



Association of Accounting Technicians response to the Skills Commission inquiry on Apprenticeships & Social Mobility

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1. Introduction

- 1.1. The Association of Accounting Technicians (AAT) is pleased to have the opportunity to respond to the Skills Commission's inquiry on Apprenticeships & Social Mobility, published on Wednesday 2 August 2017.

2. Executive summary

- 2.1. **AAT supports the Apprenticeship Levy but would like to see increased flexibility in the way it operates.** This would mean widening its scope to include traineeships and other high quality training which in turn would likely boost social mobility.
- 2.2. **AAT believes that careers information, advice and guidance must be significantly improved.** Most schools do not deliver effective careers advice and as a result many thousands of young people are unaware of the many fantastic employment opportunities that may be available to them – especially in the professional and technical world of work.
- 2.3. **Apprenticeship wages require attention.** It may be understandable for critics to claim that the current Apprenticeship wage is not sufficient, particularly for those from disadvantaged backgrounds or with limited or no parental support. Reviewing the wage rates for Apprenticeships is therefore probably in order. Conversely, given the financial benefits compared to pursuing a Higher Education route to employment, the current Apprenticeship wage structure may be acceptable. However, much more needs to be done to communicate why this is the case and to put the issue into context.
- 2.4. **There are numerous other steps that could be taken to improve social mobility across sectors.** These range from name blind recruitment to ensuring the new Institute for Apprenticeships has

3. AAT response to Skills Commission call for evidence

The Apprenticeship Levy

- 3.1. Approximately twenty percent of AAT's 90,000 student base are apprentices. AAT has long supported the Government's commitment to 3 million apprenticeship starts by 2020, providing this target is backed-up by a focus on timely completions and overall quality.
- 3.2. However, the UK's skills needs extend well beyond the scope of apprenticeships and it is important to ensure the introduction of the new levy ultimately recognises the varying requirements of different sectors and is aligned with industrial strategy.
- 3.3. In time, AAT would therefore like to see the Apprenticeship Levy renamed as the Skills Levy and for levy monies to be able to be spent on high quality traineeships and other forms of training that will benefit individuals, employers and the economy as a whole. This is likely to have significant knock-on benefits for improving social mobility too.
- 3.4. In December 2016, in partnership with ACCA, AAT surveyed MPs across all parties on this issue and found that 65% support our suggestion that the levy should be developed to allow funding for skills other than apprenticeships.
- 3.5. Increasing the flexibility of the levy would help boost social mobility, foster improved productivity across the whole workforce, deliver greater value for money and yet have no significant revenue implications for the Exchequer.

Careers information, advice & guidance

- 3.6. The steps to a sound career often begin with careers advice in schools and colleges. The report notes that the number of young people receiving careers advice has fallen and recommends incorporating it within the formal school timetable. AAT would support this, providing professional and technical education receives as much emphasis as Higher Education when it comes to recommending the best route to employment.
- 3.7. An **Ofsted report published in 2013** found that three quarters of schools they visited were not delivering effective careers advice.
- 3.8. Improving careers advice and guidance in schools should be a real focus for the Department for Education given the widespread recognition that this would not only increase the life chances of disadvantaged young people and help lower the youth unemployment rate but that it would provide a much-needed boost for many of the country's industries by addressing their increasing skills shortages.
- 3.9. Young people need to know about the jobs available, they can't aspire to something they know nothing about. Being exposed to the various opportunities and the possibilities these can lead to is essential.
- 3.10. One relatively simple step that could be taken to achieve this is the creation of an integrated portal which brings together UCAS, the National Apprenticeship Service (NAS) and other non-academic websites under a single managed service to ensure equal availability of information for all routes to employment.
- 3.11. Last year both the Social Mobility Commission and TeachFirst suggested vocational education needed to replicate the successful UCAS site. AAT disagrees. Rather than maintaining an artificial separation, all options should be brought together in a single location that means young people receive information about all the various routes to employment at the same time, in the same place.
- 3.12. This could also help to combat some of the damaging guidance given to young people by parents and teachers. For instance, the wholly outdated misconception that a degree is required to become an accountant – although such misguided opinions are not just an issue for the accountancy sector.
- 3.13. A poll for the Freight Transport Association indicated that 71% of parents do not want their children to consider a career as a truck driver, a job for which there is currently a shortage that has led to more than 60,000 vacancies. Parents and teachers often conspire to direct their children away from other careers that pay well and for which there are significant labour shortages – bricklaying for example, with an **average salary £36,000**.
- 3.14. In January 2016, the Government promised that a comprehensive new careers strategy would be published in Spring the same year. AAT had hoped the new strategy would deal with many of these problems. Eighteen months later we are still waiting for it to see the light of day. When pressed on the issue, Government prevaricates and instead heralds a £90m investment in careers guidance over a four-year period (2016-2020). This money is welcome but the measure of success should not be an input. It should be outputs.

Apprenticeship wages

- 3.15. Many Apprentices would doubtless like to see a higher minimum Apprenticeship wage. Indeed, the NUS describe the Apprenticeship wage as "*exploitative*" and would like to see the standard NMW rates apply to Apprentices.
- 3.16. The Social Mobility Commission has similarly indicated that by offering such low rates of pay, Apprenticeships are not as attractive to those from socially disadvantaged backgrounds i.e. they are more attractive to those from middle income backgrounds because parental support can help to offset low wages.
- 3.17. However, this ignores the fundamental reason why there is a different wage rate for Apprentices.

- 3.18. Firstly, a lower rate makes taking on an Apprentice more attractive to employers and secondly many Apprentices are likely to spend more time training than working. Thus, it may be reasonable that they earn less.
- 3.19. There are various other financial advantages accrued by Apprentices too. For example, receipt of significant financial investment from employers – on average it costs between £15,000-£30,000 to train an Apprentice. It should also be remembered that the individual will avoid the high levels of debt accrued by those who attend University (in the region of £50,000 by most estimates).
- 3.20. Although 20% of AAT students are Apprentices, the majority earn above the Apprenticeship minimum wage and may therefore not feel particularly strongly about this issue. Likewise, with 60% of AAT members working for an SME, many of whom will be keen to keep costs down, rises in the minimum wage or standardisation for all ages would likely represent a significant cost to the bottom line of these businesses. Nevertheless, AAT felt it was important to seek the views of all AAT members on this important issue and therefore undertook a comprehensive survey to do so.
- 3.21. The *AAT Minimum Wage Survey 2017* found that more than two thirds of AAT members would like to see an increase in the apprenticeship wage (70%) compared to a noteworthy 0% who would like to see a decrease. 18% would like to see the current level maintained with the remainder being uncertain.
- 3.22. As well as the financial issues, it's also important to remember that there continues to be substantial abuse of the Apprenticeship wage. It's often used to pay lower wages than necessary for employment that involves little or no training. This was recently highlighted by the **Subway case** where a branch was advertising a 14 month "sandwich artist" apprenticeship which involved undertaking identical sandwich making duties to other staff but at the apprenticeship wage rate rather than the appropriate minimum wage rate.

Miscellaneous

- 3.23. There are many other areas of activity that can be undertaken to improve social mobility.
- 3.24. The newly formed Institute for Apprenticeships remit in regulating the quality of apprenticeships should include consideration of whether they are making a positive impact towards social mobility.
- 3.25. Recruitment processes need a radical overhaul. Name blind recruitment can be effective not just in overcoming bias on gender or ethnic minority grounds but social background bias can be reduced by removing the names of the school or college attended.
- 3.26. Measurement is crucial to delivering demonstrable improvements too. The *Access Accountancy* scheme supported by AAT, other professional bodies and a range of accountancy firms, serves as a good example here. *Access Accountancy* signatories are obliged to meet measurable outcomes relating to widening participation ranging from providing work placements to collecting and analysing data of those who apply and those who are hired on an annual basis.

4. About AAT

- 4.1. AAT is a professional accountancy body with approximately 50,000 full and fellow members and over 90,000 student and affiliate members worldwide. Of the full and fellow members, there are over 4,250 licensed accountants who provide accountancy and taxation services to individuals, not-for-profit organisations and the full range of business types.
- 4.2. AAT is a registered charity whose objectives are to advance public education and promote the study of the practice, theory and techniques of accountancy and the prevention of crime and promotion of the sound administration of the law.

