

Evaluation of the devolved Apprenticeship Grant for Employers (AGE) programme in Leeds City Region: Executive Summary

Background to the AGE programme

- Since August 2015, the LEP has managed the Apprenticeship Grant for Employers (AGE) on a devolved basis.
- The overall aim of the local AGE grant is to encourage small and medium-sized employers who would not otherwise be able to do so, to take on an apprentice. The LEP has also introduced incentive rates to encourage the take up of apprenticeships in line with economic priorities and to promote inclusive growth. Underlying AGE is an assumption that without public intervention, employers would not invest an economically optimal amount in apprenticeships.
- The benefits that the programme seeks to realise relate to improved skills and productivity within local businesses, whilst supporting inclusive growth by providing career opportunities for young people and promoting increased rates of pay for apprentices.
- Devolved AGE has operated in a local context of overall growth in apprenticeship take-up (until the latter part of 2016/17), although much of this growth has been for apprentices aged over-25. Nonetheless, it is still the case that only a small minority of local businesses currently have apprentices or offer apprenticeship opportunities.
- The grant delivery model involves a separation of responsibilities with training providers responsible for engaging with employers and registering apprentices and the LEP responsible for eligibility checks and for payment of the grant to employers.

Outputs of the programme

With over 3,800 apprentices supported through grant awards, the local AGE programme has operated on a significant scale. More than one-eighth of all apprenticeship starts for 16-24 year olds in the six eligible districts were supported by an AGE grant during the 2015/16 academic year.

The programme has been largely successful in achieving the measurable aspirations contained within the Employment and Skills Plan.

- It has been effective in supporting smaller firms to recruit apprentices for the first time. Ninety-five per cent of beneficiary firms employed fewer than 50 people and 75 per cent of beneficiaries were new to apprenticeships. The proportion of beneficiaries new to apprenticeships was reduced by a widening of the eligibility criteria in phase 3 of the programme.
- The programme has also been successful in the aspiration to support at least 1,000 SMEs each year to offer apprenticeships, at least in gross terms, with an average of close to 1,500 businesses supported through the grant programme in 2015/16 and 2016/17.
- The programme did not contribute to the third aspiration of supporting a year on year increase in new apprenticeship opportunities in economic priority subject areas. In 2015/16 a total of 858 grants (47 per cent of the total) were awarded to support apprenticeships in priority subjects, but this figure fell to 667 in 2016/17, although the proportion of total grants supporting priority subjects remained broadly similar at 44 per cent.

By contributing to an increase in recruitment into apprenticeships the programme has also provided a significant number of career opportunities for young people. We do not know to what extent the young people who were recruited were previously unemployed or inactive.

The LEP AGE grant attracted the support of a wide network of training providers, with more than one third of apprenticeship providers active in the City Region engaging with the programme.

With over 6,500 registrations from local businesses and 2,900 receiving the grant, AGE has been a major contributor to the LEP's business engagement efforts. It is estimated that around one-third of all businesses that have interacted with the LEP have been engaged through the AGE programme. This demonstrates the strong demand from employers for the grant.

Although the grant programme has involved engagement with a substantial number of employers, it is still the case that the vast majority of local employers have never offered apprenticeships. This means there remains significant potential to extend the reach of apprenticeships through a future grant programme.

The net effect of the grant on the take-up of apprenticeships depends on judgments made about its additionality. Evidence collected at national level suggests that the degree of deadweight associated with apprenticeship grants is significant. Around one in five of beneficiary firms say that the provision of a grant made no difference to their decision to take on an apprentice. If we apply this proportion to data relating to the local AGE grant this indicates that the grant contributed to around 3,100 additional apprenticeship starts, rather than 3,800.

An unpublished independent report on the impact of AGE flexibilities found some evidence of a positive effect on the number of apprenticeship starts in the 16-24 age group in West Yorkshire, when compared with the trend across the rest of England. However, this effect is not seen in Greater Manchester and Sheffield, the other areas with AGE flexibilities covered by the study.

Effect of top-up criteria

The extension of grant eligibility to businesses employing between 50 and 249 people has had a limited effect. Few businesses in this category have taken up the grant, suggesting a lack of need among businesses of this size. The award of an apprenticeship grant to medium sized businesses (50+ employees) is likely to be associated with limited additionality.

The grant appears to have had a modest influence on the take-up of advanced and higher apprenticeships by employers. The proportions of grants that are associated with higher and advanced apprenticeships are lower than the equivalent proportions of total apprenticeship starts in the eligible districts, although they are higher than the equivalent proportions for the national AGE programme (for which there is no top-up for advanced / higher levels). It is likely that there is less intrinsic demand for apprentices at these levels among the core group of businesses who take-up the grant – primarily smaller businesses who are new to apprenticeships - and that the top-up grant is having a marginal positive impact on take-up for this group.

The grant programme appears to be achieving its objective of driving increased take-up of apprenticeships in the priority subject areas of construction, engineering / manufacturing and digital. The proportion of grants associated with these subjects is higher than the proportion of total apprenticeship starts in these subject areas, although it seems likely that providers are proactively targeting the grant on employers who require skills related to these subject areas.

AGE makes a significant contribution to the inclusive growth agenda. A considerable proportion of beneficiary businesses are located in deprived areas (although this is not part of the eligibility criteria) whilst a large number of grants qualified for a top-up based on the employer committing to raise the pay level of the apprentice to the relevant National Minimum Wage rate or the Living Wage rate. In all instances this will have led to a significant uplift in the apprentice's pay.

There are notable differences between the eligibility criteria applied in Leeds City Region and those used in other devolved areas. For example, some areas make payment of the relevant Minimum Wage rate a requirement for all grants. Also, a number of the schemes apply less stringent criteria with regard to previous engagement with the apprenticeship programme.

Early evidence suggests that the implementation of the national apprenticeship reforms has had a negative impact on starts for young people aged under 25 with regard to intermediate and advanced apprenticeships, at least at national level. Starts in priority subjects areas have also declined. Should this kind of trend continue in future there may be a rationale for intervention through the grant programme.

Quality of service

Employer feedback regarding the quality of experience in respect of the grant programme is largely positive. Feedback is also positive with regard to the support provided by the LEP team in connection with the grant application and claims process. There is some evidence to suggest that the grant application form presented difficulties in phase 3 of the programme.

Apprenticeship outcomes

Survey evidence indicates that the award of AGE grants is associated with positive outcomes for the apprentice, with almost all respondents retaining their apprentice to the 13 week point (98 per cent) and large majorities of employers retaining their apprentice to completion (87 per cent) and into employment thereafter (81 per cent). The follow-up survey does not

Employers' experience of the LEP AGE programme has also left the vast majority of survey respondents positively disposed to the idea of taking up further apprentices in future.

Delivery model

There was a consensus among the LEP AGE team, supported by the views of training providers, that the quality of delivery of AGE had steadily improved during the lifetime of the programme. Lessons learnt and areas for improvement identified in the interim evaluation conducted at the end of phase 1 of the programme had largely been actioned. This provides a solid basis to build on with any future grant programme.

From a LEP team perspective this improvement was founded on the application of customer service skills, positive team working and making effective use of direct feedback from employers, as well as the development of effective information and communication systems. Training providers acknowledged that communication with the LEP had improved over time.

However, there are several issues, arising out of the delivery model, that present a risk of reputational damage to the LEP and can contribute to a poor standard of service for employers.

- The issue of unscrupulous employers not being committed to the spirit of the grant programme and not retaining apprentices beyond the minimum period required to qualify for the grant. It is

not clear how prevalent this problem is and employer feedback suggests that it may not be widespread.

- Misrepresentation / misselling of the LEP AGE grant to employers by training providers is a significant issue, highlighted both by the LEP team and by representatives of the provider community. This issue is flagged up by around one-fifth of respondents to the employer feedback survey. Therefore, although a minority of employers say they are affected it must be viewed as a serious risk to the credibility of the programme and to business perceptions of the LEP brand.
- Failure to meet employer expectations regarding the timing of grant payments. These issues generally arise out of a lack of knowledge on the part of employers regarding the published processes or misinterpretation of the available information.
- Failure to submit required information in a timely manner. Delays in providers registering employers for the grant or in registering apprentices with ESFA have sometimes meant that the employers have failed to qualify for the grant. Similarly, late submission of information following the 13 week milestone has led to delays in grant payments to employers.
- Issues with establishing employer eligibility. It has often proven difficult for providers to determine whether employers have previously had an apprentice prior to registering them for the grant. This was further complicated by the additional criteria introduced as part of phase 3. This issue has resulted in employers' expectations being raised prior to them being ruled ineligible for the grant.

Recommendations

The evidence presented above supports the case for implementing a further grant programme in future.

Eligibility criteria

The focus of a future grant should be on 19-24 year olds in order to complement the mainstream financial incentives for recruiting 16-18 year olds.

The LEP should develop its own register of employers who have had an apprentice, based on the national database of apprenticeship employers administered by Blue Sheep. This would enable training providers to verify the eligibility of employers at an early stage and prior to registering for the grant.

The criterion relating to employers who have offered a permanent contract of employment to apprentices should be scrapped. It is likely to generate deadweight rather than added value and has also brought extra complexity to the process of carrying out eligibility checks and has led to complaints from employers.

Grant eligibility should be limited to businesses with fewer than 50 employees in any future programme. Take up by businesses larger than this has been limited in any case and additionality is likely to be limited.

The subject-related criteria for the top-up grant have been successful in driving increased take-up in the relevant skill areas. Consideration should be given to extending sectoral criteria to the main grant. This has the potential to drive increased economic value from the apprenticeships supported through the grant.

Consideration should be given to offering an incentive to employers / providers to encourage the recruitment of disadvantaged individuals into apprenticeships, for example unemployed people or residents of disadvantaged neighbourhoods. Payment of the appropriate rate of the National Minimum Wage or National Living Wage should become a requirement for all grants.

The impact of the apprenticeship reforms on the level and pattern of take-up of apprenticeships in the City Region is not yet clear. The situation should be monitored on an ongoing basis since there may be an opportunity to offset or address any negative effects (such as a fall in take-up in a priority subject area) through the eligibility criteria for a future grant programme.

Delivery model

The pitfalls associated with the delivery model have already been given careful consideration by the LEP team.

In order to minimise mis-selling of the grant to employers a greater onus should be placed on the employer to complete the initial registration for the grant rather than leaving it as the responsibility of the provider.

Consideration should be given to paying the grant in instalments in order to maximise retention of the apprentice. It is acknowledged this may not be feasible due to the time bound nature of any future funding for apprenticeship grants and a desire to reduce complexity in the context of a small grant award.

It may be helpful from a customer service perspective to provide an indicative / aspirational timescale regarding the period that employers can expect to wait for payment of the grant once the 13 week point has been reached. This could be accompanied by suitable caveats about this being subject to required information being submitted in a timely manner etc. On the downside this would create a hostage to fortune in terms of meeting any timescale, however advisory.

Delays in providers submitting information have had a significant negative impact on the level of service provided to employers. Guidance relating to timescales is communicated to providers in the most emphatic manner possible.

Delivery of the grant programme could be improved with the adoption of a CRM system closely tailored to the needs of the programme and moving the grant application process fully online.