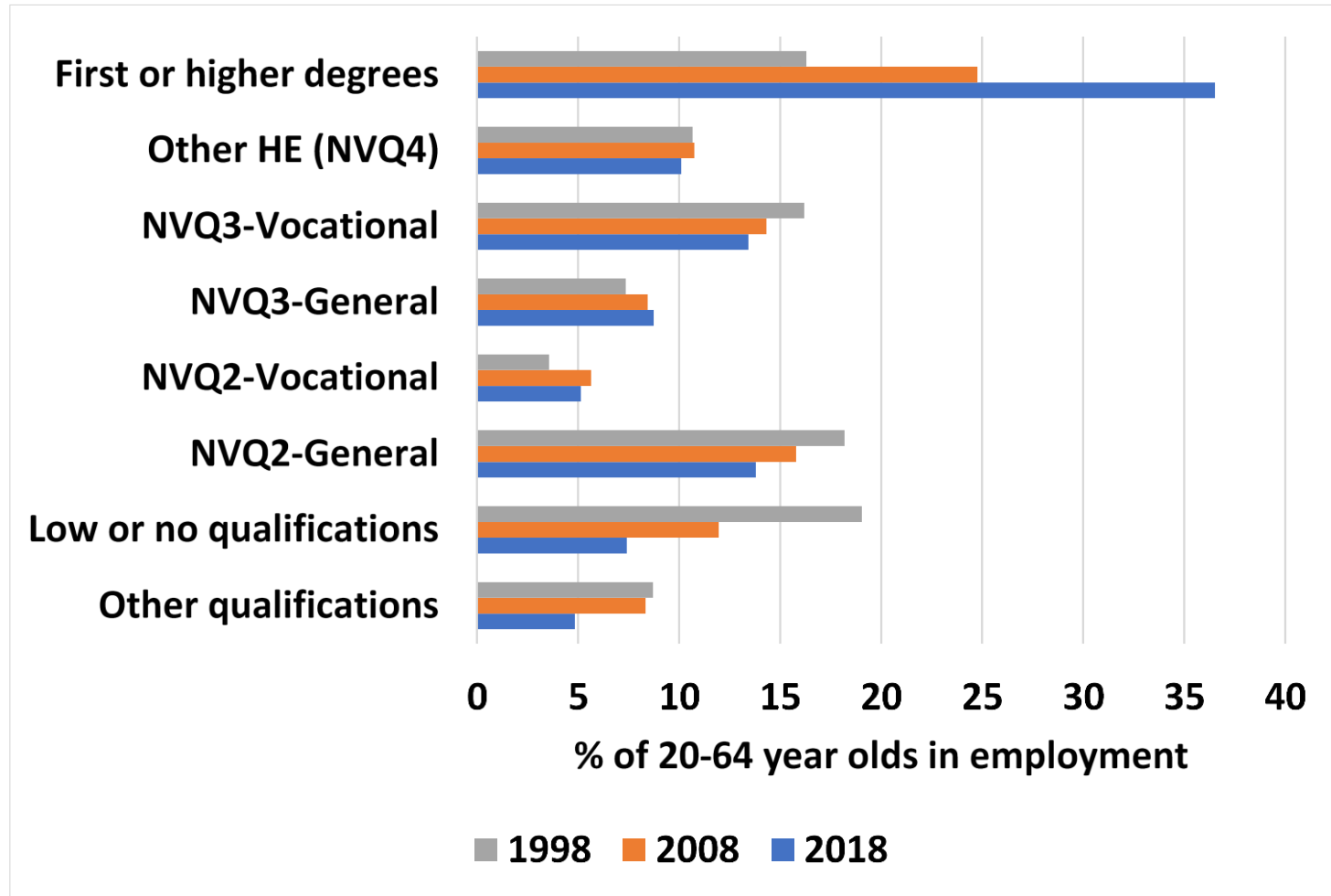
– Higher Education (HE) privileged relative to Vocational Education and Training (VET)

2) Initial education and training as a whole privileged relative to continuing education and training for adults (aged 25-plus)

# Initial (post- 18) education and training

- Mass HE developed over last 30 years
- Public spending on HE now far outweighs spending on initial Further Education (FE) and VET [IFS, 2017; Wolf, 2015, 2016]
- Outcomes include:
  - limited VET opportunities for 18-24 year olds
  - poor labour market prospects for many graduates
  - social and inter-generational inequities
  - supply of intermediate-level skills insufficient to meet employer demand

**Figure 1: Highest qualifications held by 20-64 year olds in employment, UK, 1998, 2008 and 2018**



Source: Labour Force Survey

# Incentives for study to First degree level

- High average salary returns to First degrees taken as evidence of continuing strong employer demand for graduate-level skills (eg, analytical ability, problem-solving skills and technical knowledge)
- High-level skills contribute positively to innovation and productivity performance
- BUT: widening dispersion of salary returns around average level
- Earnings especially low for bottom third of graduates ('overqualified' or 'underemployed' in the jobs they hold) [Green and Zhu, 2010]

# Employer demand for intermediate skills (1)

- Growing mismatch between skills sought by employers and current balance between HE and initial VET provision
- As HE supply expanded over last 30 years, many employers responded to ready availability of graduates educated at state and individual expenses and cut back on apprenticeship and other employment-based training
- Now, as older workers with apprenticeship or similar backgrounds depart workforce, many firms and organisations left short of skills best acquired through employment-based training (eg, practical skills, problem-solving skills, commercial understanding)

[NIESR research for ESRC, DfES, UKCES, Gatsby, etc]

# Employer demand for intermediate skills (2)

- Employer surveys show technical and practical skills often required in combination with generic skills (eg, communication, problem-solving, team-working and customer handling skills)
- Applies to wide range of intermediate-level occupations (eg, technicians, skilled trades, sales, admin, personal services)
- Generic skills learned in classrooms only become economically productive to extent they can be applied in workplaces

## **Employer demand for intermediate skills (3)**

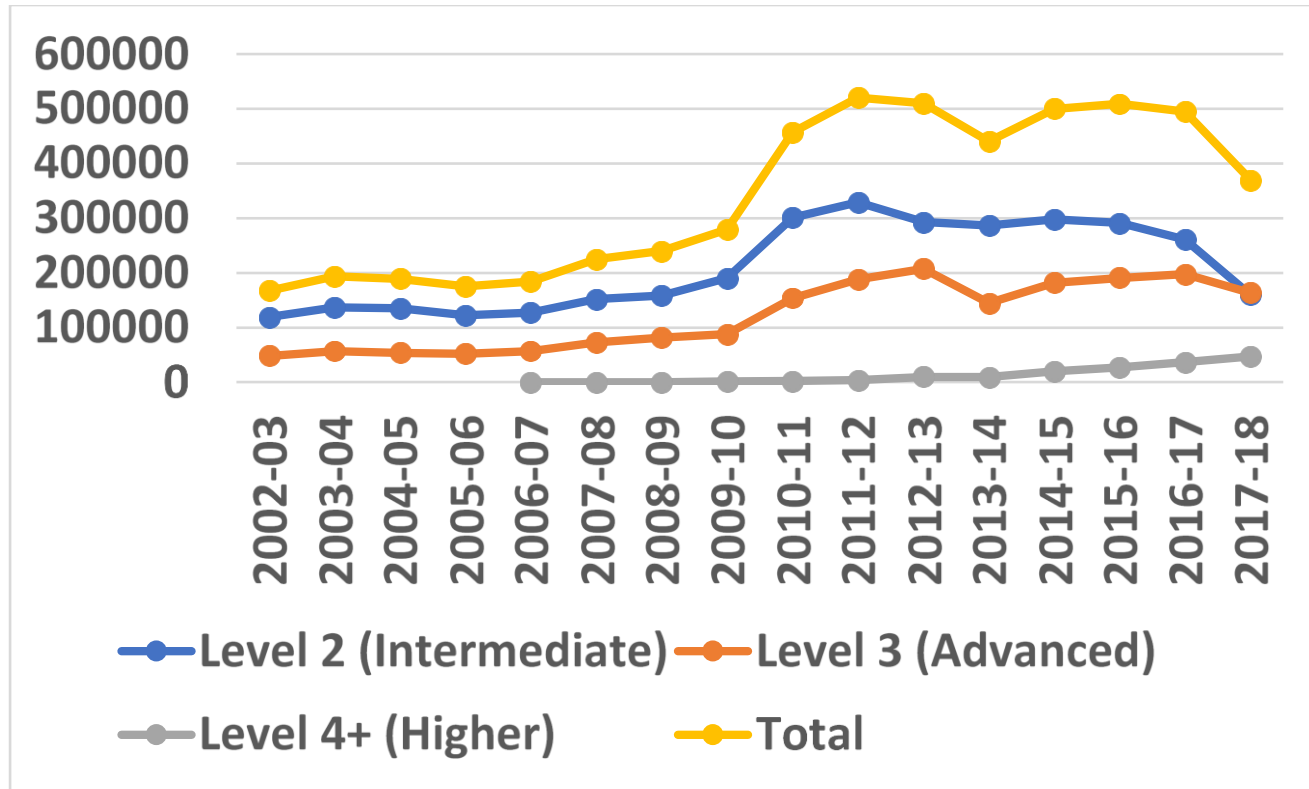
- For example, many jobs in UK apparently require only GCSE Grade C+ level of mathematics -- but many workers with GCSE maths lack the skills, knowledge and experience to apply this level of maths in the ‘complex settings’ of workplaces [Hodgen and Marks, 2013]
- International evidence review finds apprenticeship training – employment-based training combined with part-time attendance in relevant vocational education – to be superior to purely school-based vocational education in terms of trainees’ employment and salary prospects [Eichhorst et al, 2015]



# Apprenticeship training in UK (1)

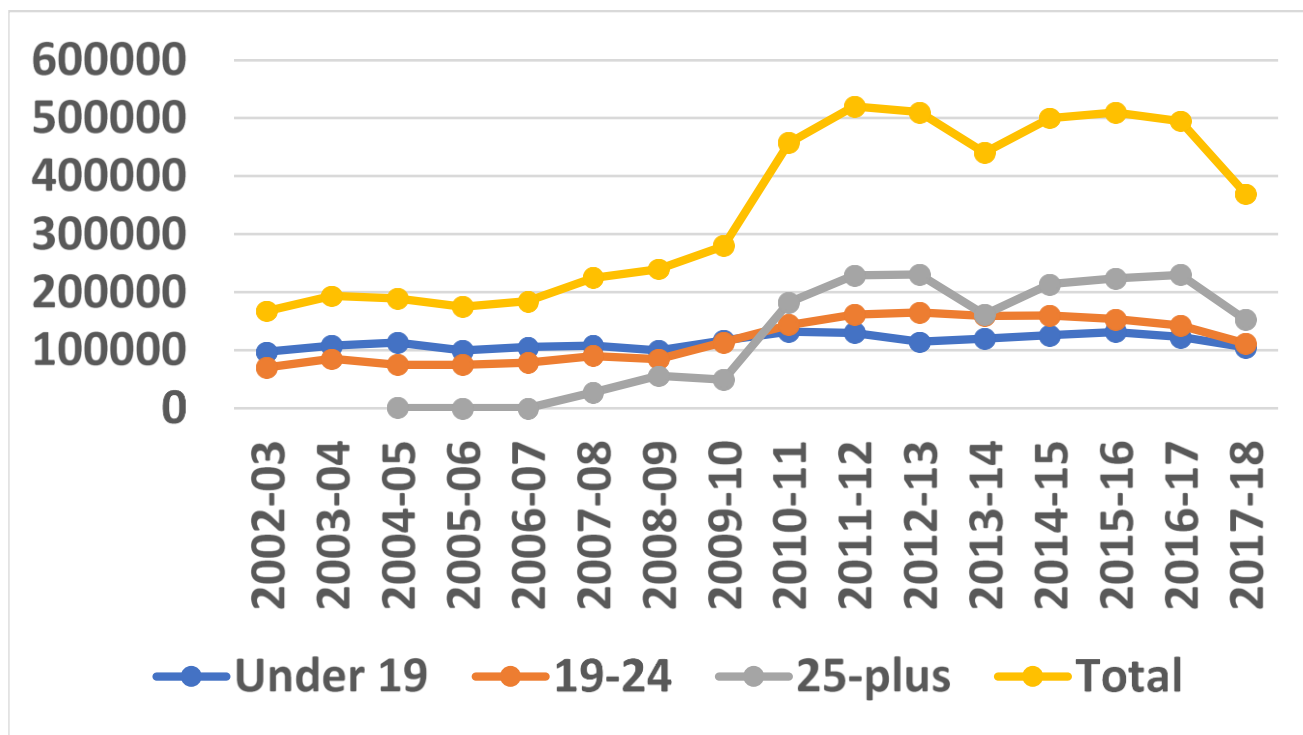
- Apprentice numbers in UK grew sharply in decade up till 2016
- Much wider coverage of occupations and industries than in previous decades when manual trades predominated
- Rapid growth in adult apprenticeships from 2010-11 onwards
- Majority of trainees aiming for Level 2 qualifications rather than Level 3 or higher qualifications associated with apprenticeship training in Continental Europe
- Very wide variation in quality between apprenticeships, ranging from high-quality to little more than accreditation of employees' existing skills [Fuller and Unwin, 2017]

**Figure 2A: Apprenticeship starts, England, 2002-03 to 2017-18 (P), analysed by qualification aim**



Source: Department for Education

**Figure 2B: Apprenticeship starts, England, 2002-03 to 2017-18 (1 analysed by age group**



Source: Department for Education

## Apprenticeship training in UK (2)

- Rapid expansion of apprenticeships between 2006-16 criticised for focussing on quantity at expense of quality
- Sizeable proportion of training providers and employers working together found ways to access public funds intended for apprenticeship training without greatly adding to skills possessed by trainees, let alone reaching traditional apprentice standards
- System skewed towards Level 2 training with too little expectation of later progression to Level 3
- Wide variation in off-job training provision, some of it very limited

# Apprenticeship Levy – how it works (1)

- Apprenticeship Levy introduced in April 2017, with considerable support from sections of employers
- Key aim to improve training quality (eg, stricter requirements regarding off-the-job training/college study and end-point assessment of skills learned)
- All UK employers with annual pay bill in excess of £3m are required to pay amounts equating to 0.5% of their pay bill to HM Revenue and Customs (HMRC) each month – currently affects about 1.3% of employers (60% of all employees)

## **Apprenticeship Levy – how it works (2)**

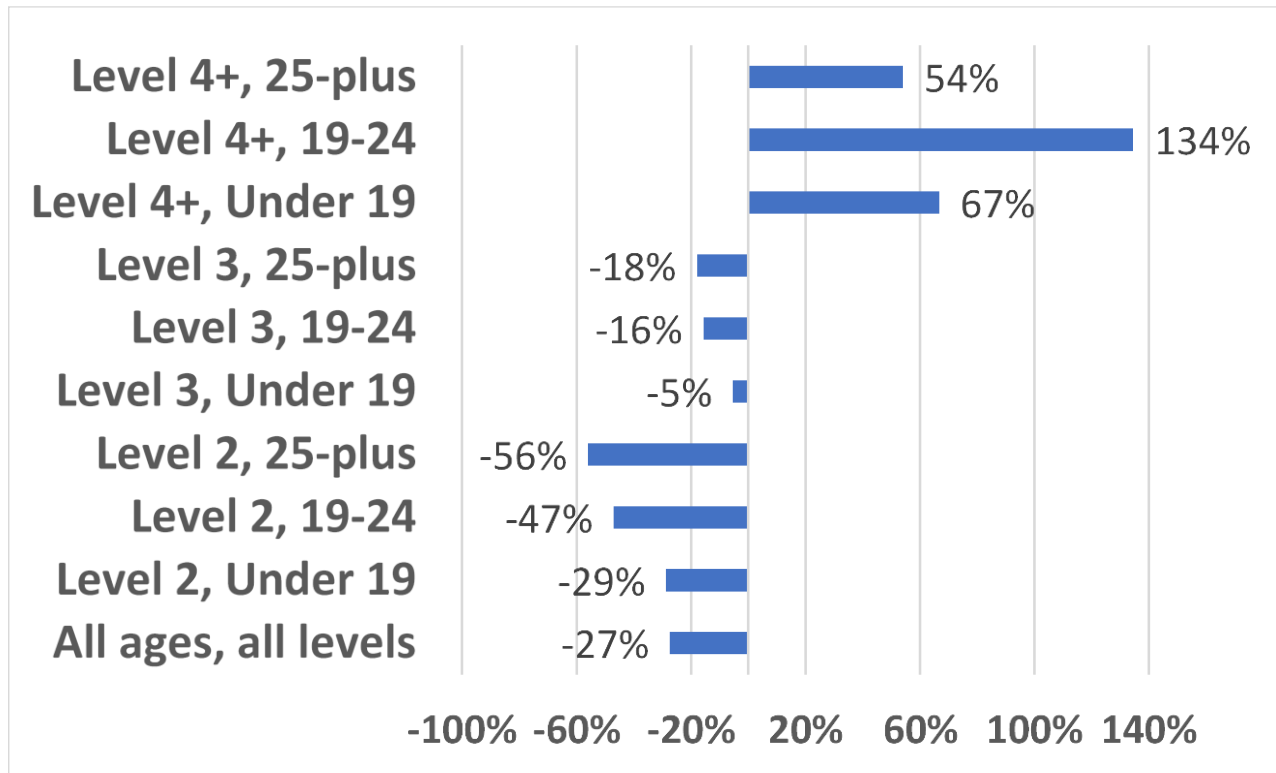
- Levy funds are transferred by HMRC into employers' apprenticeship service accounts, together with 10% top-up of these funds by government
- Employers can then draw on these accounts by implementing apprentice training programmes which conform to new occupation-specific standards developed by employer groups or existing frameworks developed by sector bodies
- Each apprenticeship standard or framework allocated to one of 15 funding bands whose upper limits currently range from £1,500 to £27,000 per trainee; costs above these limits have to be paid by employers

# Apprenticeship Levy – impact on trainee numbers so far (1)

- Sharp drop (-27%) in apprentice starts between 2015-16 and 2017-18 since Levy introduced
- Perhaps no more than expected if aiming to drive out previous low-quality training under ‘apprentice’ heading?
- Reduced incentives for apprentice training by firms and other organisations which are too small to be eligible for Levy -- impact not yet researched

[Small and medium-sized employers currently need to pay 10% of apprentice training and assessment costs but previously most were subsidised for 100% of fees paid to training providers]

**Figure 3: Change in apprenticeship starts by level and age group, England, 2015-16 to 2017-18 (P)**



Source: Department for Education



# **Apprenticeship Levy – impact on trainee numbers so far (2)**

- In addition to changes in funding and incentives, early assessments point to other problems such as confusion among some employers about their eligibility for Levy and about funding rates for different kinds of training
- In addition, delays have occurred in design and approval of many training standards, particularly standards that are suitable for small and medium-sized firms as well as larger firms
- Continuing problems with poor quality of some training providers (including subcontractors) and some organisations responsible for end-point assessments of trainee skills [House of Commons Education Committee 2018 report]

# Higher Apprenticeships

- Promising signs of growth in Higher Apprenticeships since introduction of Levy (albeit from low base)
- Student demand for high-quality Higher Apprenticeships has been strong for years but too few places offered by UK employers
- 2015 survey of school and FE college students in England who were studying toward HE entry-level qualifications such as A levels or Level 3 vocational qualifications:
  - When asked about different alternatives to full-time HE study, some 43% of these students said they were ‘very interested’ or ‘quite interested’ in option of apprenticeship training
  - This rose to 56% if apprenticeship training was combined with some later prospect of going on to HE studies

# **Will Apprenticeship Levy help reduce the imbalance between HE and initial VET?**

- Limited evidence available so far shows some positive signs at Level 4+
- Same not true so far for younger age groups (under 19 and 19-24) at Levels 2 and 3
- Few signs to date of improvements in apprentice progression from Level 2 to Level 3
- Limited commitment to Level 3 apprentice training largely reflects business strategies deployed by many UK firms which do not seek to specialise in high skill, high value added product areas or to organise their workplaces in skill-intensive ways

# Imbalance between initial and continuing education and training

- Priority given to full-time HE and to apprenticeship training (of varying quality) in recent decades has contributed to:
  - long decline in public spending on continuing education and training
  - reduced adult participation in areas such as skills training and updating, community learning and part-time HE study

[‘Community learning’ = continuing education and training which is not specifically related to employment but confers many benefits on individuals and society, for example, in health, social well-being and crime reduction]

**Table 2: Adult FE teaching and learning expenditure, England 2015-16 and change since 2010-11, £ billion, 2015-16 prices (refers to learners aged 19-plus)**

	<b>2015-16</b>	<b>% of total Adult FE expenditure in 2015-16</b>	<b>% change 2010-11 to 2015-16</b>
Adult skills budget	1.88		-41
<i>of which:</i>			
Adult apprenticeships	0.71	30	+48
Adult skills training excluding apprenticeships	1.14	47	-57
Community learning	0.21	9	-5
Offender learning	0.14	6	-13
European Social Fund programmes	0.20	8	-41
<b>Total Adult FE Teaching and Learning Expenditure</b>	<b>2.48</b>	<b>100</b>	<b>-36</b>

Source: Skills Funding Agency

# Employer-provided training for adult workers

- Fall in adult participation in publicly-funded education and training in recent years compounded by declining provision of employer-provided training for adult workers.
- For adults as a whole, this has not been due so much to lower rates of participation in job-related training as it has been to shorter average durations of training episodes
- Volume of training per worker fell by estimated 50% between 1997-2012, with largest reduction experienced by adult workers below the age of 30 [Green et al, 2016]
- Furthermore, more recent evidence suggests that, for adult workers aged 25-34, participation rates are falling at the same time as the average duration of training episodes is declining [Henehan and Vignoles, 2018]

# Adult workers' skill updating needs

- Productivity impact of improving skills of existing workers potentially greater and more immediate than efforts to upgrade initial VET for new entrants to the workforce
- Declining volume of employer-provided training per worker hard to reconcile with evidence on employers' acknowledgement of skill updating needs
- Employer Skills Survey 2017 showed 63% of UK establishments reporting skill updating and improvement needs among existing employees in wide range of occupations
- Main factors driving adult upskilling needs:
  - introduction of new goods or services, new work practices, new technologies and new legislative or regulatory requirements

**Table 3: Establishments reporting training funded or arranged for staff over past 12 months, analysed by reported skill updating needs in next 12 months, UK, 2017 (population-weighted)**

	<b>Upskilling needed</b>	<b>No upskilling needed</b>	<b>Total</b>
	<i>% of establishments which were asked about skill updating needs</i>		
Training	75	47	65
No training	25	53	35
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>
		Weighted n =	1895140
		Unweighted n =	43437

Source: Employer Skills Survey 2017



**Table 4: Training provision in previous 12 months, taking account of percentage of training devoted to health and safety or induction training, UK, 2017 (population-weighted)**

	<i>% of total establishments</i>
Nature of training provision:	
Off-job and on-job training, <50% health, safety or induction	23
Off-job training only, <50% health, safety or induction	8
On-job training only, <50% health, safety or induction	11
Off-job and on-job training, 50% or more health, safety or induction	12
Off-job training only, 50% or more health, safety or induction	4
On-job training only, 50% or more health, safety or induction	7
Do not train	35
<b>TOTAL</b>	<b>100</b>
<i>Weighted n =</i>	<i>87430</i>
<i>Unweighted n =</i>	<i>1895140</i>

Source: Employer Skills Survey 2017

# Policy implications - summary

- Strong case to shift balance of public spending
  - from HE to intermediate VET, and
  - from initial (post-18) education and training as a whole to continuing education and training
- Build on leverage within Apprenticeship Levy system to encourage increased spending on training by employers
- Extend Levy to cover wider range of employers and encourage short-duration continuing training for adult workers as well as long-duration apprenticeship training

# National Learning Entitlement (NLE)

- All persons aged 18 or above to have free access to publicly-provided (or publicly-recognised) education and training for the equivalent of two years
- This entitlement would apply to further and adult education colleges as well as to universities and could be used flexibly for part-time study over a number of years
- Course fees would only be charged in third and subsequent years of study

[Schuller, Tuckett and Wilson, 2018, LLAKES Research Paper No. 63]

# **NLE and intermediate skills development**

- Two-year funding entitlement could help incentivise more employers to offer Higher Apprenticeships (including part-time study for Foundation degrees or Higher National awards) whereby, following completion of their training, trainees work at technician level for an agreed number of years in return for future employer support with HE tuition fees
- Should also encourage growth of “2+2” courses with two years of study for Foundation degrees or Higher National awards at FE colleges followed immediately, or at later stage, by two years study to complete First degrees at associated universities

# NLE and continuing education and training

- New support for low-qualified adults to engage in:
  - Job-related skills updating and improvement
  - Study for vocational qualifications above those currently held
  - Part-time higher education
  - Continuing education and training unrelated to employment
- Harder to see how well-qualified adults could benefit from NLE but they are the people who are already most likely to receive support from employers for continuing education and training (eg, MBAs)

# **Build on leverage within Apprenticeship Levy system (1)**

- Concerns about deadweight can be overstated
- At least training is being financed in part by employers drawing down their own Levy contributions, not being subsidised from general tax revenue
- Opportunities to build on leverage within Apprenticeship Levy system provided by design of training standards and allocation of training programmes meeting those standards to specific funding bands

# **Build on leverage within Apprenticeship Levy system (2)**

- Appropriate for regulations concerning drawdown of Levy funds to be weighted towards Level 3 training and to Level 2 training programmes with clear plans for progression to Level 3
- Case for Levy to be extended to smaller firms (but not micro-firms) and to non-apprentice training needs, eg, short-duration skills updating and improvement courses for adult workers
- Priority for high-quality apprentice training could be maintained by explicit lower weighting for short-duration training in regulations concerning drawdown of Levy funds