unionlearn

Learning & Skills Policy Update

April 2016

Introduction

This newsletter is intended to keep unions and other stakeholders abreast of policy developments in learning and skills, including providing updates on what the TUC and unionlearn are saying on specific policy issues.

If you have any suggestions about either the content or the design of the newsletter, please contact Iain Murray: imurray@tuc.org.uk. This newsletter and policy briefings providing more information on specific issues are available on the unionlearn and TUC websites.

Please note that the following acronyms are used in this newsletter for the main government organisations/agencies covering learning and skills: BIS (Department for Business, Innovation and Skills); DfE (Department for Education); UKCES (UK Commission for Employment and Skills); SFA (Skills Funding Agency); SSCs (Sector Skills Councils); and LEPs (Local Enterprise Partnerships).

Apprenticeships

Apprenticeship Levy

Detailed information on the development of the apprenticeship levy was set out in the last two editions of this Learning & Skills Policy Update newsletter. However, earlier this month the government provided new guidance on how the apprenticeship levy will operate when it is implemented in April 2017. This provided clarification in the following areas:

- Employers who use existing mandatory levy systems (construction and engineering construction) will also have to contribute to the national apprenticeship levy.
- Levy payments required of eligible employers (i.e. those with annual payroll above £3M) will be made monthly via existing PAYE systems. A Digital Apprenticeship Service (DAS) which employers can use to source and pay for apprenticeship provision and assessment will be established. From May 2017, the DAS will be credited monthly. Levy paying employers will receive their levy contributions plus a top-up payment of 10% of their monthly levy contribution.
- Levy funds must be spent within 18 months or they will expire. Money is spent when it leaves the DAS as a payment to a training provider.
- The DAS will be phased in gradually from April 2017. Only levy paying employers

(about 2% of employers) will be able to utilise the Digital Apprenticeship Service from April 2017. Non-levy paying employers (98% of employers) will not have access to the DAS until at least April 2018 and they will continue to use the current apprenticeship system until the timing of their transition to DAS is confirmed.

- Scotland, Wales and Northern Ireland will continue to have their own apprenticeship systems and will not be using the Digital Apprenticeship Service.
- Levy-paying employers will only be able to use DAS funding to pay for the costs of apprenticeship training and end point assessment and this must be with an approved training provider and assessment organisation. This funding cannot be used for other costs associated with apprentices or wider training effort, e.g. wages, statutory licences to practise, travel and subsidiary costs, managerial costs, traineeships, work placement programmes or the costs of setting up an apprenticeship programme.
- All apprentices recruited before April 2017 will continue to be covered by the existing funding arrangements until the end of their apprenticeship so employers paying the levy from April 2017 will not be able to use their DAS funding to pay for the training costs of these apprentices.
- The government will pay the costs of Level 1 and Level 2 English and Maths provision for apprentices directly to the provider.
- There will be an extra payment to support employers who take on 16-18 year olds and also apprentices aged 19-24 with "additional needs" (i.e. disabled young people, those with special educational needs, and care leavers).
- Employers will have a £15,000 tax allowance they can offset against their levy payments which means only those with an annual payroll in excess of £3M have to pay the levy. There are safeguards being put in place to ensure that where employers are "connected" (where a company has control of another company or both companies are under the control of the same person or persons) they can only utilise the £15,000 tax allowance once. For example, if three "connected companies" each had an individual annual payroll of £3M they would not be able to avoid the levy altogether by each one using the £15,000 allowance. In effect they would have to pay the levy on the total combined wage bill above £3M (i.e. £9M - £3M) and would therefore have to pay the levy on £6M

Further government guidance is expected later in the year and the following questions still need to be answered:

- Will employers be able to use the DAS and their levy funds to fund apprenticeships in their supply chains?
- What levels will be set for the funding caps for apprenticeship standards/frameworks in the new levy system?
- How will the apprenticeship levy work alongside the apprenticeship systems in the devolved nations?

Finally, the government has stated that the SFA will be working with providers and employers to determine the quality standards that must be met by a provider for them to be registered as an "approved training provider". The TUC is making the case that trade unions should also be involved in this process. An Institute for apprenticeships will be established, tasked with setting, monitoring and enforcing apprenticeship quality standards and setting the government funding caps for different apprenticeships. The TUC is calling on the government to ensure that the interests of apprentices and the wider workforce are given a voice on this new body through the role of trade union Board members, as is the case with similar bodies in other European countries.

Public sector targets

The levy will also apply to public sector employers. Furthermore, the government is stipulating through the Enterprise Bill that public sector organisations with more than 250 employees will have “apprenticeship targets” imposed on them, with a minimum of 2.3% of the workforce expected to be apprentices. The government undertook a consultation on the public sector apprenticeship targets earlier this year and the TUC convened a meeting of affiliated public sector unions to discuss the issues.

The TUC response to the consultation is critical of many aspects of the proposed target regime, including concerns that there are simply not enough apprenticeship frameworks available to enable public sector employers to meet these targets. Also, there are already early indications that some employers are considering using the targets as a cost-cutting exercise and that there are real risks of unfair job substitution occurring as a result. There are also major risks to the generally high quality of apprenticeships currently found in the public sector as the new targets have the potential to incentivise employers to create more low quality placements in order to achieve numerical targets.

On a more positive note, the TUC has welcomed the decision by government to introduce new procurement regulations requiring contractors to demonstrate a clear commitment to apprenticeships in all bids for government contracts worth more than £10 million and of more than 12 months in duration. The TUC had been lobbying government for many years for the introduction of tougher procurement regulations to require contractors to recruit more high-quality apprenticeships.

Transport Skills Initiatives

Strategic Transport Apprenticeship Taskforce

Kevin Rowan, Head of Organisation and Services at the TUC, has been appointed to the Strategic Transport Apprenticeship Taskforce which has been established to support the government’s ambition to create 30,000 apprenticeships in the sector by 2020 and to increase the diversity of the workforce. The taskforce was launched on 15 April and is chaired by the HS2 Ltd Chief Executive, Simon Kirby, himself a former apprentice with British Rail.

Other members of the Taskforce include Network Rail, Crossrail, Highways England and Transport for London (see the launch press release for further details).

The Department for Transport made a commitment to establish the new taskforce in an earlier report – Transport Infrastructure Skills Strategy – which was published in January and included the following recommendations:

- deliver on the government’s ambition for 30,000 new transport apprenticeships over the next 5 years to 2020, reflecting the government’s overall apprenticeship target and funding from the proposed apprenticeship levy
- ensure the right mix of apprenticeships are on offer for the transport sector, including many at higher levels
- meet the challenge of new technologies by upskilling the existing workforce
- encourage greater diversity in the workforce

- promote transport and engineering as a career of choice for the brightest and best, leading to using 2018 as a year to celebrate engineering

In addition to increasing apprenticeship starts, the transport skills strategy also sets out specific targets on equality and diversity. These include that 20% of new entrants to engineering and technical apprenticeships in the transport sector should be women by 2020 and that there should also be a 20% increase in BME apprentices in this timeframe. The Taskforce Chair – Simon Kirby - reflected the importance of this agenda when he said: "It is vital that we also inspire people from all different backgrounds to become an apprentice so that we can create a diverse workforce capable of delivering the unprecedented number of transport projects currently in the pipeline."

Commenting on the new taskforce, Kevin Rowan said:

"I welcome the clear acknowledgement that the TUC and affiliated unions have a key role to play in supporting the significant expansion of apprenticeships in the transport sector through major infrastructure projects and wider workforce development initiatives. Supporting high quality apprenticeships and skills development for adult employees is at the heart of unions' negotiating strategies across the sector, as is tackling equality and diversity challenges. I look forward to working closely with unions in the transport sector in support of these priorities."

HS2-TUC Framework Agreement

The launch of the new taskforce follows closely on another major announcement about HS2 Ltd and TUC signing a framework agreement to boost skills and apprenticeships as high speed rail is rolled out. The agreement is designed to maximise the economic and labour benefits of the UK's new north-south high speed rail line, which at the peak of construction will create a 25,000-strong newly skilled workforce and up to 2,000 apprenticeships. The full version of the initial framework agreement is available on the government's website and it sets out how the partners will discuss issues concerning the employment, development, diversity and inclusion of people working throughout the project and the wider supply chain.

Under the framework agreement a committee will be formed that will be chaired by the CEO of HS2 Ltd – Simon Kirby – and will include membership from unions in the sector and also the TUC General Secretary, Frances O'Grady. A joint blog by the HS2 CEO and the TUC General Secretary about the agreement highlights the following skills and diversity priorities:

"HS2 will skill a generation. Working with the trade union movement and business and industry groups, and the new National College for High Speed Rail, HS2 will strive to ensure that generation is significantly more diverse than those that have gone before it, with technical skills and employment opportunities to create fulfilling, lasting careers.

While the project will place an unprecedented demand for new jobs and skills it also represents a once in a lifetime opportunity to change the face of the infrastructure workforce. Currently, just 4% of rail engineers are women. In an age when women make up around half of solicitors and the majority of GPs, this does not reflect well on the rail industry. Through joint working on development and inclusion matters, that can change, and it must."

UKCES and SSCs

The TUC has continued to express concerns about the diminishing role in recent years of sector skills bodies, especially their function in facilitating dialogue between employers and trade unions on key skills issue, including apprenticeship standards. Core funding for Sector Skills Councils (SSCs) was ended by the previous government and since 2010 a number have closed down, merged with other SSCs, or been taken over by commercial interests.

However, during this same period the UKCES did promote the development of a new type of sectors skills body – Industrial Partnerships (IPs) – which the TUC gave broad support to, albeit with concerns about union representation in some particular cases. Eight Industrial Partnerships were launched in 2014 but following the election a decision was taken by the new government to cut their funding and as a result the majority of their government-funded activities have now ended. A recent review of the IPs by the UKCES concludes that “not all industrial partnerships have strong sustainability plans and it will fall to each to decide if and how they continue.”

In the Spending Review the government indicated that there would be significant cuts to UKCES and it has since been confirmed by the Chair, Sir Charlie Mayfield, that the organisation’s operational activities will cease by the end of this summer. In a recent letter to stakeholders he also highlighted a number of concerns, including the ongoing confusion about the future of National Occupational Standards (NOS) across the UK. In England the government is no longer requiring NOS to be a mandatory requirement when setting training standards but the devolved nations are continuing to link standards with NOS.

In recent years the government has been testing out a new standard-setting framework in England for apprenticeships through the Apprenticeship Trailblazers that bring together groups of employers to agree standards. When queried about the link between these new standards and NOS, a BIS official is reported to have said: “Employers are free to refer to national occupational standards to support the development of their Trailblazer apprenticeships — most have chosen to do something different.” Too often individual Trailblazers have not provided any input for trade unions and other stakeholders, leading to apprenticeship standards being discussed and agreed solely by employers. As highlighted above the TUC is calling on the government to provide a proper voice for trade unions on the forthcoming Institute for Apprenticeships to ensure that apprenticeship standards have the support of both employers and unions.

English and maths

New BIS research

A recent BIS research report - Impact of Poor Basic Literacy and Numeracy on Employers – has concluded that employers underestimate the prevalence of how many people in their staff have gaps in their literacy and numeracy skills. Another key conclusion in the report is that employers could be doing much more to address the need for improved English and maths skills among the workforce. The report highlights that employers often are not even aware of the literacy and numeracy levels required to fulfil different jobs or where these skills gaps occur in their organisations. The suggestion is that the lack of employer recognition that skills gaps exist also means there is no awareness of their impact on performance in the workplace.

The research concludes that "two thirds of workplaces with a reported basic skills gap do not provide basic skills training" and often the gaps in English and maths skills levels are masked by usage of coping strategies such as written templates or computer programmes, and also relying on peer support.

Overall the study aimed to assess the economic impact of poor literacy and numeracy skills on workplace performance. Employers in workplaces where staff had a relatively low level of English and maths skills highlighted a range of costs to their business. The report concludes that "between a third to a half of employers with a basic skills gap reported an increase in the number of errors made by staff, a constraint on the introduction of new and/or more efficient processes, and/or a reduction in product or output quality." The main impact of these skills gaps centred on flexibility, with the report highlighting that this occurred "both in regard to the ability of that employer to adapt to changes in the market, especially those related to adoption of new technologies, and to adequately meet the needs of the full range of customers and clients".

The research was conducted by the National Research and Development Centre for Adult Literacy and Numeracy (NRDC) and Ipsos Mori. The report's sources include employer interviews and a survey of 4,234 workplaces in England to estimate how widespread the lack of poor literacy and numeracy skills in the workplace is. Researchers also surveyed 4,239 workplaces that have delivered publicly funded literacy and numeracy training to estimate the costs and benefit of the training.

New OECD research

The OECD has publicised a country specific report on adult skills in England- Building Skills for All: A Review of England – which draws attention to the persistent issue that roughly nine million people in England have low levels of literacy and numeracy. Five million of the nine million adults with low-level skills are in work which poses a challenge to the government and employers as well as individuals themselves.

According to the report, more than a quarter of adults aged 16-65 in England have low literacy and/or numeracy levels. In comparison with other OECD countries the literacy skills in England are around the average but numeracy skills are well below. The report points out that stronger literacy and numeracy skills suggests a lower risk of unemployment and higher rates of wages.

The report acknowledges that the group of adults with low literacy and numeracy skills is a diverse one and requires a diverse set of interventions and making use of learning environments such as workplace and occupational contexts. In England, young adults perform no better than older ones and this is significantly different to most other countries. The report recommends that upskilling opportunities for young people should be addressed through good quality apprenticeships and traineeships.

The importance of applied maths skills was highlighted in March when on the eve of the introduction of the National Living Wage a survey found that 32 per cent of people, particularly the lower paid, don't check their payslips.

Functional Skills

The Education and Training Foundation (ETF) is continuing with an ongoing functional skills review. The first phase was aimed primarily at employers and sought to establish the nature of English and maths skills needed in the workplace. Following from the research the current phase of the review is aiming to inform a revised set of functional skills qualifications. The TUC has responded to a number of research interviews emphasising the need for contextualised maths and English learning and flexibility of learning and assessment for adult learners.

Maths in Education and Industry (MEI) has published a discussion paper about what a level 2 functional skills qualification in maths should look like in terms of content, standards and assessment. The paper concludes, amongst other things, that the emphasis on re-sitting the maths GCSE for 16-year-olds who don't achieve C grade "seems to send out a clear message that functional skills mathematics is a second-rate qualification compared to GCSE mathematics". MEI say that this approach is likely to undermine students' motivation and significantly reduce the value attributed to functional skills mathematics by employers. The MEI's view is that functional skills needs a clear separate identity from the GCSEs. It has also advocated for a larger role for ICT, such as incorporating spreadsheets, and problem solving in functional skills maths to help with preparation for working life.

Skills – devolution and localism

The National Audit Office has recently published an update report on progress with the government's programme of taking forward a number of English devolution deals as part of its broader policy of supporting localism and decentralisation. To date 10 deals have been agreed building on the first one that came into place for Greater Manchester in November 2014. Last December trade union leaders and the Interim Mayor for Greater Manchester signed a protocol for joint working on workforce matters with regard to the devolution deal. This states that all parties to the protocol are "committed to working together, and with full employee involvement and engagement, to ensure that the devolution of powers to the Greater Manchester level can be of benefit to the citizens and employees of the city-region".

The NAO report highlights that another eight devolution deals have been signed off since last autumn, covering: Sheffield City Region; the North East; Tees Valley; Liverpool City Region; the West Midlands; East Anglia; Greater Lincolnshire; and the West of England. Within central government, HM Treasury and the Cities and Local Growth Unit (a joint unit of the Department for Communities & Local Government and the Department for Business, Innovation & Skills) are responsible for coordinating the negotiation, agreement and implementation of devolution deals on behalf of central government as a whole.

Devolution of skills has been a key element of the move to devolve greater powers to combined authorities in England. In fact the NAO paper says that the "adult skills element of the deal demonstrates a clear process toward what is described 'full devolution'". This relates to the fact that adult skills funding is to be fully devolved whereas this is not the case with other powers that are to be devolved. A recent SFA policy paper - Adult Education Budget: Changing Context and Arrangements for 2016 to 2017 – provides more information on the timescales and processes involved in fully devolving the adult skills budget by 2018/19 to combined authorities with devolution deals in place.

In its report the NAO has raised a number of concerns about the devolution policy agenda in England, including that "there are significant accountability implications arising from the deals which central government and local areas will need to develop and clarify. These include the details of how and when powers will be transferred to mayors and how they will be balanced against national parliamentary accountability". NAO recommends that in order "to improve the chances of success, and provide local areas and the public with greater clarity over the progression of devolution deals, central government should clarify the core purposes of devolution deals as well as who will be responsible and accountable for devolved services and functions, and should ensure it identifies and takes account of risks to devolution deals that arise from ongoing challenges to the financial sustainability of local public services."

Other policy and research news

Immigration Skills Levy

The government has confirmed that it intends to introduce a new [Immigration Skills Levy] (or an Immigration Skills Charge as it is being referred to) on employers who recruit abroad from April 2017. Depending on the size of the organisation the potential levy is either £1,000 per employee per year for larger organisations and £364 for small charitable organisations. The charge will be levied on Tier 2 employers (those recruiting migrants in skilled areas) at a rate of £1,000 per Certificate of Sponsorship per year. A reduced rate of £364 per Certificate of Sponsorship per year will apply to small and charitable sponsors, including universities.

The exemptions to the charge apply for PhD-level occupations, migrants switching from a Tier 4 student visa to a Tier 2 working visa, and the Intra Company Transfer Graduate Trainee category. According to the government press release these specific measures "will help the UK continue to attract talented students and the most qualified migrants, as well as protecting the UK's world-class reputation for education and research."

Vocational qualifications and the gender pay gap

Young women with vocational qualifications earn 15% less than men with comparable qualifications, according to new analysis published by the TUC in April to mark the start of its annual young workers' conference. The analysis of official figures shows that men aged between 22 and 30 with a vocational qualification above GCSE level will earn, on average £10 per hour. But women with the same qualification level will earn only £8.50. The gender pay gap for young women with vocational qualifications (15%) is nearly a third higher than for young women with academic qualifications (10.5%) and is significantly above the overall gender pay gap (8.5%).

The TUC says one of the main reasons young women earn less than their male peers is because they work predominantly in sectors where pay is poorer. The analysis shows that in 2015, just one in 40 vocational qualifications in construction were awarded to women. And they received just 10.8% of vocational qualifications in engineering and manufacturing. This contrasts with vocational qualifications in health and care, where women dominate with 63.6% of qualifications.

Commenting on the analysis, the TUC General Secretary said: "Unless we challenge gender stereotyping and discrimination from the outset, the situation is not going to improve. Unions, employers and government must work together to provide better careers advice in schools and to support and improve training opportunities for all young people." The Director of unionlearn added: "Unionlearn has been working hard to promote and support high quality apprenticeships that offer workplace training and qualifications… [and] … there needs to be equality in these schemes, and in the jobs to which they lead, ensuring that all apprentices and trainees earn the same regardless of gender or background."

Skills and Budget 2016

There were relatively limited announcements in the Budget on skills with the focus given over to schools. However, it did provide some clarification on the top-up that employers paying the apprenticeship levy will receive, saying that they will be given 'a 10% top-up to their monthly levy contributions … and this will be available for them to spend on apprenticeship training through their digital account'.

For example, from April 2017 an employer with a total payroll of £5 million will have to pay a levy of £10,000 a year (0.5% of £2 million) but they will be able to claim £11,000 of apprenticeship training and assessment through their digital account. The Budget also confirmed that the government will set out further details on the operating model for the levy in April and that draft funding rates will be published in June.

On adult skills, the Budget reiterated the announcement in the Spending Review about the expansion of Advanced Learning Loans to cover all courses and training from level 3 to level 6 (more information on this is available in our December policy newsletter). It also announced that new student loans will be made available for individuals studying for a PhD, building on previous announcements about the extension of loans to postgraduate students.

There was also a commitment in the Budget that the government will review lifelong learning provision, as follows: 'To promote retraining and prepare people for the future labour market, the government will review the gaps in support for lifetime learning, including for flexible and part-time study.' Earlier in March the BIS Secretary of State Sajid Javid MP made a similar commitment in a speech:

“I want to see a new focus on adult learning, part-time study and workplace training to give Britain’s workers the skills they need and they deserve. I’m working on this with colleagues across government. I can’t tell you too much of the detail right now. But it’s something you’ll be hearing a lot more about it in the weeks and months ahead."

Commenting on the commitment on lifelong learning in the Budget, the Director of unionlearn said: “We very much welcome the government’s commitment to review support for lifelong learning as evidence continues to highlight that too many working people face significant barriers to gaining the necessary skills to support their career progression. Unionlearn will be making a major contribution to the review once it is launched.”

BIS Select Committee highlights skills and productivity links

In February the Business, Innovation and Skills (BIS) Parliamentary Select Committee published a new report about the government’s Productivity Plan. The Select Committee’s recommendations make it clear that improving workforce skills must be a key priority, with special mentions for apprenticeships, English and maths, and employability skills.

The report says: "Given the raft of existing metrics on basic skills, we recommend that the Government outlines what policies particularly in terms of improving productivity it will introduce to improve the basic skills of the workforce and clearly states how it will measure the success of these policies, which will also assist Parliament’s scrutiny of this crucial area."

On apprenticeships, the report says: "There could be a policy trade-off between the Government achieving the three million apprenticeships target and the maintenance of apprenticeship quality. We believe that the Government is right to resist this temptation and will continue to keep a close eye on this part of skills policy."

Commenting on the report, the Director of unionlearn, said: "It is welcome that the Select Committee attributes such importance to skills in its critique of the government’s policy approach on improving productivity. Trade unions, with the support of unionlearn and the Union Learning Fund, are currently prioritising targeted support for driving up the number of high quality apprenticeships and increasing opportunities for adult employees to gain the vital skills they need to improve their job prospects."

More skills shortages but training trends remain static

The latest edition of the largest skills survey in the UK was published at the end of January and it highlighted a significant increase in the number of unfilled vacancies resulting from skills shortages. The press release from the UKCES, which commissions the biennial survey, said that "the modest economic growth of the past four years has been met by an unprecedented shortage of skills leaving thousands of vacancies unfilled." In total nearly 210,000 vacancies were identified as skills shortage vacancies and this was up from 146,000 in 2013. At the same time the survey of more than 90,000 employers shows little change in employer training trends. The most shocking statistics are that a third of employers still admit to training none of their staff and over a third (37%) of employees say that they do not receive any training.

Commenting on the report, the Director of unionlearn, said: “These latest findings from this highly reputable skills survey show exactly why new policy measures, such as the apprenticeship levy and procurement regulations, are urgently required to make sure that more employers invest in the skills of their existing staff and make a commitment to recruiting high quality apprenticeships. Unions can do much to assist employers and employees to increase their investment in training through the activities of union learning reps and joint strategies with employers to improve learning and skills. The latest research evidence shows that the proportion of union members accessing regular training is 39% compared to 23% of non-unionised employees and that training and productivity levels are boosted in organisations where unions are active in supporting learning and skills."