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## RESPONSE TO DEPARTMENT FOR EDUCATION CONSULTATION

### APPRENTICESHIP FUNDING PROPOSALS

5 SEPTEMBER 2016

This response is on behalf of the Investment Association which represents 196 investment management firms and a further 67 service providers and other associated businesses. There are approximately 35,000 employees in investment management in the UK and a further 35,000 in associated businesses. We have gathered views on the proposals via a roundtable meeting where 18 firms were represented, including 5 in the top 10 largest firms and also via a survey gizmo to which 8 firms have responded.

The industry specific roles that we cover are investment analyst, asset manager, wealth manager, investment consultant, investment operations specialist and investment administrator. We are not representing investment bankers or investment advisers who talk to private individuals.

Many of the functions they perform are subject to FCA and EU regulations. Firms therefore have established Training and Competence regimes, including compulsory qualifications for certain roles and CPD.

**Q.7.** We agree to the use of our response according to the Freedom of Information Act 2000 (FOIA), the Data Protection Act 1998 (DPA) and the Environmental Information Regulations 2004), in line with the protections offered Also in line with the statutory Code of Practice issued under section 45 of the FOIA with which public authorities must comply and which deals, amongst other things, with obligations of confidence.

**Q.8.** How many apprentices are employed in the industry represented by The Investment Association (IA)?

In the investment management sector a trainee programme called Investment2020 was introduced three years ago. It is employer-led and growing as a source of talented and motivated recruits. Risks and costs are low relative to the potential gain in quality employees. School leavers and graduates use it as a means to start a career in the investment management sector. They are employed on a trainee programme for at least 12 months. Some firms offer Apprenticeship programmes that are 18 months to two years. All the trainees gain valuable work experience, start a professional certificate and build networks and contacts within the industry. They are typically employed in operational,

administration, accounting, IT, HR or customer service roles, though more opportunities are appearing in investment management support roles. 29 employers use the programme and together have advertised 227 vacancies this year. 75% of trainees are employed permanently by sponsor firms at the end of their traineeship. Since 2013, 628 trainees have been through the programme.



Some firms in our sector employ apprentices who are not part of Investment2020 programme.

**Q.9.** How many below the age of 19?

There are very few below the age of 19. We estimate they account for well under 5% of the total.

**Q.11.** In the next 12 months do you plan to increase or decrease the number of apprentices you train?

The levy payers amongst the 29 employers will re-consider the model due to the impending cost of the levy. However, because of concern about the need for the programme to fit with funding requirements, the number of opportunities on the Investment2020 programme may be scaled back – in the short to midterm at least - until they can make it adjust to the new system.

Investment2020 is relatively free of bureaucracy for employers. It is becoming increasingly effective in attracting talented and applicants from diverse backgrounds. The quality of the training the young people receive is high and the feedback they give at the end of the programme is very encouraging. The majority are offered permanent positions. There is no reason other than the levy proposals to alter the model.

Employers with graduate recruitment programmes may also consider the apprenticeship route.

*"We currently run a graduate scheme and may look to use the funding to recruit and train future employees to Masters Level."*

Before they do so, they need specific standards to encompass the range and quality of the training they offer, so we are supporting the development of Financial Services Degree and Masters Apprenticeship standards. We do not anticipate there to be any significant demand until these are properly established with assessment plans.

Firms in this sector dedicate significant resource to training in their current business models and it would take time to adapt these without risk to quality of the outcomes the training delivers.

Even those members employing apprentices within the Investment2020 programme already are unlikely to increase their recruitment until the new standards are clear and can be carefully applied to current learning and development strategies.

*"We intend to recruit apprentices for entry level roles. This is hard to do with the existing standards and their level. We need intelligent people in investment and would like to appropriately stretch them. As the standard framework stands we will look to run entry level roles in 2017, progress to degree apprentices in 2018 and graduate apprentices in 2019. The thinking is that standards will be developed by this stage and as we are only starting out on this journey we want to ensure that each tranche we take on is structured and robust for us and for the apprentice. We intend to use most of our levy pot to upskill our existing workforce. Year on year we make significant investments in professional qualifications and are in the process of mapping these to existing standards. We will make a fundamental change into how we offer qualifications, from supporting exams to supporting programmes aligned to a standard."*



**Q.14. & Q.16.** What impact do you think that the proposed approach to setting funding bands for apprenticeship frameworks/standards will have on each of the following areas; quality of the apprenticeship training offered, take-up of apprenticeship frameworks, provider willingness to offer training, supply of skills needed in the economy?

Many firms don't know and others' answers range from negative through neutral to positive in their answers to these questions. Some have questions about the providers' willingness to offer training.

Many express frustration that the levy is being introduced before suitable standards and, more particularly assessment plans, have been agreed. They genuinely 'don't know' what the impact will be. Those already employing apprentices on current frameworks will not move to Trailblazer standards until the assessment plans have been agreed, which will make the transition phase more difficult for providers.

**Q.17.** Do you have other feedback on the proposed approach to setting funding bands?

There are specific concerns about how the funding bands will work. 15 bands appears a lot to those who have been working with 7. They would like to be consulted again on the band levels per standard.

*"The new bands relate more to the complexity of the qualification rather than its level. 15 makes utilisation modelling a little more complicated as the pattern isn't obvious. The funding band structure is confusing and we don't understand it e.g. why there are 15 funding bands against 7 levels".*

There are inconsistencies where levels 3 and 4 are banded the same in some areas, e.g. Investment Operations, but very differently in others, e.g. Tech.

*"The quality of training available through approved providers may fall as they will be restricted by the banding.*

There is a strong view from nearly all respondents that the bands should also cover administration, in-house training and recruitment costs.

*"School Leaver apprentices (i.e. level 3-4) need pastoral care to be successful. That takes dedicated resource. It is wrong to ask companies to pay the Levy AND for this resource. Levy should be useable for this and for some marketing so we can start offering the high quality apprenticeships we have to young people who might be interested but do not have information."*

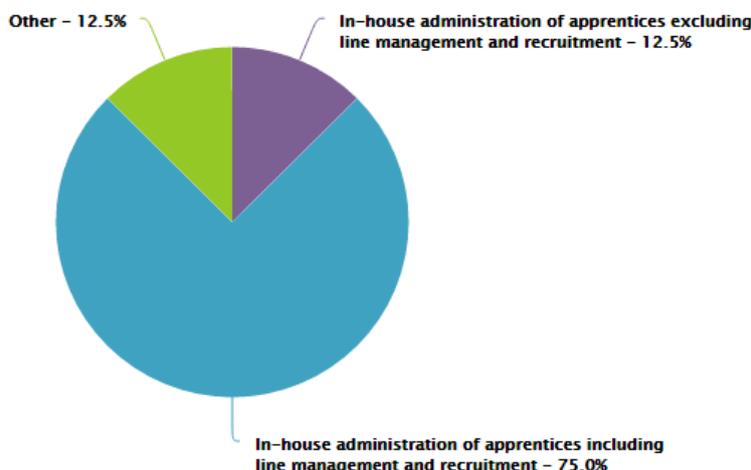
*"Administering the qualifications should be included. There will be additional admin as a result of implementing programmes as part of the levy and that should be taken into account as a cost to the business in support of "upskilling a nation".*

*"With the burden of creating standards and managing apprentices firmly on the shoulders of employers the associated costs such as the time and resources required to manage an apprentice scheme should be recoverable through the funding".*

*"Salary costs of apprentices, administration and management costs of the programme, recruitment costs, in-house/non-external training, IT and occupancy costs should be included".*

*"Taking on apprentices increases our costs as we will have to find apprentice salaries and headcount and we now have to implement and manage this programme from a resource, overall programme management and administration perspective".*

The pie chart below shows the respondents' view on what the funding should cover as well as external training.



**Q.18. & Q.19.** What impact do you think that the proposed co-investment rate will have on each of the following areas?

- Take-up of apprenticeships by employers that won't pay the levy
- Take-up of apprenticeships in employers that will pay the levy

Again many firms do not yet know the answer to this question. The introduction of the levy and funding proposals is rushed. If there was more flexibility on the range of costs that the funding could be used for, then we would say that the take-up of apprentices will rise, but for smaller, non-levy payers the costs of set-up, attracting talent, administration and in-house training will be significant and potentially off-putting. Also, it is not clear whether the training providers will be able to provide a quality service to the smaller firms.

**Q.21, Q.22, Q.23 & Q.24.** The investment sector supports the policy of giving additional support to firms who employ 16-18 year olds and to 19-24 year olds who have been in care or who have a Local Authority Education, Health and Care plan. Many firms in the sector support initiatives that give school children the opportunity to do work experience and make educational visits to their offices. Education and support for vulnerable young people is a strong theme in firms' CSR budgets. It is however, unusual for firms to employ young people who do not have Level 2 Maths and English or who are under 18.

**Q.25.** To what extent do you agree with the proposal to link individual learner eligibility for funding through the English apprenticeship system to their main place of work?

There are a number of firms with employees both sides of the Scotland/England border. Their life will be more complicated if the English and Scottish standards are not synchronised. As there has to be a means to determine which Government decides the funding process, they appear to be neutral on the proposal here.

**Q.26.** To what extent do you agree with the proposal to allow individuals to undertake an apprenticeship at the same or lower level than a qualification they already hold?

Firms agree with this proposal, but are questioning whether graduates will want to take a second degree and so are working on a Masters option, at least for those aiming to be financial analysts and investment managers.



They value the flexibility this will offer as they plan to use the funding to develop both new and existing employees in a new area of work irrelevant of previous qualifications.

**Q.27.** To what extent do you agree with the proposal to allow individual organisations to transfer up to 10% of the levy funds entering their digital account in a given year?

None of the respondents disagrees and most agree, some strongly.

*"It's going to be very hard for some organisations to utilise the full amount of their levy so if a % of it can be put to good use elsewhere then that's a good thing. Otherwise it just feels like another tax that the government has imposed".*

**Q.28.** Do you have any other feedback on the proposed approach to these funding rules?

All covered elsewhere.

**Q.29.** What percentage of your levy funds do you anticipate using to train your own employees?

Firms don't yet know. Some see it as a tax in the short term. The introduction of the levy comes before relevant standards in this sector have been agreed. Ultimately, they will aim to use as much as possible, but this will only be with strict quality assurance on the outcomes. It is likely to be difficult for those, who specialise in investment management and outsource all their operations and administration to a third party, to use it all. Non-levy payers are unsure how to get involved and many firms have yet to work out how they may adapt their already high quality training programmes.

**Q.30.** Do you want to be able to direct some of your levy funds to other employers?

Yes. In an industry where many functions are out-sourced this flexibility is helpful.

**Q.31.** If you have any further comments on any of the topics in this survey, please let us know below.

*"A small employer aims to support our people and attract a diverse workforce of talented individuals including those from underprivileged backgrounds. We see it as a positive. We already heavily invest in our people and as a result of the levy will get them even more qualified. The funding bands and levels are making us think about the types of people we can bring in. Our recent intern programme consisted of young adults with low academic achievement from under privileged backgrounds to high achieving academics with extremely privileged backgrounds. Both groups performed amazingly however it was the under privileged who grasped the attention of the senior leadership team and their thinking about how we do things".*

*"We would suggest UK government consider a broader approach to apprenticeships, e.g. like Scottish Government".*

*"One of my biggest concerns is that the level of work involved to set up a new standard which is applicable to our sector will deter apprenticeship usage and that this will mean we are all paying another tax which is difficult to get any benefit from".*