

# East Midlands Learning and Skills Council Work Based Learning Strategy

November 2006

Of interest to National, Regional and  
Local Learning and Skills Colleagues

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# A Strategy for Work Based Learning Provision and Funding in the East Midlands: [A Consultation Paper]

## Introduction

This paper explores a series of issues on LSC funded provision for those on entry to employment programmes, apprenticeships and advanced apprenticeships in the East Midlands.

- The current context for worked based learning provision, including demand pressures and the current basis of funding allocations.
- Proposals on key strategic objectives to address the need for a widening of the provision base ( Contestability) and the preparation for Open and Competitive Tendering
- Models for the future allocation of budgets for worked based learning provision.
- Key conclusions and recommendations to RMT on next steps and future policy.

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Annex 1 - Commissioning Framework for Apprenticeships and Advanced apprenticeships 2007/8 and beyond available at [www.lsc.gov.uk/eastmidlands](http://www.lsc.gov.uk/eastmidlands)

Annex 2 - The East Midlands Work Based Learning Report giving full details of the research behind the strategy (not attached but is available at [www.lsc.gov.uk/eastmidlands](http://www.lsc.gov.uk/eastmidlands))

## 1.0 Context

The strategy is based upon a detailed analysis of the demand and supply issues related to provision for apprenticeships in the East Midlands.<sup>1</sup>

### National policy context

- 1.1 Within the last eighteen months, three major national reviews have focused attention on learning and skills. A White Paper – *Raising skills, improving life chances*; the Foster Review and the Leitch Report on UK Skills<sup>2</sup>. All of these outline a range of challenges in delivering the skills employers want and need to increase the country's productivity.
- 1.2 Skill levels have improved over the past 10 years, but not fast enough. Britain ranks 20<sup>th</sup> for post-16 participation in education, and 18<sup>th</sup> for Level 2 qualifications in the workforce amongst the OECD nations. Only 50% of those with no qualifications are in work, compared to 90% with a degree. Forty percent of disabled people have no qualifications. At the same time, there is a predicted increase in skilled jobs from nine million currently to 14 million by 2014 and a predicted reduction in the number of low skilled jobs over the same period from three and a half million to half a million.
- 1.3 By 2010, there will be 1.3 million fewer workers aged 25-35 in Britain. A fifth of UK workers are forecast to be mothers – of whom half will be single parents. As a result of these demographic changes, we will need to be upskilling and reskilling groups such as those already working, and mothers re-entering employment (who already form a quarter of the UK's female workforce). Migration is increasing. The population in Britain would be in decline save for net immigration flows – by 2020 4 in 10 people in London will be of non white British ethnicity with similar trends in the East Midlands.
- 1.4 More 16-18 year olds are participating and succeeding in learning than ever before. The LSC intends that there will be at least 90% participation by 2015. Whilst there has been good progress towards the Public Service Agreement (PSA) target for Level 2 attainment amongst young people, there are still too many types of learners and programmes where success rates are below the agreed benchmarks.
- 1.5 Currently the proportion of young people not in education, employment or training (NEET) is still around 11% nationally. Many NEETs are also likely to be for learners with learning difficulties and/or disabilities (LLDDs), as are young offenders. In 2005-6, 40% of the young people aged 16-18 in jobs without training was not qualified to Level 2. Gender bias is still evident in employment. Young women are still concentrated on the traditionally 'female friendly' Apprenticeships – and are earning £40 a week less than their male counterparts.

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<sup>1</sup> See appendices 1 and 2

<sup>2</sup> Final report due Dec2006

- 1.6 There is still a long tail of low skills evident in Britain's adult workforce. Many adults require pre-employability and 'skills for life' provision. In addition, there are still far too few adults without an employability passport – a full level two or equivalent qualification. Many of those without these essential passports can be found amongst offenders, who often have limited skills or qualifications and are among the most socially deprived. The programme promoting the improvement in their skills, Offenders' Learning and Skills Service has just been rolled out. It will need careful monitoring to ensure its success.
- 1.7 Employers require workers who have good skills in team-working and communication as well as good performance in skills for life such as English and maths. In addition Employers say more modern foreign language skills are needed, to improve their competitiveness in the global economy. However, participation rates in these subjects are declining. Employers also require support for formal qualifications in Management and leadership skills to assist in productivity. In addition, productivity, particularly in the East Midlands depends on increasing the proportion of those with level 3 and 4 qualifications. This implies improving the accessibility and availability of Foundation degrees and other level 4 qualifications in key sectors to improve the development of the region's economy.
- 1.8 As a response to many of these areas of demand the Learning and Skills Council developed its Train to Gain Programme to put employers and their needs at the centre of training for adults. The aim of Train to Gain is to help businesses compete to succeed; by maximising their training funds and changing the way training is delivered to meet their needs. In relation to work based learning, Train to Gain Brokers and providers are required to offer Apprenticeships to all employers for the 19-25 age group.
- 1.9 Meeting employers' needs for training and development of the workforce as well as ensuring sustainability of employment to meet the needs of the East Midlands economy requires investment in working with partners. Effective partnership working will support economic development and social inclusion by enhancing the delivery of skills relevant to employment. This agenda cannot be maintained through the funding of the LSC alone. Partnerships with local authorities, Jobcentre Plus, Regional Development Agencies and local employers through programmes such as New Deal for Towns, Cities and Regions, local area agreements, regional skills partnerships and city strategies are the foundation for economic revival in the region.

### **LSC targets relating to worked based learning**

- 1.10 The LSC has challenging Public Service Agreement targets to support with its funds. In Work Based Learning these include:
- To increase the number of apprenticeship framework completions by 75% by 2007/08. This means 75,000 apprentices complete their

framework by 2007/08. In 2006/07 it is expected that framework completions are 70,000.<sup>3</sup>

- To ensure 50 per cent of E2E leavers to progress into Apprenticeships, FE or work with training by 2007/08.
- To improve the quality of basic skills delivery above the minimum levels of performance threshold.

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<sup>3</sup> Transforming learning and skills: Our annual statement of priorities 2006/07 (Nov 2005)

## 2.0 Strategic Demand, supply and gaps in provision

### Demand in the East Midlands.

- 2.1 The East Midlands mainly consists of people from a white heritage (93.5%). The majority of the remaining ethnic minority heritage population are Asian or Asian British. However, there are geographical pockets where there are high proportions of people from an ethnic heritage and this includes Leicester City and Nottingham City. In Leicester City the majority of people are from an Indian heritage (25.73%) and in Nottingham City the majority are from both Pakistani (3.64%) and Indian (2.28%) heritages.
- 2.2 There are 2,588,300 people of working age in the East Midlands,<sup>4</sup> 68% of whom (1,750,000) are employed in 155,000 workplaces. The adult employment rate<sup>5</sup> in the East Midlands (75.8%) is higher than the national rate of 74.3%. Seventy seven percent of women are employed compared to 69.8% nationally. Employment rates are highest in the south and west of the region, and lowest in the cities of Leicester and Derby.
- 2.3 Average annual earnings in 2005 were 6.6% lower than the national average, at £17,713 a year. On average, earnings for men were over £10,000 higher than for women, the greatest differential of all the regions (45.8%).<sup>6</sup> Although there are more women working in the region than nationally, they are not as well paid as women in other areas. There is less of an earnings premium for those in higher order occupations (and holding higher level qualifications) in the East Midlands than nationally.<sup>7</sup> Not only are there fewer of these occupations in the region, wages for these occupations tend to be lower, giving graduates and highly skilled people little incentive to stay in the region. There are notable differences within the region, with the highest average earnings in Derby City at £23,945, well above the regional and national average. Salaries tend to be higher for those who work in the cities, compared to those who live there. The reverse is true for rural areas, suggesting that those who live in rural areas commute to higher paid jobs in urban areas, while those working in rural areas are less well-paid.<sup>8</sup>
- 2.4 Thirty percent of employers employ more than 200 people. However, the vast majority of employers in the region are very small, with 83% of employers only employing 1-10 people.<sup>9</sup> Some 18,500 VAT registered businesses are in the three cities of Derby, Leicester and Nottingham,(14.7%). Northampton has witnessed a growth of 20.6% between 1994-2005, the highest level of change in the region. Output<sup>10</sup>

<sup>4</sup> Annual Population Survey, Jan2005-De4.5c 2005 taken from Nomis 5<sup>th</sup> September 2006.

<sup>5</sup> Working age adults (16-59/64). Source: Annual Population Survey, Jan-Dec 2005.

<sup>6</sup> Emda, *The East Midlands in 2006*, p. 169

<sup>7</sup> Emda, *The East Midlands in 2006*, pp170-171

<sup>8</sup> Emda, *The East Midlands in 2006*, pp174-5

<sup>9</sup> Annual Business Inquiry, 2004

<sup>10</sup> Gross Value Added – GVA

performance has improved in the last few years, but remains below the national level, and the per capita measure is now lower than it was in 1996.

- 2.5 Investment by UK companies in the East Midlands is lower than any other region except London, and investment by foreign owned companies is lower than in all other regions apart from the North West and Yorkshire and the Humber.<sup>11</sup> In contrast, the East Midlands compares favourably to the UK in terms of business enterprise research and development spend, although the higher levels of spend in the region are concentrated in a small number of large multi-national firms, leaving a very large proportion of the business population that spends very little.<sup>12</sup> Total entrepreneurial activity is lower in the East Midlands than in the UK; and is most likely to be amongst the groups aged 25-34, those holding a Masters or Bachelors degree, and activity is highest amongst people of Indian, Pakistani and Black Caribbean origin. There is a general north-south split with levels of start-up higher in the south of the region (Leicestershire, Northamptonshire and Rutland) and lower in the north (Derbyshire, Lincolnshire and Nottinghamshire).<sup>13</sup> Business survival rates in the region are higher than the national average. The East Midlands has one of the highest level of exports, only below the North East.
- 2.6 Broadly employment in sectors in the East Midlands is in line with national averages, only employment in manufacturing sectors (17.6%) being higher than the national average (12%) which exposes the region's economy and employers to risks from low-cost competition and imports. The sub-sectors of Food and Drink and Transport Equipment are identified as significant in the future in terms of output and employment.<sup>14</sup> Public services, such as administration and defence and Health and social care account for a relatively high proportion of employees.
- 2.7 All sectors are expected to experience a positive replacement demand but a mixture of positive and negative expansion demand. Health and social care', 'Other business services and 'Retailing distribution' account for the highest predicted growth as they have high expansion and replacement demand. Both Health and construction sectors have significant numbers of large employers and both forecast to grow faster than the national average due to significant development opportunities and demographic changes. In some sectors there is limited or no 'expansion demand' apparent. In Hotels and catering there is no growth in the sector expected during 2004-2014; hence net demand is only contributed to by replacement demand. The region is forecast to be more reliant on lower order occupations than elsewhere in the UK which has major implications for the region's economic competitiveness.

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<sup>11</sup> Emda, *The East Midlands in 2006*, p.74

<sup>12</sup> Emda, *The East Midlands in 2006*, p.76

<sup>13</sup> Emda, *The East Midlands in 2006*, p.81

<sup>14</sup> Emda, *The East Midlands in 2006*, p.95

- 2.8 Between 1999 and 2003 the region experienced the greatest increase in the proportion of the working age population holding level 2 and level 3 qualifications across all the UK regions.<sup>15</sup> This improvement has been led by the entry into the labour market of better qualified young people, replacing older, less qualified workers. However, as declining numbers of young people will enter the workforce beyond 2010, so the region will need to look beyond the current workforce to maintain and increase labour supply for the future, for instance moving people from benefits, or attracting new migrants.<sup>16</sup> It has implications for the work of Train to Gain brokers who will need to focus on working with sectors in decline in the East Midlands, such as textiles and clothing, to enable the re-training of older workers to meet replacement demand for 10,893 jobs particularly in Health and Social Care, Construction and Hotel and Catering.
- 2.9 The retention of graduates would help. The region is served well by seven universities, yet remains a net exporter of graduates. There is low demand for higher level skills by employers in the region, resulting in lack of initial opportunities for graduates, with fewer employed in higher level occupations than the national average and salary progression for them is slower than in any other region.<sup>17</sup> In consequence for those graduates who wish to remain in the region, they have little opportunity but to take non-graduate jobs. This presents a risk for non-graduates, who would previously held the right level of qualifications for such jobs but who now have to compete with the growing supply of more highly qualified people.<sup>18</sup>
- 2.10 The majority of the region's sectors have high levels of employees without level 2 qualifications, amounting to over 500,000 people. Of the key sectors represented by SSCs, only Skills for Care and Development shows a significantly higher proportion of the workforce without level 2 at (29%) than the national average (25%).<sup>19</sup> There is also evidence that the proportion of people improving their qualifications over the age of 30 is significantly fewer.<sup>20</sup> For the East Midlands, this has serious implications. Although the proportions of both 16-19 and 19-21 year olds gaining level 2 qualifications has risen substantially, there still remains a significant 'tail' of older workers who will remain in the labour force and employment for some considerable time.<sup>21</sup> It will require all adult provision to be directed to supporting

<sup>15</sup> Emda, *The East Midlands in 2006*, p140.

<sup>16</sup> LSC, *Skills in England 2005 Volume 1: Key Messages*, 2006, p. 19; Emda, *the East Midlands in 2006*, p.141

<sup>17</sup> Emda, *A Flourishing Region: Regional Economic Strategy for the East Midlands 2006-2020*, p. 59; Emma Pollard, Matthew Williams, Darcy Hill, Institute of Employment Studies, University of Sussex, on behalf of emda, 'Graduate Choices in the East Midlands', 2004, cited in EMSIP, *Raising demand for higher level skills*, p.5

<sup>18</sup> EMSIP, *Raising demand for higher level skills* (East Midlands esp Information Paper for the review of the Action Plan), August 2006, p.5

<sup>19</sup> There are 9 other SSC where proportions without a level 2 were marginally below national averages equating to around 171,000 employees.

<sup>20</sup> Ibid., p. 122 citing Centre for Economic Performance, London School of Economics, on behalf of the DTI and DfES, *International Comparisons of Qualifications: Skills Audit Update*, 2004.

<sup>21</sup> Emda, *The East Midlands in 2006*, p. 139 and p.123.

learners on improving key qualification levels of those in the post 30 group, especially those without a first full level 2.

- 2.11 The number of vacancies in the East Midlands decreased between 2003 and 2005. In 2005, of a total 39,700 vacancies in the region, 8,200 of those that were hard-to-fill were due to skills shortages.<sup>22</sup> Migrant workers in the region are significant and although occupying a mix of occupation levels, some migrants appear to be working in lower tier occupations. This has reduced those roles that young people may have entered, thus negatively impacting on NEET and WBL.
- 2.12 Only in construction is the level of skills-shortage vacancies higher than the national average (36.4%), with 38.6% of East Midlands construction vacancies unfilled for skills reasons. Northamptonshire and Leicestershire face the largest skills-shortage vacancies. Derbyshire (24.7%) has proportions of construction skills-shortage vacancies significantly below the regional and national average.
- 2.13 Lack of qualifications was stated by 20% of employers with hard-to-fill vacancies, and this reason is given by higher proportions of employers recruiting to managerial and associate professional occupations in particular. Employers in the East Midlands were more likely than nationally to recruit 16-18 year olds. They were more likely to recruit 17/18 year-olds direct from college, than 16 year-olds direct from school (11.3% and 8.2% respectively).<sup>23</sup> Employers in Leicestershire and Nottinghamshire were more likely to recruit young people than other areas in the region.
- 2.14 There is significant employer investment in training in the region, (£2,475 million in 2005) but the greater part of this is not directed towards NVQs and other national qualifications which will enable the region's economy to be uplifted. Some sixty percent of large employers report using the FE sector for training purposes, but this is mainly due to public sector involvement and largely for statutory requirements. There is limited use of FE and other providers for qualifications training. For, example, Construction and retailing invest the least in training in the region. Addressing this will require working in partnership with the CBI, to enter into discussions with the three quarters of Construction, employers in the region who do not invest in staff training that leads to a recognised qualification.
- 2.15 The East Midlands has a lower proportion of workless households than the national average at 14.1% compared with 15.6. There are high levels of unemployment in the urban areas with the highest regional rates are in the cities of Leicester (4.8%) and Nottingham (4.4%), compared to a regional average of 2.4%.

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<sup>22</sup> Skill shortage vacancies were defined as hard-to-fill vacancies, where the reason for the difficulty was skills related, for example low number of applicants with the required skills, work experience or qualifications the company demands

<sup>23</sup> IER, *Skills Needs in the East Midlands*, p. 29

- 2.16 In the East Midlands, 500,000 (20.5%) working age people were economically inactive<sup>24</sup>. Of this group, only 25% wanted a job. This is a decrease from 2004, but there is still a long way to go to attract these people into the labour force.
- 2.17 Some groups within the population are more likely to be inactive. Those aged over 50, those who are disabled or have long-term health problems (such as a third of unemployed men without a level 2 or equivalent qualification) are the most likely to be economically inactive and not seeking work. Women are also more likely to be inactive than men, and non-white women even more so with 38% of this group neither working nor looking for work. People from white heritage (79.9) are more economically active than those from ethnic heritages (65.6%). However, there are significant sub regional differences in these overall percentages. In some of the cities, such as Leicester, these figures are reversed. There are also cultural differences at play here where larger proportions of the female population from ethnic minority heritages are not seeking work as a part of their cultural expectations.

### **Learning and Skills provision in the East Midlands**

- 2.18 In total the East Midlands spent £61.4M on WBL provision<sup>25</sup> in 2005/06 and this is planned to remain almost the same in 2006/07. However the overall figure disguises the differences in funding for young people and adults. Funding for WBL for young people is planned to rise by two percent, whereas that for adults is planned to fall by four percent in 2006/07.
- 2.19 Participation by young people in WBL was planned to increase by 13% in 2005/06. However, actual participation to date is 16% below this planned number. For Apprenticeships, planned participation trends by level and age show an overall upward trend at full level 2 between 2004/5 and 2005/6, with actual performance currently below 04/05 figures. For 2006/07 this is showing minor growth at 16-18 and reductions for adults. At full level 3, planned participation shows an overall 3% reduction on 2004/05 as a result of reductions for adults. Actual performance shows growth as a result of adult participation, with 16-18 being the issue. The region's planned reductions in level 3 performance may be due to a range of factors. WBL providers have challenging success rate targets to meet and have been making good progress towards them. However, some of this progress may come at the expense of participation by the more challenging learners. The expansion of provision, particularly at level 3, is a key issue for the future commissioning of WBL, through open and competitive tendering.

<sup>24</sup> Full-time study is classed as economic inactivity. This explains the above average level of inactivity for those aged 16-24.

<sup>25</sup> Excludes E2E

- 2.20 In 2006/7 a marginal reduction of one percent is planned in the participation of young people in WBL, against a national increase of 5%<sup>26</sup>
- 2.21 Participation in the Entry to Employment (E2E) programme showed a marginal increase of 1.9% between 2004/05 and 2005/06 planned starts of 3,682. However, starts fell by 33% between 2003/4 and 2004/5, with the 2005/6 planned figure being 30% below that in 2003/4. Figures show that the region is 22% over its planned starts for 2005/06 as at period 12.
- 2.22 E2E planned participation for 2006/7 in light of actual 2005/6 performance to date shows that whilst the region has planned a 17% increase in E2E participation between 2005/6 and 2006/7, this planned figure is below actual 2005/6 participation. Given the rising NEET figure, it is likely that the planning estimates are not accurate. Factors such as the influx of migrant workers in some areas, and employers' stated preference for migrant workers before young people, seem likely to have created a greater rather than lesser demand for E2E provision. E2E funding overall increased by 5.52% in 2005/06 with a 13% fall in funding planned in 2006/7<sup>27</sup>.
- 2.23 Much of the requirement for E2E provision is driven by the levels of 16-18 year olds Not in Education, Employment or Training (NEET). This figure has been rising over the last year, nationally and in the East Midlands<sup>28</sup>. The national increase was 3 percentage points March 05 to March 06, against a volume increase of 4%. NEET in the East Midlands grew by 5 percentage points against a volume increase of 9%.
- 2.24 In E2E provision, the key target is an improvement in positive destinations. The region's positive destination rate shows an overall upward trend from 40% (2003/04) to 44% (2004/05). However 2005/06 performance is currently showing a reduction to 39%<sup>29</sup>. National comparisons show similar patterns to the region 35% (2003/04) and 44% (2004/05), but with a significantly higher positive destination rate of 46% forecast for 2005/6. To achieve the national target of 50% positive destinations in 2007/08 will require continued improvements across a range of measures. This is an issue for consideration in the Commissioning plan.
- 2.25 In 2003/04 and 2004/05 regionally there were reductions in the total number of leavers from E2E programmes, with further reductions in 2005/06. This is against the national trend.

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<sup>26</sup> EM Regional report version 11 (Summary statement of activity sourced toolbox 18/7/06)

<sup>27</sup> ESF funded E2E is an additional element to consider. Since ESF funding is finite, this is a risk going forward in terms of sustainability.

<sup>28</sup> Comparison is March 06 and March 05. Most recent full regional picture is from corporate reports.

<sup>29</sup> Issue of coding errors by some providers may worsen this

- 2.26 The clear identification of E2E demand, coupled with the need to continue to drive up positive destinations, needs to also be viewed in light of qualitative evidence from areas regarding examples of where E2E provision is performing well and meeting need. There are also clear signals in the region where this is not the case such as in Leicestershire. Additionally, whilst it is potentially too early to identify the impact on E2E of the EMA policy, there is evidence that this is having a negative effect on E2E take-up as a result of a higher minimum hour attendance requirement to receive an EMA, compared to FE. This appears also to have a negative effect on NEET figures.
- 2.27 Participation by adults in WBL was planned to increase by 6% in 2005/6 against a national figure of 50%. However, actual participation is 10% below this planned number. Despite this, there has been an increase in participation at both levels 2 and 3, and the major decreases have been seen in NVQ only provision, in line with policy. In 2006/7 a marginal reduction of one percent is planned, against a national increase of around 45%<sup>30</sup>
- 2.28 This underperformance in 2005/6 for both young people and adults has resulted in an under-spend of £1.5M (3%)<sup>31</sup>, across all local areas except Nottinghamshire. This clearly signals that additional volumes could have been purchased from our priority sectors to address key demand issues particularly in Construction in Northamptonshire, Leicestershire and Nottinghamshire, and in Health and Social Care in Northamptonshire. Overall, the ability as a region to respond to and re-direct funds around the provider network more quickly needs to be addressed as a part of the commissioning plan and open and competitive tendering process.
- 2.29 The LSC's policy focus on priority sectors shows evidence of working overall, with participation in these sectors showing small increases as a proportion of total WBL participation, rising from 41% in 2003/04 to 45% in 2005/06 to date. However, the pattern varies between the sectors. The Engineering sector accounts for the largest of these increases across the three years. However, most of this was by young people. Adult participation in Engineering is low (25%.)
- 2.30 Participation in Construction is static, but the trend in participation amongst young people is downwards and retains a high bias towards males. More post 19 apprentices and advanced apprentices also need to be attracted to the construction industry, since the current participation proportion is only 30%. Evidence from CITB Construction Skills shows a need to work with the employers and young people, as there is reluctance from employers to recruit young people due to lack of experience. There is a need to increase the use of Programme Led Pathways, to help address some of these issues, in addition to enabling more self-employed and subcontractors to recruit apprentices. Commissioning plans will need to address this since construction skill-

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<sup>30</sup> EM Regional report version 11 (Summary statement of activity sourced toolbox 18/7/06)

<sup>31</sup> Approximate figures from cashflow reports as final returns are still coming in.

shortage vacancies are above national trends by 3% and investment by employers is amongst the lowest in the region.

- 2.31 Since demand for Health and Social care employees is greater than the national trends, the 8% reduction in participation in this sector must be addressed in future commissioning. In 2005/6 2800 apprentices participated across the region. Demand will need this figure to increase by 2010. Based on the earlier analysis of employment change at occupational level, there is clear demand for level 2 and 3 Apprenticeships in Health and Social care as there is evidence of projected significant replacement and to a lesser extent expansion demand at High and Intermediate occupational levels. Based on the evidence of reducing participation in Health and Social care, the issue may be one of where it is being funded (e.g. HE level or NHS funded), and may signal a need to review in the commissioning process. However it must be remembered that projections are based on historical economic performance and will not have taken into account policy changes such as the current NHS reforms.
- 2.32 Fifty percent of WBL participation is in sectors other than those identified as high priority. Participation in these other sectors is predominantly in Retail and Business Administration. However, both of these sectors have seen marginal reductions year-on-year, with combined participation reducing from 53% in 2003/04 to 47% in 2005/06.
- 2.33 All these figures signal that there is still more to do with regard to managing the balance and mix of provision in WBL.
- 2.34 The region has seen significant increases in quality as measured by success rates in framework completions. The framework completion rates of young people and adults between 2003/04 and 2005/06 almost doubled. For young people the completion rate has improved from 32% to 56% over the period, and that for adults has improved by from 26% to 53%. Apprenticeships have had the highest framework completion rate nationally.
- 2.35 There are differences in the framework completion rates of different sectors across the region for young people. In 2004/5 and 2005/6 Agriculture performed the poorest whilst Business Administration and ICT provision had the highest quality in the region. Nationally Health and Social care and Agriculture have performed best. Growth between the 2 years shows that the region has made the greatest improvements in all but Retail and Construction.
- 2.36 In contrast, for adults, Leisure, Travel and Tourism provision is performing above national trends in the region. Health and Social care followed by Agriculture provision has been of the lowest quality in both years in the region, with Business Administration having highest performance in both years. Growth between the 2 years shows the East Midlands to have made the greatest improvements in all but Retail and Health and Social care.

- 2.37 In addition to WBL managed through each of the 5 sub regional areas, discussed above, the National Employer Service (NES) also contracts with providers in the region, to deliver significant proportions of WBL. A comparison between the proportions of priority sector provision delivered managed by NES and that managed by the region shows that NES funds significant proportions of Engineering in all areas and Construction in all areas, except Northamptonshire. By contrast Health and Social Care provision is mainly contracted by the region, with only 3% by NES. NES also funds significant delivery of non priority sectors including Arts, Media and Publishing, ICT and Leisure, Travel and Tourism. This needs to be considered in commissioning decisions.
- 2.38 Comparing quality as measured through external inspection is difficult as both the types and judgements of inspections have changed significantly over the last two years. However, of the eleven training providers inspected in the last year, only three have been judged inadequate, with the bulk of provision judged satisfactory. As in broader inspections of FE, the trend is one of plateauing around satisfactory. Such issues will be a focus for the commissioning plan.
- 2.39 The LSC has as part of its wider Equality and Diversity Impact Measures (EDIMS), targets specifically relating to WBL in terms of ethnicity, disability and gender stereotyping in key sectors. The aim is to increase the under-representation and achievement of different groups. Whilst improvements continue to be made, participation by different ethnic group and genders continues to be very stereotypic across the region, signalling further work with Providers and employers.

### 3.0 WBL Strategy.

- 3.1 The evidence from demand and supply in section three (including NES) clearly indicates a need for:
- Continued improvement in completion rates for adults to match those of young people
  - Improvement in the completion rates for apprentices and advanced apprentices in particular sectors such as agriculture, construction and health and social care
  - A need for improvement in positive destinations of leavers on E2E courses
  - Tendered commissioning to fill gaps in provision in particular areas and sectors and amongst particular groups
- 3.2 National levels of minimum performance for providers are about to be set. However, current discussions indicate that these minima may be too low for the progress which the region has made in the last two years in terms of completion rates in full frameworks for apprenticeships. It is recommended that the region's quality strategy sets regional performance minima for overall performance by age group and for particular sectors.
- 3.3 There is evidence of a range of arrangements for E2E provision across the region. Amongst these arrangements, there are examples of good practice which leads to improving positive destinations. However this good practice is not widely shared, and it appears likely that there are pockets where the region's E2E provision is not fit for purpose. Given the increase in NEET, the difficulty in some sectors in obtaining employer engagement for apprentices and the decreasing opportunities for employment at 16 for many young people, this situation needs revision. Similarly, there is a range of anecdotal evidence that new measures for success are creating greater difficulties for some young people in accessing suitable providers, as providers become more target focused.
- 3.4 It is recommended that a regional approach to E2E programmes be taken, drawing on the examples of those areas with the most fit for purpose provision and securing consistency in how E2E funds are used. This will allow for a common and flexible model across the region for E2E which can be responsive to the changes in NEET and requirements of young people area by area; whilst ensuring consistency in how E2E funds are used. In order to facilitate this, it is recommended that the E2E budgets, rather than being separate and ring fenced become a part of the WBL budget stream allowing for more creative and incentivised approaches to dealing with the most difficult aspects of provision for the hardest to reach.
- 3.5 In 2005/06 (3%) of the WBL budget was underspent, yet there are areas and sectors where there is a clear need for increased provision if local demand is to be met over the next few years. It is recommended that the demand evidence by sector and area be used to re-allocate, through an open and competitive tendering process, funds to areas

over the next few years to allow these gaps to be filled. The re-allocation of funds should be undertaken against an increasing percentage year-on-year of the total budget going to OCT. To achieve quantifiable breakdown of volumes of additional provision will require further work during October to produce a demand side methodology, based on the analysis to date, to be used with the national modelling tool and 2007/8 trajectories. This will be used with the detailed analysis of apprenticeship completion rates by subject, by geographical area, to further focus where this provision should be allocated to drive up quality.

## 4.0 Conclusions and [Recommendations]

- 4.1 Whilst there are clearly examples in some areas, that Entry to Employment provision is performing well and meeting need, there are also clear signals that for some parts of the region this is not the case. There needs to more sharing of good practice across the region, to enable an E2E programme overall to be more fit for purpose in the light of changing conditions of employment for young people and curriculum change 14-19. This will require the setting up of a task and finish group to establish and report on best practice, outlining of a new model for the E2ER curriculum to meet changing conditions, and the preparation of the tender specification for tendered commissioning of E2E provision.
- 4.2 One of the policy drivers for the LSC is to increase the proportion of its provision that is secured through open and competitive tendering. In order to progress this policy, the East Midlands plans to make changes to its commissioning policy progressively over the next few years in all budget areas.
- 4.3 In E2E, the region expects to decrease its percentage of negotiated commissioning in the following way – 2007/8 by 15%; 2008/9 by 15% 2009/10 by 10%. This will position E2E so that by 2010 (60%) will be negotiated and 40% tendered provision. In 2007/8, then, the region intends to use a minimum of 15% of its E2E budget (£2,165,194 in 2006/7 equivalent budget) to develop tendered commissioning. This 15% applies to the region as a whole. Percentages may differ in individual areas. 85% of the budget will still be used within negotiated commissioning in 2007/8.
- 4.4 Much workbased learning provision is of high quality and there has been a very large improvement in the success rates of both young people and adults over the last two years. However, a large percentage of provision in particular sectors has not improved sufficiently fast in line with both national and regional trends. Providers in such sectors should be given clear indications of the need to improve by the start of the academic year 2007.
- 4.5 Much of the workbased learning provision meets the needs of employers and learners. However, there are some significant gaps between supply and demand in particular sectors and areas of the East Midlands as outlined in section 3, and further evidenced in annex one.
- 4.6 In line with the policy issues explained in para 4.2, the region expects to increase its proportion of the WBL budget that is released for tendered commissioning each year. This will ensure that by 2010 60% of the budget will be negotiated and 40% tendered provision. In 2007/8, then, the region intends to use a minimum of 15% of its WBL budget (£6,656,318 equivalent in 2006/7) as a region overall to develop tendered commissioning. Therefore in 2007/8 (85%) of the budget will still be used within negotiated commissioning. As with E2E, this

proportion may be different in sub-regional areas to reflect moves needed in the balance and mix of provision.

- 4.5 Employers in the region have engaged well with apprenticeships. However, there are still difficulties in finding sufficient apprenticeships, particularly for those aged 16 -18 in particular sectors. The LSC would seek to develop its influence with key employers in particular sectors to ensure a greater supply of apprenticeships across the region in Health and Social Care and Construction and in addition to use the Programme Led Apprentices Strategy as a means to improve opportunities for young people in gaining experience.

4.6. **Commissioning Framework for Apprenticeships and Advanced apprenticeships 2007/8 and beyond.** – (see annex 1 for details).

In 2005/6 (25%) of the participation<sup>32</sup> in the East Midlands was within the four sectors of Construction; Retail; Health and Social Care and Engineering. Business Administration is also a major contributor but is not a sector. Evidence of demand shows that there is a need to increase participation in:

- Construction in Leicestershire, Lincolnshire and Rutland, Northamptonshire and Nottinghamshire;
- Health and Social Care in all five sub regional areas.
- Engineering in Leicestershire and Nottinghamshire
- Retail in Leicestershire and Derbyshire and Nottinghamshire

In 2007/8 the region intends to increase participation in the following ways. The actual proportion of the increase in each case will depend upon the balance of demand and supply in different sub regions and the available budget. Full details will be found in the Commissioning Plan to be published on 30<sup>th</sup> November.

1. 16-18 WBL focusing on the sectors of Construction, Health and Social Care and Retail across all five local areas and using the Programme Led Apprentices Strategy as a means to improve opportunities for young people in gaining experience.
2. Adult apprenticeships, focusing on the sectors of:
  - Construction in Leicestershire, Northamptonshire, Nottinghamshire and Lincolnshire and Rutland.
  - Business administration in Leicestershire and Nottinghamshire;
  - Health and Social Care in Northamptonshire;
  - Retail in Leicestershire and Derbyshire.
3. Adult advanced apprenticeships, focusing on the sectors of
  - Construction in Leicestershire, Northamptonshire, Nottinghamshire and Lincolnshire and Rutland
  - Business administration in Leicestershire and Nottinghamshire;
  - Health and Social Care in Northamptonshire;
  - Retail in Leicestershire and Derbyshire

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<sup>32</sup> Average in Learning

- Engineering in Leicestershire

In seeking to tender for increased provision for 2007/8 the region will take account of provision in Health and Social Care where success rates are low at level 2 and 3; and areas where participation has fallen or stalled in 2005/6.