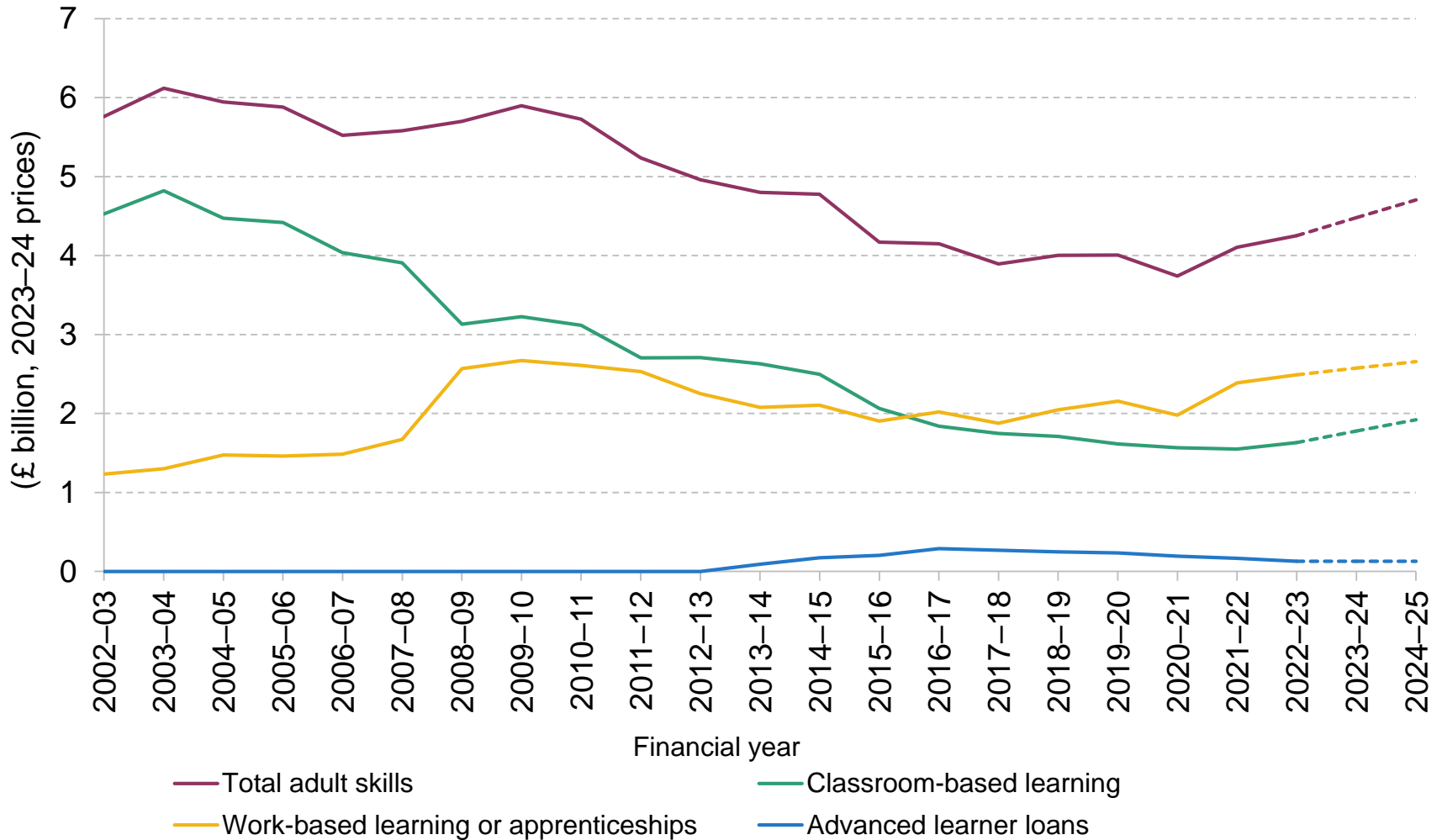


# Reforming training and skills policy

Thursday 12th October  
10:00 - 11:15



# Adult skills funding down by a third since early 2000s



# Reforming training and skills policy

- There are a number of policy levers available to government
  
- Here we focus on two policy levers
  1. Public funding of classroom-based learning
  2. Work-based learning/ apprenticeship policy
  
- The full report also covers loan funding, taxation and much more



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# Public funding of classroom-based learning

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# Classroom-based funding

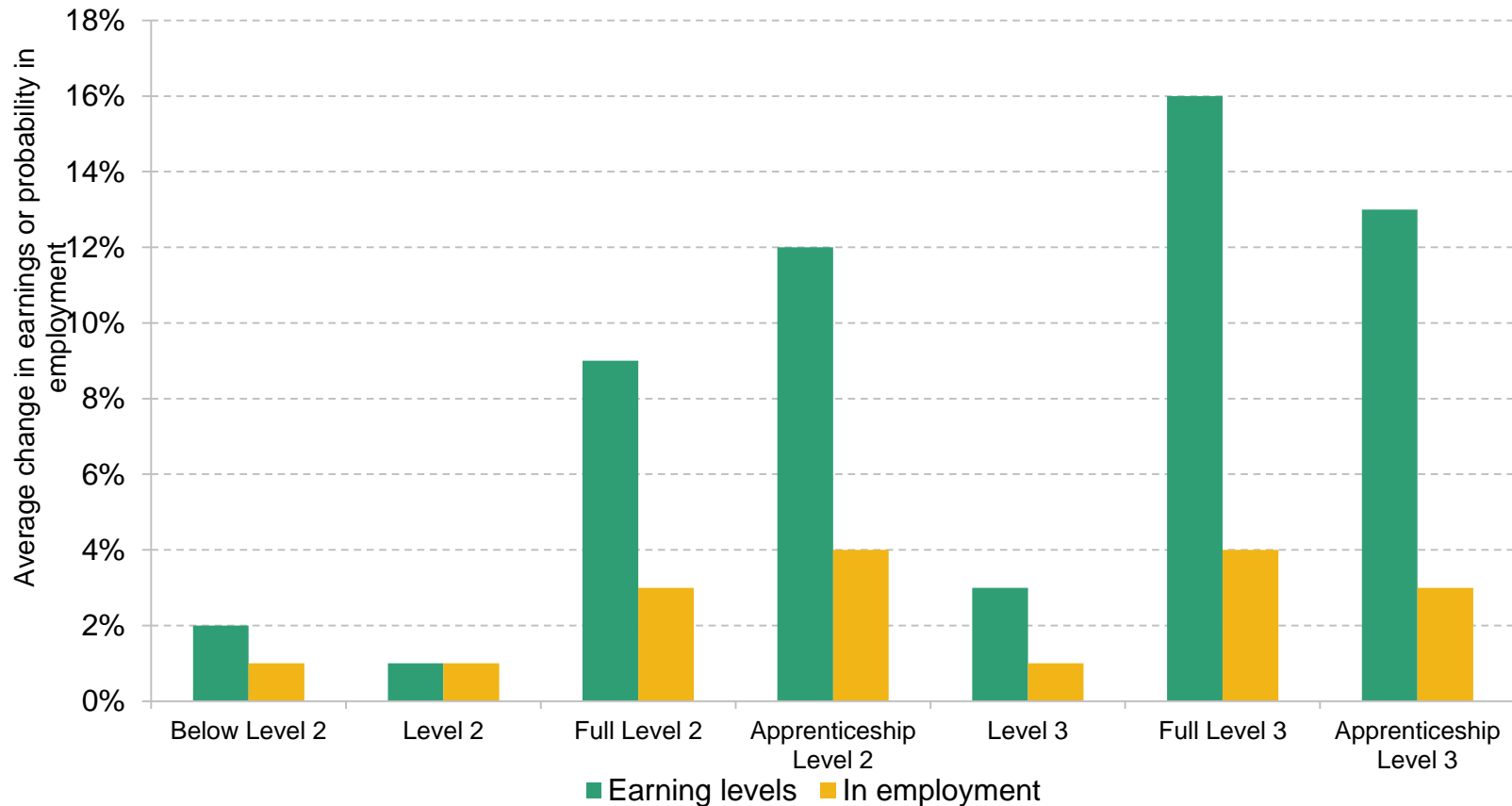
- Funding for classroom-based learning is used to provide
  1. Entitlements to free or subsidised qualifications at Level 3 and below (mainly for adults without existing qualifications)
  2. National skills programmes, e.g. Multiply and skills bootcamps
  
- Two key questions to address when determining funding levels
  1. Which qualifications and skills programmes to fund?
  2. What rate to fund different programmes?  
i.e. how much should colleges receive for teaching a course?

# The two key questions

1. Which qualifications and skills programmes to fund?
  - This depends on the returns to these qualifications

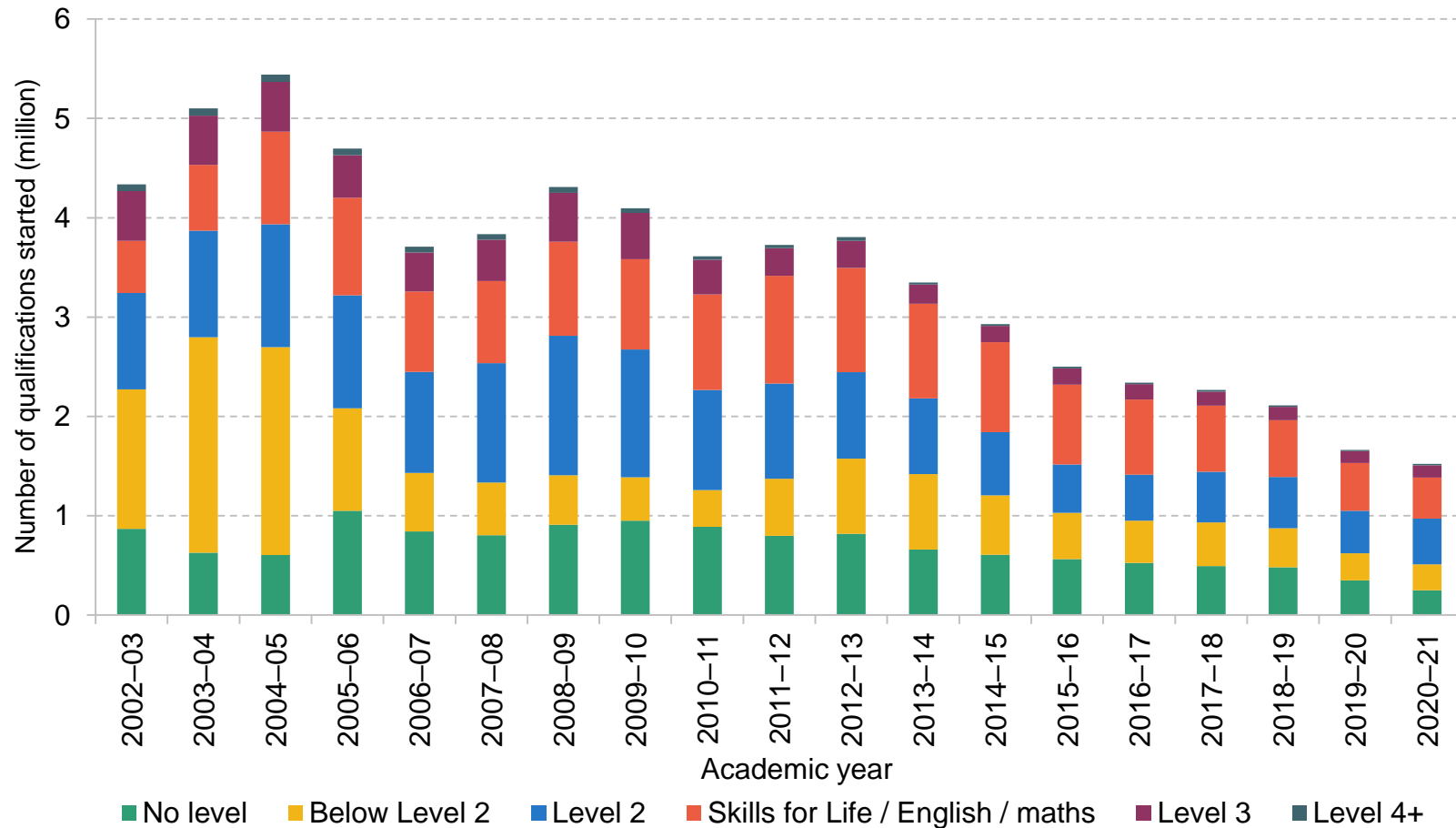
# There is variation in the returns to different qualifications

Average returns 3-5 years after completing qualifications



Note: Below Level 2 refers to entry-level qualifications which provide basic knowledge and skills. Level 2 is a GCSE or equivalent qualification. Level 3 is an A-level or equivalent qualification.

# There has been a sharp fall in publicly-funded qualifications



Note: Below Level 2 refers to entry-level qualifications which provide basic knowledge and skills. Level 2 is a GCSE or equivalent qualification. Level 3 is an A-level or equivalent qualification.

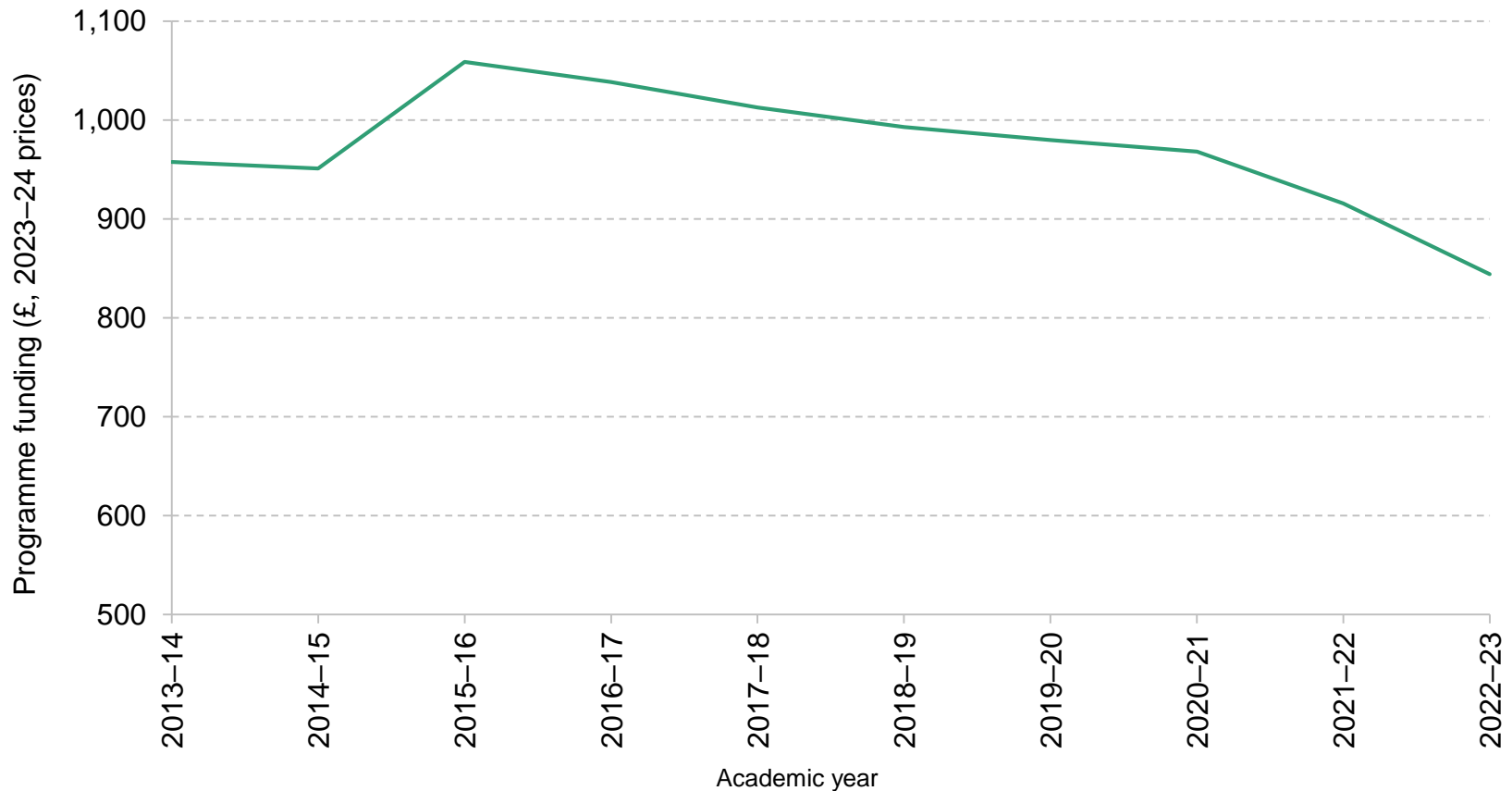


# The two key questions

1. Which qualifications and skills programmes to fund?
  - This depends on the returns to these qualifications
  - The extent to which this funding will substitute private funding
  
2. What rate to fund different programmes?
  - Funding rates have been frozen for most courses
  - This is unlikely to reflect the funding needs of providers

# GCSE maths or English funding fallen by 20% since 2015-16

Programme funding for a GCSE in English or maths (real terms)



# The two key questions

1. Which qualifications and skills programmes to fund?
  - This depends on the returns to these qualifications
  - The extent to which this funding will substitute private funding
  
2. What rate to fund different programmes?
  - Funding rates have been frozen for most courses
  - This is unlikely to reflect the funding needs of providers
  
  - Not just a case of restoring previous funding levels
  - Variable returns mean that where spending is targetted matters
  - Government should review funding rates



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# Apprenticeship policy

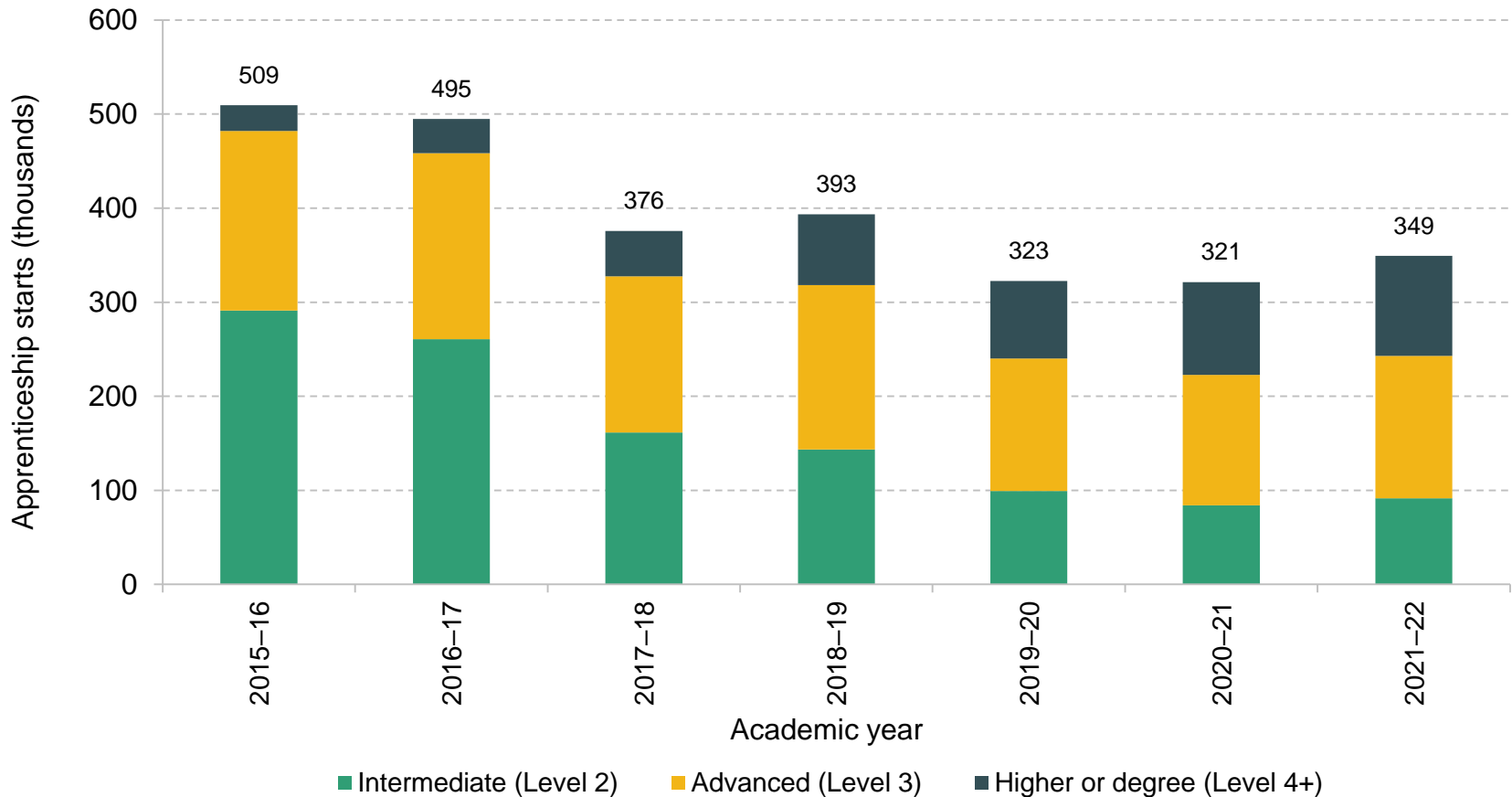
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# Apprenticeship policy

- The Apprenticeship Levy was introduced in 2017, but there were really three policies that came into effect
  1. A new tax on all large employers (with paybill over £3 million)
  2. An increase in subsidy rates for apprenticeships
  3. The introduction of new regulations (apprenticeship standards)
  
- These last two changes are likely to have different impacts on apprenticeship participation

# Fewer starts, but more higher level apprenticeships

Number of apprenticeship starts in England by level



# Subsidies for apprenticeships

- Employers face barriers which lead to under-investment in training
- In England, we subsidise off-the-job training costs for apprenticeships
  - 110% for levy-paying employers
  - 95% for non-levy paying employers
- Two key issues with the existing subsidy levels
  - The differential subsidy rates are unlikely to reflect the extent of under-investment between firms
  - The subsidy rate is also set a high rate (over 100% of training costs)

# Reforming apprenticeship subsidies

- Ideally subsidy levels set to reflect the level of barriers to investment
- Start with a uniform subsidy rate for all employers set at a lower rate
  - This will also make it administratively simpler
  - This can be increased for certain age groups or industries
- There may be value in broadening the uses of the subsidy
  - A key risk is subsidising existing/ unproductive training
  - In other countries, there's a list of eligible qualifications



# Summary

- Large decline in public investment in training
- The government should not simply restore previous funding levels
  - Funding must be targetted at additional and productive training
  - A uniform and lower training subsidy should be introduced
- There is also the urgent need to provide clarity on other parts of the skills system, notably the Lifelong Learning Entitlement

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