



The New Conservatives' plan to upskill Britain

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Introduction

Education holds a very special place in the Conservative mission to encourage and reward aspiration and to achieve the levelling up agenda. Getting the right skills and good qualifications can make all the difference in helping people to climb the ladder of opportunity. But something has gone deeply wrong with the post-16 education system over the past thirty years.

Ever since Labour's pledge for half of school-leavers to attend university, the rapid and sustained expansion of Higher Education has created a labour market oversaturated with graduates and closed doors for non-graduates.¹ For many, a university degree is no longer the ticket to success they were promised, leaving them disillusioned and frustrated. At enormous expense to the taxpayer, many students graduate from university without the skills and knowledge they need to get a graduate-level job. Not only that, but young graduates are subsequently loaded with debt right at the start of their careers – much of which they will never pay back.²

While universities have dominated the attention of politicians and funding from central government, employers still cannot recruit the skilled staff they need due to a skills shortage across the country. Instead, the UK has relied on a flow of imported cheap labour from abroad to fill the gaps. As noted in the New Conservatives' Plan to Cut Migration, the UK has struggled with lacklustre levels of productivity as a result of mass immigration and has delayed investing in the training of its own young people.³

Getting the skills we need, and maximising the potential of our domestic workforce, will play a crucial role in improving productivity and levelling-up opportunity. This requires continuing to transform post-16 technical and vocational education and building on the Conservatives' many successes in education policy.

Since the 2010 election, the Conservatives have vastly improved school education. When it comes to reading at primary school age, English pupils are some of the best in the West.⁴ Similarly, English pupils' improvement in maths ability outperforms European counterparts.⁵ The Conservatives' focus on giving "greater powers to parents and pupils to choose a good school" and ensuring "robust standards" led to a series of reforms that improved student attainment and led to two million more pupils learning at Good or Outstanding rated schools.⁶ These successes show that the Conservative Party is the trusted Party when it comes to ensuring quality education for Britain's young people. Efforts now need to focus on fixing Further and Higher Education.

The Government needs to reverse the neglect of highly skilled technical routes, in turn putting the rocket thrusters under the levelling up agenda and UK industries post-Brexit. Local manufacturers producing high value products for the global market are unable to expand due to the restricted supply of workers with the relevant skills – this needs to change.

The Government's Lifelong Loan Entitlement scheme, due to be introduced in 2025, goes some way to address the skills gap in society. The Lifelong Loan Entitlement will provide all new learners with a tuition fee loan entitlement to the equivalent of four years of post-18 education to use up to the age of 60, which could be spent on university courses or other level 4-6 qualifications.⁷ In current fees, this makes the Loan worth up to £37,000.

The Lifelong Loan Entitlement recognises the value of non-university education and the vital importance of skills developed by other means, but it fails to adequately address the ballooning size of the university sector in the UK and universities' exploitation of the student loan scheme. Although it enables upskilling and retraining later in life, the Lifelong Loan Entitlement leaves open the possibility of more people being ripped-off by underperforming degrees. The Prime Minister has already identified the issue of rip-off degree courses and is rightly working to prevent more people being taken for a ride – with the advent of the Lifelong Loan Entitlement, such measures are even more necessary.⁸ Currently, far too many people attend university – at enormous cost to the taxpayer – and graduates leave saddled with a debt that they will never fully repay. The Loan Entitlement helps shift a focus to technical learning, but such promotion of non-university routes needs to target people sooner rather than later. And money that would otherwise be spent by the country on low-return university courses needs to be redirected to quality technical education – putting taxpayer money to better use and investment.

New Conservatives value skills, quality education, and people contributing to society by working hard. This means that graduates should pay back the loans they take out, universities should stop selling rip-off courses, and young people should be encouraged to pursue technical routes for post-16 education. Employers should prioritise upskilling their existing employees and local recruits – an opportunity that many employees would value – rather than relying on cheap immigrant labour.

By focussing on skills and ensuring our young people are properly prepared to secure good jobs without huge amounts of debt, we can upskill Britain and end our addiction to cheap migrant labour. In order to achieve this, apprenticeships need to be prioritised and properly funded. The Government should aim for a fifth of young people to start apprenticeships, twice the current 10 percent mark. For this to work, the Government needs to shift the balance from overspending on the university sector and reinvest every penny of the money saved into quality technical education that keeps talent local and boosts local economies. This should never be a money saving enterprise, but rather a long overdue transfer of funding – away from underperforming universities and "Mickey Mouse" courses, and towards upskilling the country through investment in quality technical training in collaboration with local businesses. Our policy proposals for achieving this are as follows:

1. Use the Apprenticeship Levy to fund training in shortages identified by the Migration Advisory Committee.
2. Allow the Levy to be spent on shorter training modules, particularly for digital skills.
3. Increase the Apprenticeship Levy transfer to 35 percent.
4. Fund all apprenticeships offered by an SME, regardless of how much of the Levy is used.
5. Provide SMEs with a one-off payment of £500 for apprentices under 25 upon completion of an apprenticeship.
6. Expand the 100 percent funding for small businesses taking on an apprentice younger than 19 to include medium-sized businesses.
7. Allow off-the-job training to be front loaded during an apprenticeship.
8. Remove the Functional Skills requirement for completing an apprenticeship.
9. Extend Child Benefit to families with children aged under 19 enrolled on apprenticeships.
10. Enable universities to become new Institutes of Technology.
11. Permit the offering of two-year technical or vocational degrees at some universities.
12. Introduce a minimum requirement of Level 4 grades at GCSE in English and Maths in order to qualify for student loans.
13. Introduce a minimum requirement of EEE at A-Level, or equivalent T-Levels or Level 3 Diploma, in order to qualify for student loans.
14. Suspend student loans for courses that fail to deliver good outcomes for graduates.
15. Withdraw loan support for unnecessary foundation year courses at university.
16. Require graduates to start repaying their student loan at a fixed amount of £45 per month until they earn over £31,000 following a three year 'grace period', allowing exemptions for graduates working in sectors of high social value, working for charity, on maternity leave, registered as a carer, etc. Repayments will be set at 9% of income over £25,000 once they earn £31,000.
17. Exempt graduates who work for the NHS and in other needed sectors from loan repayments for up to three years.

Develop the technical route

In order to upskill Britain, proper attention needs to be shown to quality technical Further Education, with funding to match. Money needs to be redirected from the bloated university sector and channelled into developing the skills of the British public, helping businesses train the talent they need in the process. No longer should A-Levels and Bachelor Degrees alone serve as the 'gold standard' of educational attainment, but equal importance should be shown to technical and academic learning alike, as is successfully demonstrated by countries like Germany, where more than half of school leavers enter the job market via an apprenticeship programme.⁹

Further Education plays a vital role in providing the skills needed to revive the manufacturing sector and level up the country. There have been some strides made, such as T-Levels and the Lifelong Learning Entitlement. Similarly, Government initiatives like the Skills Bootcamps scheme, which works with local employers and authorities to fill skills gaps and vacancies in a local area, should continue to be expanded.¹⁰ But so much more could be done if a greater share of the skills budget was available.

At the heart of the problem is this issue of funding, which skews the post-16 education system in favour of universities. In 2017/18, the Government spent £8 billion on 1.2 million undergraduates but only £2.3 billion on 2.2 million Further Education students.¹¹ Funding for level 4 and 5 technical and vocational education qualifications desperately needs to be improved. Although students who opt to study A-Levels receive full funding from the Government, if they were to pursue an

apprenticeship then their employer would be expected to cover some of the costs.

As well as increasing choice and funding for Further Education, the institutional landscape also needs to be transformed. It is vital to address the gap in provision of higher technical education – a challenge that has arisen since 1992 reforms that turned polytechnics into universities. Some of these institutions should be allowed to offer shorter and more flexible courses, encouraged to work with local businesses to plug skills gaps and train up young people. The overemphasis on university expansion at the expense of technical offerings has caused the UK to lag behind countries like Germany and the Netherlands, which boast strong technical and vocational learning provision.¹² The shift away from classroom-based learning is much more common in these countries, with over half of young people in Germany embarking on technical or vocational education.¹³ In order for the UK to compete, the institutional landscape needs to change.

When the country has such huge skills gaps, employers must be in the driving seat for Further Education and Technical Skills training. Apprenticeships offer a great opportunity to 'learn as you earn', and they keep talent and skills in the local area, making a vital contribution to the labour market. There is a huge demand for apprenticeships that is waiting to be matched by supply. Almost half of young people registered on UCAS are interested in apprenticeships and yet only 10 percent go on to start one.¹⁴ In recent years there has been a dramatic decline in the number of new apprentice starts. Overall, apprenticeship starts have fallen from 500,000 in 2016/17 to 276,000 in 2022/23. This needs to be urgently reversed.

We need to recognise that large employers are much more likely to employ apprentices because they have the size and workforce to support it. Too often, SMEs and sole traders, who make up the vast majority of employers in the UK, find the current system too complicated and convoluted to be able to take part effectively.

Apprentices are more likely to be satisfied with their chosen course, feel more confident about future employment, and are three times happier than their counterparts studying at university.¹⁵ Apprenticeships should not be seen as a second-choice alternative to university, but a worthwhile investment of a person's time, building the foundations for a successful future life.

Apprenticeships also offer a longer-lasting plug for skills shortages. The NHS reports that apprenticeships fill skills gaps in areas such as prosthetics, mammography, and orthotics, with apprentices having a much lower attrition rate compared with graduates from degree courses.¹⁶ For example, data suggests that over 95 percent of NHS nursing apprentices complete their qualifications and most remain with their employer after qualifying rather than moving elsewhere in the country.¹⁷ This means that in many cases apprenticeships offer a practical means to expand professions where workforce shortages already exist and are expected to increase.¹⁸ Apprenticeships also help develop good jobs spread across the country, with fewer people feeling the need to move away from home to find good work and opportunities. Increasing the provision of apprenticeships would serve well the levelling up agenda.

Apprenticeships must become an attractive alternative to A-Levels or a university degree. Young people in technical and vocational education are just as deserving of taxpayer backing as graduates. Funding for apprenticeship expansion will have to come from outside of the Levy. This should not be a difficult decision for policymakers. Tuition fees help to fund universities but they are not the only source of revenue, with 44 percent of loans written off and £1.6 billion of funding given to high-cost subjects.¹⁹ This support is worth around £10 billion – roughly three times the Apprenticeship Budget.²⁰

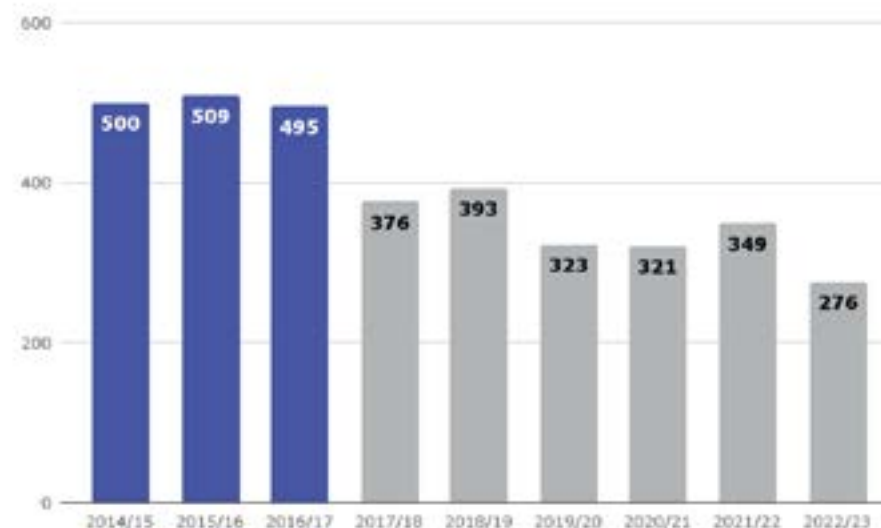
This country currently has a skills gap. There were approximately 510,000 learners enrolled on a sub-bachelor (Level 4-5) course in 2009/10. By 2014/15, this had dropped to 240,000, and by 2016/17 it had fallen to 190,000.²¹ Such a trend is not sustainable. By stemming the flow of cheap immigrant labour, businesses will have to respond by investing in Britain's workforce. This should be coupled with Government efforts to expand technical and vocational training and remove entry barriers for both employers and young people. This will increase skills, raise productivity, and provide more opportunities for good jobs.

Reform the Apprenticeship Levy

The introduction of the Apprenticeship Levy in 2017 was needed but it is not working as it should. Once the Levy was introduced, the number of apprenticeship starts significantly dropped – and this

has not recovered since. Apprenticeship starts have fallen from half a million in 2014/15 to just over a quarter of a million in 2022/23.

Chart 1: Number of apprenticeship starts, pre- and post-introduction of the Levy (thousands)²²



Although the Apprenticeship Levy has succeeded in improving the overall quality of apprenticeships and encouraging Degree Apprenticeships, it has put employers off from offering apprenticeships, with a particularly detrimental impact on the number of apprenticeships offered by SMEs.

To achieve the levelling-up agenda, more young people need to develop the skills our country needs. This can't be achieved without the support of businesses. Of course, businesses should be willing to retrain and upskill their staff, particularly

when cheap immigrant labour is not so readily available. But the Apprenticeship Levy in its current form poses obstacles to upskilling and would offer businesses greater flexibility if amended.

Restrictive Courses

Not all courses and training are eligible for Levy funding. Shorter and more flexible courses, that might meet more immediate skills shortages, are ineligible for Levy funding under current guidelines. Many employers find that this holds back investment in much needed

training and prevents shorter-term staff from upskilling as a result of needless bureaucracy.²³

Moreover, restrictions on course length for Levy-eligible courses stifles investment in training people to fill occupation shortages. As advocated for by Policy Exchange, the Institute for Apprenticeships and Technical Education should work with the Migration Advisory Committee to identify training courses that would enable British workers to fill skills gaps, shifting the UK's reliance away from mass immigration.²⁴

The UK needs to break its addiction to cheap foreign labour. Of course, tighter immigration controls will require businesses to invest in their existing workforce. Increasing the flexibility of the Apprenticeship Levy would help businesses with the cost of investment in British talent, further mitigating against the dependency on immigration. Although increased collaboration between the Institute for Apprenticeships and Technical Education and the Migration Advisory Committee will not eradicate reliance on immigration for vital skills, it will shift the focus to prioritising British upskilling and offer a longer term solution to the nation's skills shortages.

Similarly, enabling a modular approach to be taken with apprenticeships would allow for training to be more sensitive to labour market demands, as well as upskill British workers more rapidly. Microsoft has identified this as vital for ensuring people are equipped with the digital skills they need to perform an increasing number of tasks.²⁵ Allowing Levy funds to be used more broadly by giving employers the flexibility to create programmes that meet existing needs of the business – rather than fulfil bureaucratic apprenticeship

requirements – will enable employees to develop much needed skills and help employers tackle specific skills shortages they face.²⁶ In particular, Microsoft identifies such flexibility as necessary for businesses to adapt to the rapidly changing requirements of digital roles, noting how the current 18 month waiting period for a digital apprenticeship standard to be approved is too long.²⁷ Such long approval times stifles growth and leaves employers without the skills they need. Increasing the flexibility of the Apprenticeship Levy will also help Britons to upskill, improving their employability and job security.

Levy Transfer

Businesses say that much of the Levy is taken back and not enough goes towards the apprenticeship placements.²⁸ For example, £4.3 billion has been raised by the Levy but kept by the Treasury since its introduction five years ago.²⁹ In 2021/22 alone, the revenue raised was £750 million more than the Apprenticeship Budget.³⁰

The Apprenticeship Levy Transfer mechanism offers a valuable way for large employers to transfer some of their unspent Levy funds to SMEs in their network. The process, however, is complicated and bureaucratic. The excessive paperwork required for the transfer deters many businesses from pursuing it. For example, employers have to approve each apprentice that they transfer – an excessively tedious process if many apprentices are transferred.

Another problem with the Levy Transfer is that it caps the amount a large business can transfer from its fund at 25 percent. Addressing complaints that the limit was too low, the Government increased it to 25 percent from 10 percent in 2019.³¹ Still, however, the 25 percent limit prevents some employers from making the most of their unspent Levy fund.

The Levy Transfer scheme also makes it difficult to transfer to SMEs outside of a business' network supply chain. Increasing the ease of transferring unspent Levy funds to include other SMEs local to the region of the Levy-payer would widen the access to apprenticeship funding while keeping investment local. Local leadership has already identified this problem and is starting to act. The West Midlands Combined Authority has an Apprenticeship Levy Transfer Fund that allows excess Levy funds to go from large companies to SMEs outside of their network to help upskill young people. Enabling a greater amount of unspent Levy fund to be invested in skills locally will help the levelling up agenda and assist young people in finding good career prospects near to home whenever possible. Expanding the access to local apprenticeship funding would help achieve this goal.

Levy funding serves as a cap

There is also, in effect, a cap on the number of apprenticeships that could be funded due to the funding structure for apprenticeships being tied to the Apprenticeship Levy. This stands in stark contrast with funding for student loans for university, which meets the demand from students however high it may be. In order to increase parity between Further Education and Higher Education funding,

therefore, the Government should support all apprenticeships offered by an SME, regardless of how much of the Levy is used. This will help ensure greater access to apprenticeships, both for businesses and individuals alike. If the cost of this exceeds the budget set aside for apprenticeships, the savings from having fewer people attend university should be applied. The opportunities for young people who want to pursue an apprenticeship should not be limited in ways that they are not for young people who opt for a university education.

Recommendations:

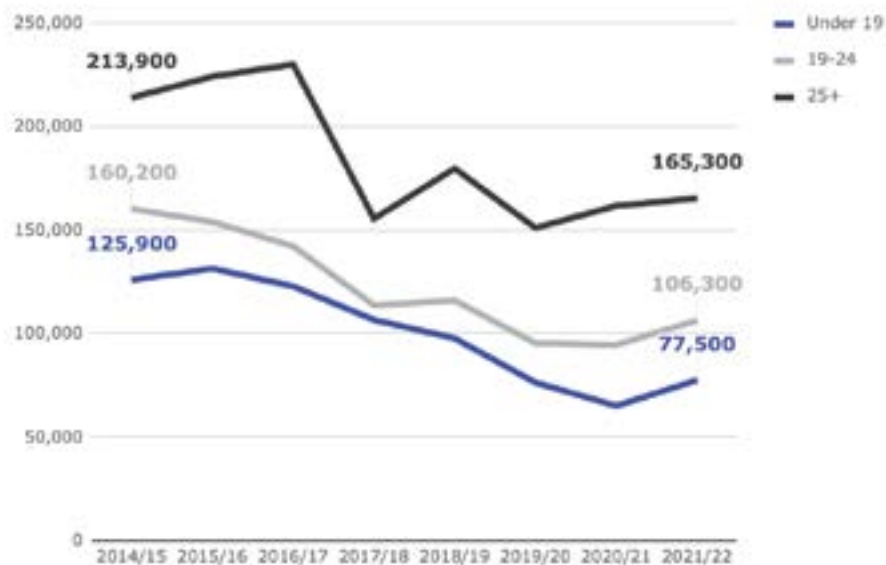
- Use the Levy to fund training in shortages identified by the Migration Advisory Committee.
- Allow the Levy to be spent on shorter training modules, particularly for digital skills.
- Increase the Apprenticeship Levy transfer to 35 percent.
- Fund all apprenticeships offered by an SME, regardless of how much of the Levy is used.

Increase SME engagement with apprenticeships

More needs to be done to encourage SMEs and sole traders to take on an apprentice, benefitting both apprentice starts, employers, and local communities alike. SMEs disproportionately take on younger apprentices with lower academic attainment – 30 percent of small businesses that provide an apprenticeship have employed an apprentice whose highest level of academic attainment was GCSE Maths or English at grade C or lower.³² SMEs providing apprenticeships therefore fill

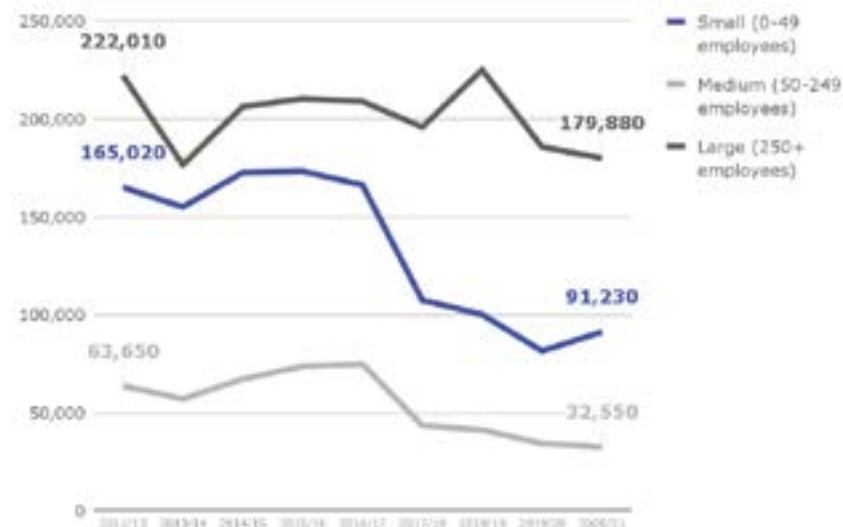
a vital educational need in the lives of young people who are more likely to be from disadvantaged backgrounds and disadvantaged areas.³³ Unfortunately, however, the number of 16–18-year-olds in apprenticeships has fallen by 41 percent since 2015/16.³⁴ In contrast, it has fallen by 31 percent for 19–24-year-olds, and 26 percent for people aged over 25.³⁵

Chart 2: Number of people enrolled in apprenticeships, by age³⁶



Given the role of SMEs in the training of younger apprentices with lower academic attainment, it is alarming that apprenticeship starts at small businesses are 45 percent lower than before the Apprenticeship Levy was introduced and 9 percent lower than before the Covid-19 pandemic.³⁷

Chart 3: Apprenticeship starts by enterprise size³⁸



The gap between small and large businesses taking on apprentices has only widened since 2015. Apprenticeship starts with SMEs are down by 50 percent while starts with large companies are down by just 19 percent.³⁹

Nationally, Red Wall areas have been hit particularly hard by the reduced number of younger apprentices at SMEs. The number of apprenticeships has fallen in Northern and coastal constituencies while the numbers have grown in places like Wimbledon and Chelsea.⁴⁰ Professionals from affluent backgrounds are taking the most out of the system while opportunities are not reaching enough young people from working-class communities. This change has been driven by small businesses providing fewer apprenticeship opportunities while large companies have used the new apprenticeship system to upskill their existing workforces.

Greater levels of support need to be provided to SMEs to take on apprentices, reversing the detrimental impact of the introduction of the Levy on SME apprenticeship starts.

Currently, the Government funds apprenticeships for SMEs at 95 percent of the total cost of training an apprentice, or 100 percent for small businesses taking on an apprentice under 19 years of age. But this does not mean that the cost of an apprenticeship costs the business nothing. The wages of apprentices must still be paid, as must recruitment costs involved. Government funding does not go towards such expenses.

2017 reforms required apprentices to spend 20 percent of their hours on off-the-job training. This meant that some apprentices who worked longer hours would have to spend more hours

in off-the-job training, regardless of whether that training was valuable to the apprentice. This also meant that many employers would have to pay another person to fill staffing vacancies for those hours worked. It was encouraging, therefore, when the Government announced that new apprentices starting 2022/23 would only have to do six hours of off-the-job training a week, irrespective of how many total hours worked. Not only does this prevent unnecessary off-the-job training, but it also means employers can better plan ahead for when their apprentice is training off-the-job, both in terms of budget and in terms of replacement staff. Relaxing rules of apprenticeships to allow this training to be front loaded, however, would better enable businesses to plan ahead and make the most of an apprentice.

Given the value that apprenticeships bring to young people, and the need for more employers to offer good apprenticeships, more funding should be available to those providers of apprenticeships. If a 17-year-old were to study for A-Levels, the Government would cover the cost. If the same person were to do an apprenticeship, however, some employers are expected to contribute to the cost of their education. The Government should seek to expand the 100 percent funding of the training for apprentices to medium-sized businesses and sole traders too, so that more young people can benefit from such training. Similarly, the increased offering of apprenticeships that occurred following the £3,000 payment to employers the Government introduced in the wake of Covid-19 showed that more financial support to employers does make a difference when it comes to provision. Although businesses will be incentivised

to invest in training once cheap immigrant labour is not available, this does not mean that extra help would not be welcome. Continuing to offer financial incentives for providing apprenticeships, in addition to the support already offered, will encourage more SMEs to take on apprentices. This, in turn, will give more young people a strong start to their professional lives, helping students from more disadvantaged backgrounds or with lower academic attainment in particular.

Recommendations:

- Provide SMEs with a one-off payment of £500 for apprentices under 25 upon completion of an apprenticeship.
- Expand the 100 percent funding for small businesses taking on an apprentice younger than 19 to include medium-sized businesses.
- Allow off-the-job training to be front loaded during an apprenticeship.

Value technical attainment

The prejudiced attitude towards apprenticeships from some teachers and career advisors is outdated. Apprenticeships and other technical education should be promoted as a viable alternative to university from an early age, helping to end the stigma many families and children feel about post-16 education choices.

There is hope, however, that outdated attitudes towards Higher Education are ending. Recent polling shows that the British public are more positive about technical and vocational education than they are about university education. 48 percent of parents would prefer their child to get a vocational qualification after leaving school compared with 37 percent who would prefer it if their child went to university.⁴¹ More broadly, there is support to prioritise Further Education and Higher Education equally, with 31 percent thinking vocational education should be prioritised by the Government over university education, and only nine percent thinking that university education should be prioritised.⁴²

It is regrettable, therefore, that equal treatment of Higher Education and Further Education is not shown through the welfare system. Families should not be penalised if their child opts for an apprenticeship rather than other post-16 education. But current welfare policy requires Child Benefit to be removed from families with children aged under 19 in apprenticeships, unlike if the child were studying for A-Levels or T-Levels. This discrepancy places unnecessary pressure on children of parents receiving child benefit to pursue alternatives to apprenticeships, regardless of where

their skillset may rest. Such a set-up perhaps goes some way to explain why only five percent of Degree Apprentices are from low-income groups, compared with 6.7 percent of undergraduates.⁴³ More needs to be done to ensure young people from disadvantaged backgrounds benefit from apprenticeships rather than being short-changed by their university experience. For those with low academic attainment or opting for low-return courses, a quality apprenticeship could offer a better option for a variety of reasons – such a route should not be closed off due to parental financial worries.

The current focus on 'Functional Skills' qualifications also poses a challenge to some hoping to complete apprenticeships, disproportionately impacting those from disadvantaged backgrounds and SME employers who are more likely to offer apprenticeships to younger, less-educated students. Level 2 apprentices must pass Level 1 Functional Skills in English and Maths in order to complete their apprenticeship. Although a focus on ensuring the British workforce has good levels of Maths and English is valuable and important, tying this academic attainment to completing an apprenticeship poses a barrier to some young people and adds another bureaucratic hurdle for employers to navigate. Lifting English and Maths requirements would reduce the stress on apprentices as well as lower the cost to employers.⁴⁴ Removing barriers posed by Functional Skills assessments would ensure more young people earn industry-recognised qualifications, and employers aren't put off by excessive bureaucracy of apprenticeship requirements.

Recommendations:

- Remove the Functional Skills requirement for completing an apprenticeship.
- Extend Child Benefit to families with children aged under 19 enrolled on apprenticeships.

Transform the institutional landscape

Since the reforms of 1992, too many universities have not been fit for purpose. Steps to address skills shortages in Britain and rising student debt should not shy away from one of the main culprits – rip-off universities.

In order to boost choice and funding for technical and vocational education, it is essential to transform the institutional landscape. Underperforming universities – those most at risk of closing should fewer students enrol on courses that deliver poor value for money – should be supported to shift their focus to offering more vocational courses. While countries like Germany and the Netherlands, and other countries with more productive economies, boast a strong technical offer, Britain lags behind.⁴⁵ The distinctive role of vocational and technical higher learning was lost following the 1992 reforms when polytechnics became universities.

These underperforming universities should be allowed to offer shorter courses and part-time courses, allowing more people to gain employment sooner or work alongside their studies. There should be a shift away from the traditional three-year Bachelor's Degree and towards a one or two-year technical or vocational 'Associate Degree'

course instead, with larger involvement from local industry. In other words, there should be a shift towards a more European system, where institutions prepare students for careers in industry, business, and other important sectors.

The Conservatives have long recognised that universities offering two-year degrees provide a route that equips students with “the skills that the modern workplace needs” more quickly.⁴⁶ Former Chief Executive of University Alliance, Maddalaine Ansell, noted that “Accelerated degrees can be a really attractive option for mature students and those who are looking to get into the job market quickly with new skills.”⁴⁷

Universities that are running at a deficit ought to benefit most from offering shorter courses that prepare students for careers in industry. The number of universities with an in-year deficit increased more than six-fold in four years.⁴⁸ In 2019/20, 32 percent of universities had an in-year deficit, up from only 5 percent in 2015/16.⁴⁹ These universities are more likely to offer poor-quality degrees and attract students with the lowest academic grades. Often, universities with a sustained deficit will seek to merge with another course provider should other financing not be available. As an alternative offering, these institutions could be supported to expand the offering of higher technical and vocational education, filling a gap that has been left since the 1992 reforms.

In 2019, £170 million was promised in capital funding for new Institutes of Technology, which specialise in offering higher technical education in close collaboration with businesses. These Institutes were expected to

be developed primarily from Further Education colleges, with 12 successfully established so far, and a further nine scheduled for the coming year. Future plans to expand the provision of Institutes of Technology should consider the role underperforming universities could play in their establishment and running, both in terms of the sites available as well as potential job transfers wherever possible.

Recommendations:

- Enable universities to become new Institutes of Technology.
- Permit the offering of two-year technical or vocational degrees at some universities.

The false promise of university

Long gone are the days when university was the hallmark of success. Many young people today could have much more opportunity if they opted for on-the-job training alongside receiving an industry-recognised qualification, rather than go to university. But too few school leavers make that choice.

It is unsurprising that so many young people opt for a university education. Not only are graduates promised higher starting salaries, but the ‘university experience’ is deemed a rite of passage by many. 18-year-olds can enjoy three years away from the watchful eyes of parents anywhere in the country, with no immediate, or even short-to-mid term, financial cost to themselves. And yet many students feel shortchanged by their university experience.

All too often universities fail to live up to the hopes of freshers. People who studied for vocational qualifications at colleges and other FE providers have lower levels of regret as concerns their educational choices. Only just over half (55 percent) of people with a degree say they would choose university education again given the chance, with a third (33 percent) of graduates saying they wished they had taken a vocational course instead.⁵⁰ In contrast, 61 percent of people who complete vocational qualifications would opt for the same route again, with only 27 percent saying they wished they had gone to university instead.⁵¹

University drop-out rates corroborate these findings. Many young people struggle with the lack of structure and expectation for attendance at university lectures. Contact hours in university can be minimal and post-Covid this trend seems to be continuing, with many students complaining about the lack of tuition or guidance in return for the fees they pay.

The experience that students receive at university is not of the high calibre it once was. Students receive fewer contact hours than they used to, and also spend less time in independent learning. Given that satisfaction levels are directly linked with contact hours, it is unsurprising that we are seeing such high levels of students regret their study choices.⁵²

Chart 4: Percentage of students spending more than 11 hours per week in taught study⁵³

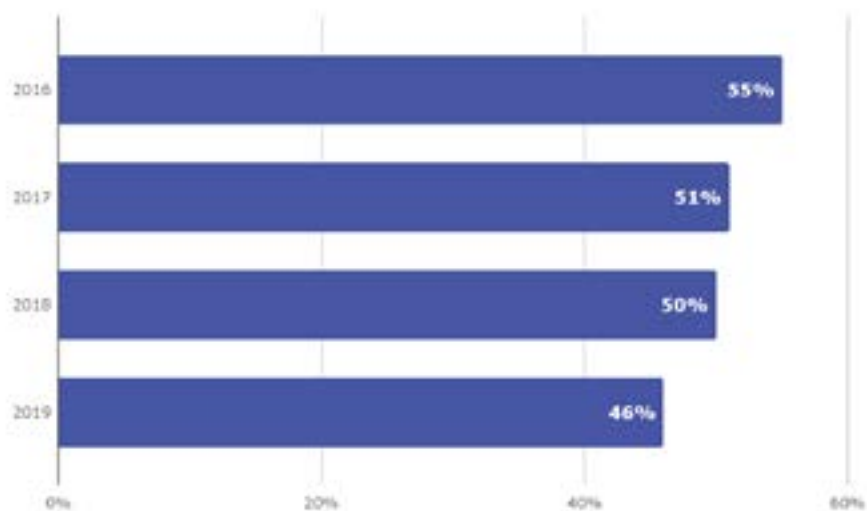
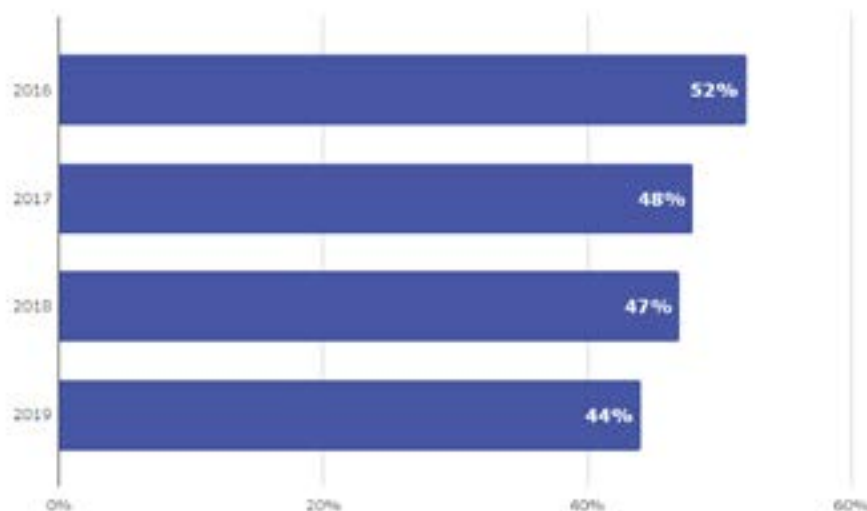


Chart 5: Percentage of students spending more than 11 hours per week in independent study⁵⁴



At the same time, universities are notorious for pumping out graduates brainwashed by leftwing ideology. A report carried out by Civitas found that more than half of Britain's universities push "woke" ideologies on students.⁵⁵ As former Minister of State for Further Education, Skills and Lifelong Learning, Sir John Hayes MP, has previously commented, "Woke nonsense has replaced scholarship and too many universities are not only wasting resources but risk poisoning the minds of generations to come."⁵⁶ From introducing 'unconscious bias' training for freshers, to discouraging the use of the word 'mankind' in order to be more inclusive, too many universities have drifted away from a mission to produce graduates who think critically.⁵⁷

The number of young people who think it is important to go to university is falling, despite increased levels of university enrolment. In 2019, 65 percent of young people thought it was important to go to university, continuing a downward trend since 2013 when 86 percent thought it was important.⁵⁸ And yet a significant number of students feel pressured to attend university, with some surveys suggesting half of young people feel pressured to attend.⁵⁹ The mismatch between student's view of the value of university and the pressure they feel to attend goes some way to explaining why enrolment at university continues to rise despite low levels of satisfaction. But it is teachers, not parents, who harbour a prejudice against non-university routes. Parents, for the most part, are supportive of apprenticeships. 48 percent of parents would prefer their child to get a vocational qualification over a degree.⁶⁰ Teachers, however, seem less supportive. 64 percent of teachers say they would not recommend Degree Apprenticeships

to "high achieving students".⁶¹

In contrast with the failed promise of university education, the range of apprenticeships and technical Further Education on offer today lives up to expectations to a greater extent. 61 percent of people with vocational qualifications would take the same route again, with only 27 percent saying they wished they had gone to university instead.⁶²

Apprenticeships can make a financially savvy choice for many young people. Almost a fifth of graduates are no better off after graduating than if they had done an apprenticeship instead.⁶³ Apprentice salaries are increasing and it is leaving many apprentices better off than if they had gone to university.⁶⁴ Data suggests that apprentices have comparable earnings to university graduates after completing their course, despite typically lower prior academic attainment.⁶⁵ Given that those who tend to be the worst off financially after going to university are those with the lowest grades, incentivising more of these students to pursue a technical, skills-based education could make the most significant difference to those students. Add into the mix that these students will have several years of earning in their late teens and early twenties, and have avoided a hefty amount of student debt, many of these students will be much better off by opting for technical or vocational courses.⁶⁶

The rise in Degree Apprenticeships also boosts predictions for the earnings potential of students who opt for high-level technical education. Degree Apprenticeships with companies including Dyson, PwC, and Rolls Royce are very competitive, with some

programmes receiving more applications per place than Oxford or Cambridge universities.⁶⁷ Starting salaries for such courses can reach as high as £24,000.⁶⁸ And those who opt for apprenticeships in certain sectors could earn up to 270 percent more than their degree counterparts over the course of their working career.⁶⁹ Such courses make an attractive alternative to graduating university with over £40,000 worth of debt, worries about delayed retirement and struggles to get on the housing ladder.⁷⁰

Apprentice Ben Shoemsmith summarised the contrast succinctly when he told *The Times* “With a degree you come out with a lot of debt, but with an apprenticeship you experience work in the real world, and earn a wage.”⁷¹ It is unsurprising, therefore, that 41 percent of people think an apprenticeship better prepares young people for work, compared with only 17 percent who think a degree is the better option.⁷²

A particularly strong case study for successful non-university routes can be found in Germany, where over 54 percent of school leavers enter the job market via an apprenticeship programme.⁷³ Selection for the apprenticeship route starts earlier in Germany, with two-thirds of German pupils streamed towards an apprenticeship route from the age of 15.⁷⁴ The then Chancellor of the Exchequer, Philip Hammond MP, recognised that “long ago, our competitors in Germany and the US realised that to compete in the fast-moving global economy, you have to link skills to jobs” when he announced more funding for apprenticeships in England.⁷⁵ By prioritising access to apprenticeships early on for young people, the apprenticeship route can grow in esteem and success.

Actively encouraging people onto apprenticeships and technical training would benefit many young people. This should be achieved by both the measures outlined in the first half of this paper that help businesses extend their offering of training, as well as by preventing school leavers being ripped-off by poor-quality university courses.

We need fewer university graduates

We currently have far too many young people going to university, and not enough enrolled on Apprenticeships, Higher National Certificates, or Higher National Diplomas. The Prime Minister is right to crack down on “rip-off” university courses.⁷⁶ Too many young people attend university in the belief that they will graduate into a graduate-level job, with a salary to match, only to be disappointed. Students leave unequipped for the workplace and saddled with debt, having squandered three years in a setup that places greater emphasis on alcohol-infused nights-out than contact hours with lecturers. This is not in the interests of the student, the taxpayer, or the country.

Universities only need to show that 60 percent of their students get professional jobs – this remains a very low threshold. One third of graduates do not enter graduate employment after five years since graduating and the graduate income premium has fallen for some universities.⁷⁷ We need to stop and turn back the university expansion of the past thirty years that was introduced by New Labour, starting with low value courses and universities with high dropout rates. The money saved by fewer people attending university for poor quality degrees should all be redirected

to quality technical and vocational education and training for those people, as previously outlined in this paper. This will give more people a strong start in life, spreading opportunity across the country.

Universities should not only have a duty to offer greater transparency as to the tangible value of the courses they offer, but they also should be accountable for the public subsidy they receive. Taxpayer money is too precious to be wasted, and it is right for the public to ask whether the current system is working and demand change if it is not. Likewise, the Government has a duty to ensure its investment in education is spent wisely and brings returns to the wider population. The Government must be willing to shake up the system if its investment is not worthwhile.

Recent years have shown that the current system, which funnels students to university regardless of academic aptitude, is not working. We are importing foreign non-graduate labour in order to fill skills gaps in our labour market, despite the fact we have 1.37 million people unemployed, who should be in work.⁷⁸ Many of the jobs that are vacant could be filled by investing in training for people to subsequently enter these sectors. Moreover, many of the students pressured to attend university would be better suited to these skilled technical or vocational jobs than they are to academic study,

We need to change cultural attitudes around post-16 education. The overemphasis on university attendance as the hallmark of professional development has created a post-16 education system that specifically services the UK knowledge economy at

the expense of other important sectors. Westminster has pushed ahead for too long with university expansion and taken resources and prestige away from technical jobs, manual labour, and caring responsibilities.

The university ladder leads to nowhere for too many young people. But there is also a major shortage of alternative routes. The number of Higher National Certificates and Higher National Diplomas, level 4 and 5 qualifications for vocational education, fell to 19,500 in 2016/17 from 100,000 in the 1980s.⁷⁹ Employers have reduced training budgets by over 20 percent since the 2000s.⁸⁰ The over-recruitment of undergraduates, coupled with British dependency on cheap imported labour, has helped facilitate this, leading to a massive decline of skilled technical people in the country.

The economic limits of this approach are also shaping our politics. The unskilled graduate is fuelling resentment among non-graduates who are being asked to effectively train unprepared graduates in the workplace – with themselves then being denied the opportunities and recognition they deserve – and graduates feel short-changed. In the 1980s, 20 percent of school leavers went to university, but most white-collar professionals learned their trade through on-the-job training and part-time learning.⁸¹ Now, however, we have graduates in middle and lower skilled jobs, having taken out tens of thousands of pounds of debt for the privilege.

There is a growing recognition from politicians that non-graduates need help to upskill and retrain, but Westminster is still reluctant to fully embrace this challenge. There needs to be a cultural

shift in our view and treatment of post-16 education. Technical and vocational education should be seen as being just as prestigious and worthwhile as a more academic route – different educational paths suit different skill sets. University should be for those with a genuine aptitude for academic study, just as art school should be for those with genuine artistic ability. Shifting policy so that fewer people go to university should not be controversial. Polling shows 44 percent of people agree that “there are too many students going to university”, while only 25 percent believe that not enough are going.⁸²

The neglect of technical and vocational education has been one of the most fundamental mistakes of the past thirty years. As a nation, we are unprepared for the workforce demands of our day. Apprenticeships for school leavers, more technical skills training led by employers, and lifelong learning have the potential to transform life chances and to help guide the British economy through the coming waves of technological change. But in order to achieve this, we need to start by cracking down on the excess number of students attending university for rip-off degrees and redirect them to quality skills training, with an investment in technical education to match. The below measures are not designed to save money, but rather to redirect money from a bloated university sector to quality technical education.

Require minimum academic attainment to qualify for student loans

In 2022, 37.5 percent of UK 18-year-olds started university, down slightly from the record high of 38.2 percent in 2021.⁸³ More of these young people will go on to Higher Education at a later date, however. 41.5% of the 2010/11 cohort of 15-year-olds had entered Higher Education to study first degrees by the age of 25 in 2020/21.⁸⁴ Since Labour introduced a target for 50 percent of young people to attend university, there has been a ballooning graduate population that leaves university without the skills needed to secure good jobs.

Currently, there are no grade requirements to qualify for a full student loan to study at university. Although this means all students have the chance to attend university, some course providers take advantage of the large student pool by offering poor-value courses. It is students with the lowest academic attainment who tend to undertake poorer quality degrees that do not lead to graduate-level salaries. Too many courses, therefore, are propped up by Government funding that do not deliver value for money to the students. Contact hours and the rigour of courses are often low, and the earnings potential of graduates does not justify the debt accrued. Too often graduates work in non-graduate level jobs with little to no hope of earning enough to even start repaying student loans years after graduating.

Analysis has shown that those who perform just one GCSE grade better than their counterparts across nine subjects go on to earn, on average, over £200,000 more throughout their lives.⁸⁵

Of course, GCSE grades indicate the likelihood of attending university, and for most graduates university adds to their lifetime earnings. But this is not the case for most low-attaining GCSE students who go on to attend university. GCSE and A-Level grades of students serve as a good predictor of who will enjoy salaries commensurate with a degree qualification. The Institute for Fiscal Studies found that students with lower prior attainment are more likely to take low-returning subjects like creative arts, communications and sport science, and are more likely to attend lower-returning universities.⁸⁶

Introducing minimum grades to qualify for a Government loan for university tuition fees would help limit the number of students who study poor-quality courses at university, freeing up resources to invest in quality alternative routes for these people. Any introduction of minimum eligibility requirements for student loans should be gradual, enabling technical course providers more time to adapt their courses and find partnerships with local employers for alternative technical learning course provision. Criteria for qualification should be based on academic attainment, allowing for resits. Similarly, going on to achieve good performance at A-Level (for example, three grade Cs) despite low GCSE attainment could exempt students from a GCSE-grade cut off for qualification for loans.

It is those with the lower grades who have the poorest earnings potential after graduating, owing to them having studied a course with poor prospects. As a result, it is the students with low academic attainment who are most likely to fall victim to a combination of high debts and low graduate wages.⁸⁷ This is unsurprising. Just as an art academy

is best suited for those who are skilled artists, or a plumbing course is best suited for those with practical ability, university should be for those who are more academically oriented. Redirecting funding from the bloated university sector to quality technical and vocational education will help ensure access to worthwhile alternative post-18 routes.

Far from stifling the future attainment of these young people, excluding them from qualifying for university loans would ensure they pursue more financially rewarding careers for which they are better suited, and avoid tens of thousands of pounds of debt in the process.

Introducing minimum grade requirements at GCSE-level would see an approximate reduction of 10 percent in the number of students qualifying for student loans. Although introducing minimum eligibility requirements of Level 4 grades at GCSE English and Maths would close off student loans to around 40 percent of all students, most of these students would not plan to attend university anyway – only 9 percent of those without passes in Maths and English GCSE go on to university.⁸⁸ Among those who attend university, around 10 percent of students lack a Level 4/C grade in GCSE Maths and English.⁸⁹

All too often students waste A-Level years studying three or four subjects with no real direction. By introducing GCSE grade cut-offs for university funding, students will be encouraged to think about alternatives to university sooner and will avoid accruing large amounts of debt that they are unlikely to pay back. Moreover, it reflects a GCSE standard that most universities stipulate in their admissions process already.

Similarly, introducing minimum grade requirements at A-Level will help ensure that universities do not take advantage of student funding by admitting students without necessary academic attainment. University education is, by its nature, highly academic and should be geared towards those with high academic aptitude, just as an art diploma is only suitable for those with artistic ability, music school is only suitable for those who have reached a high level of musical achievement, and a plumbing course is only suitable for those with a level of practical ability.

2,790 pupils attended university in 2018 with fewer than three Es at A-level.⁹⁰ Although this is a small percentage of all students overall, it leads to some universities recruiting students ill-suited for academic study in order to receive tuition fees. Limited to an intake of 17 to 19-year-olds, and excluding foreign students, 15 percent of the intake at Bedfordshire University did not have three Es at A-Level, and eight percent of the intake at Wolverhampton did not have three Es.⁹¹ Introducing A-Level minimum eligibility requirements will penalise few students, but rightly target universities that are taking advantage of the system. In the process, school leavers can be better directed onto the post-18 education routes that will be of most benefit to their profile.

Recommendations:

- Introduce a minimum requirement of Level 4 grades at GCSE in English and Maths in order to qualify for student loans.
- Introduce a minimum requirement of EEE at A-Level, or equivalent T-Levels or Level 3 Diploma, in order to qualify for student loans.

Suspend loans for poor quality courses

In July 2023, the Government announced that it would ask the Office for Students (OfS) to limit the number of students that universities can recruit onto courses that are failing to deliver good outcomes for students.⁹² This proposal is hoped to prevent young people from being exploited by universities, as too many students pay over-the-odds for the education they receive. It is unfair, however, to let even limited numbers enrol on such courses at the taxpayers' expense. If a course is failing, an 18-year-old would be misguided to take out an average debt of £45,000.⁹³

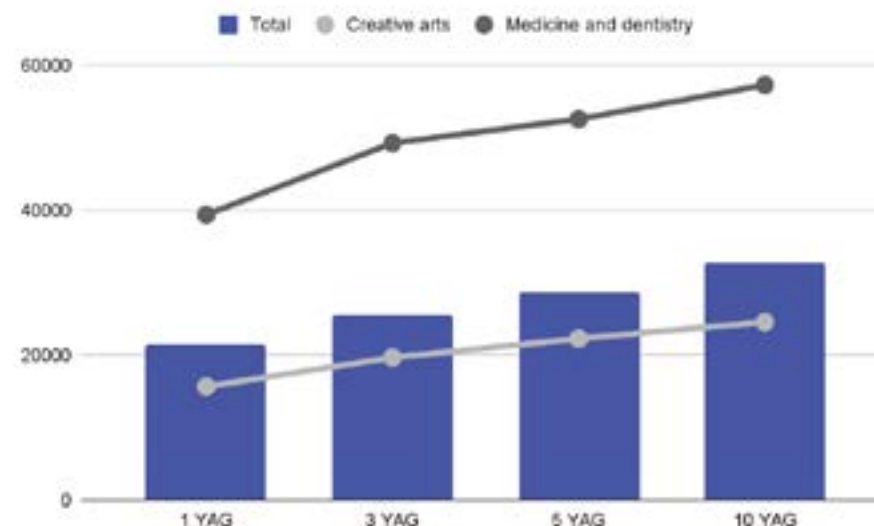
The Longitudinal Education Outcomes (LEO) Graduate outcomes provider level dataset indicates which courses make sense from a financial investment standpoint, and which do not. With further information such as university provider and the specific course as opposed to course subject grouping, more granular analysis could be made as to which courses justify students taking out large loans and spending three years "learning" when they could be earning or receiving technical or vocational education.

The LEO Graduate outcomes provider level dataset offers insight into the earnings of graduates one, three, five and 10 years after graduating.⁹⁴ Taking the median salary for different course categories, one can evaluate which courses lead to higher earnings. For example, the median graduate of creative arts and design courses will not earn over £25,000 even 10 years after graduation. This means that, based on the current system, most creative arts graduates will not have repaid anything towards their student loan within that

time, and are therefore highly unlikely to repay their loan in full. In contrast, medicine and dentistry graduates are the

highest earners and will start repaying their student loan, on average, within the first year of graduating.

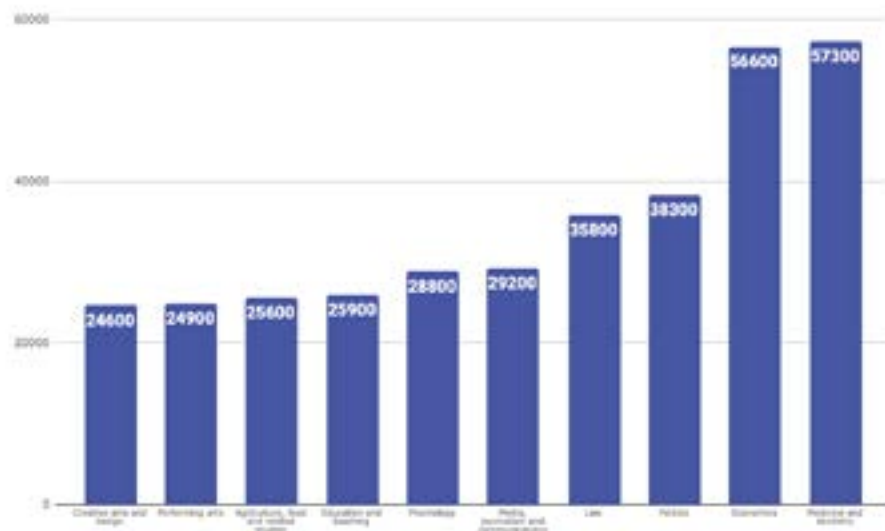
Chart 6: Median salary one, three, five and 10 years after graduating



10 years after graduating, median earnings of performing arts graduates will also not be high enough for repayments on student loans, and graduates of agriculture, food and related studies, as well as education and teaching graduates, will have only just broken the threshold at which repayments start. The median earnings of graduates offers a good indicator as to whether the degree studied was worth the money invested – if graduates are not earning graduate-level salaries 10 years after graduation, then one wonders how course providers can justify such large fees for the education they provide, and whether on the job training would offer a preferable route into an individual's chosen career.

Onward's report 'A Question of Degree' also found that ten years after graduation the bottom 25 percent of graduates are expected to earn less than £23,700 per year if they are male and less than £16,600 if they are female.⁹⁵ Such figures reveal that a degree is not always worth the financial investment.

Chart 7: Median salary 10 years after graduating, by degree course



Of course, one expects a graduate of medicine to earn more on average than a graduate of performing arts or agriculture – but course fees, and therefore student loans, do not reflect the earnings potential of the degree studied. Universities can set their own fees, up to a maximum of £9,250. Nearly all universities charge this amount for their courses, irrespective of the variation across the courses in terms of employment prospects, contact hours, or other criteria.

As the Government has already identified, not all courses lead to good employment outcomes. Although it is a step in the right direction that the Government has said it will ask the Office for Students to limit the number of students universities can recruit onto courses that are failing to deliver good outcomes for students, more should be done.⁹⁶ Rather than funding young

people to spend three years studying courses that will bring little benefit to the wider economy – and little economic benefit to themselves – the Government should suspend student loans for underperforming courses altogether. By suspending student loans altogether for such courses, universities will be forced to rethink their rip-off courses and ensure the courses they provide are worthy of investment. The number of courses this impacts will be determined by the Office for Students (OfS) based on B3 criteria, so predictions as to the number of students this will impact cannot be made until the OfS' investigation is complete.⁹⁷ The Government should not shy away, however, from its lending power, and it should require high standards from providers to justify issuing the average loan.

It is also encouraging that the Government plans to cap fees for foundation year courses at university. Loans should be withdrawn entirely, however, for unnecessary foundation year courses.⁹⁸ Again, the OfS should review these courses in line with B3 criteria to establish which courses deliver good outcomes for students and which do not.

There is a common misconception that young people have the right to attend university – but they do not have the right to study “Mickey Mouse” courses at the taxpayer’s expense. Young people receive 14 years of publicly funded education – anything on top of this is a luxury, not a right. There are many benefits to be gained from education, but when it is the taxpayer footing the bill then education should be about helping people to enter the workforce and establish their careers, in turn contributing to the wider society. For many graduates today, this is simply not happening. Education for education’s sake is important and should be encouraged, but not all courses provide such an edifying experience.

Recommendations:

- Suspend student loans for courses that fail to deliver good outcomes for graduates.
- Withdraw loan support for unnecessary foundation year courses at university.

Ensure student loans are re-paid

Student loans cost the taxpayer and the Government a lot of money. Currently, £20 billion is loaned to around 1.5 million university students in England each year.⁹⁹ At the end of March 2023, the value of outstanding loans reached £206 billion, and this is only forecast to rise.¹⁰⁰ The Government predicts the value of outstanding loans to reach around £460 billion by the mid-2040s.¹⁰¹

The cost of student loans comes at enormous cost to the UK taxpayer – most of whom are non-graduates – and the overall Government spending budget. In contrast, it comes at an artificially low cost to the many graduates who never repay their student loans in full.

Too few people repay their student loans. The Government predicts that a mere 27 percent of full-time undergraduates who started university courses in 2022/23 will repay them in full.¹⁰² After a series of reforms to student loan repayments introduced in 2022, the Government expects that the share of students who repay their loans in full will increase to 61 percent among new students from 2023/24.¹⁰³ In part, this will be achieved by extending the period for repayment from 30 years to 40 years. Still, this will not lead to 100 percent loan repayment, meaning a continued cost to the taxpayer.

Such low likelihood of repayment has created a cohort of young people that are far too laissez-faire about taking out loans for university study, complacent in the knowledge that they are unlikely to ever have to pay it back. The low repayment rate means that young people take out loans to attend university without having a clear end

goal in sight. 40 percent of graduates studied courses with median earnings of less than £25,000 five years after graduation – meaning that, five years after graduating, these students have repaid nothing towards the cost of their degree.¹⁰⁴ And the bottom 25 percent of graduates are earning less than £25,000 ten years after graduation.¹⁰⁵ At present, the loan repayment system is rigged so that the lower the value of the degree to society and the economy, the more of the cost is borne by the taxpayer. This is unjust and unsustainable, leading many young people to choose university when financially they would be better off pursuing vocational training or entering the workplace. It also burdens the taxpayer with an enormous unpaid loans bill, whilst failing to provide the skills that young people – or the labour market – need.

Whilst it would never be possible – or advisable – to quantify the economic value of every single degree, for the sake of fairness we must decide roughly which university courses are of such high value to society that they must be funded at least in part by the taxpayer, and which courses should be funded through some other means.

Some courses, of course, warrant public investment. For example, it is of value to society to foot some of the debt accrued by students who go on to employment in low-paid but high-value jobs such as teaching or nursing. Whether or not graduates will ever have the ability to repay the full cost of their student loans for these courses is somewhat irrelevant, as these are essential professions that the country should be willing to back.

Other courses, however, do not justify taxpayer backing. But presently there is no risk for the graduate who takes out a student loan for such a course – if they don't earn much after graduating, they won't repay their loan or will only repay very small amounts. This arrangement actively discourages prospective students from weighing up whether or not a particular degree is likely to be advantageous to their career, and whether it is worth the loss of three years of earning potential and alternative high-skilled training.

To make sure that graduates do pay for their university education, and to ensure that prospective students and their parents can make an informed decision about the advantages of going to university, student loan repayment terms must be reformed. If, after a grace period of three years, graduates are earning less than a 'graduate salary', they should have to repay their loans in fixed instalments. This may seem unfair to some, but these are the standard terms for a loan for any other purchase, such as a mortgage or a car loan. Individuals must weigh up the likelihood of them obtaining a graduate-level job after graduation and whether or not they are able to afford a fixed monthly repayment if not and take out the loan on that basis. Exemptions should be granted for those who do charitable work, work in socially valuable but low paid sectors, are on maternity leave, are registered carers for relatives, etc. This will incentivise school leavers to think carefully before enrolling for a university course that has a low likelihood of leading to graduate-level employment.

Similarly, some flexibility to loan repayments should be introduced for graduates of certain subjects who land high paying jobs after their degrees and start repaying their loans straight away. For graduates in medicine, this could lead to graduates opting for higher salaries in the private sector in order to pay off their loan sooner – or working abroad in order to avoid loan repayments altogether. A loan deferral plan for graduates working in sectors with a labour shortage could incentivise graduates to fill much needed jobs, while also signalling that the country values such jobs. A similar scheme could entice qualified nurses and doctors to work for the NHS before entering private practice.

Recommendations:

- Require graduates to start repaying their student loan at a fixed amount of £45 per month until they earn over £31,000 following a three year 'grace period', allowing exemptions for graduates working in sectors of high social value, working for charity, on maternity leave, registered as a carer, etc. Repayments will be set at 9% of income over £25,000 once they earn £31,000.
- Exempt graduates who work for the NHS and in other needed sectors from loan repayments for up to three years.

Conclusion

The overexpansion of university education by Tony Blair and New Labour has left too many young people in debt, without the skills needed to secure well-paying careers. At the same time, investment in high-skilled trades has dropped, leading to an over-reliance on cheap immigration from abroad to meet an ever-expanding list of job shortages. As the Party that values hard work and aspiration, we need to reverse this trend and invest in local talent that matches labour market demands.

It is important that the esteem for technical and vocational education is bolstered by funding from the Government. Likewise, the Government should ensure that young people are not ripped-off when taking out significant student loans, but feel free to pursue alternative educational paths, fully informed of their prospects.

The policy suggestions presented in this paper aim to shift the balance from Government overspending on low-return Higher Education, and repurpose all money saved for investment in quality technical and vocational education that keeps talent local and high-skilled. This will only be achieved by both disincentivising students from poor-quality university education and incentivising them towards high-quality technical and vocational education. Such measures also need the support of local businesses. Small and medium sized businesses need to feel that their investment in local talent is worthwhile and supported by the Government.

With renewed prioritisation for apprenticeships and other technical and vocational training and education, our country can upskill its workforce, meet labour demands without reliance on immigration, and ensure good jobs for present and future generations.

Appendix

The policy recommendations will present both a saving in some areas (i.e. issuing fewer students loans) and a cost in others (i.e. funding apprenticeships at a higher rate). Any saving from spending on university education should be used to fund the proposals for technical and vocational training and education. The policy recommendations should not be pursued for budget cuts, as any savings should be redirected to quality technical and vocational education.

If 15 percent fewer loans were issued for university courses, one could expect a saving of £1.8 billion per year. This would fund the various measures laid out in the paper (the total cost being £1.6 billion), with some money to spare. This surplus money would serve to continue funding apprenticeships, should demand for them be higher than anticipated in light of the measures introduced.

| Recommendation | Cost | Further Information |
|--|---|--|
| Introduce a minimum requirement of Level 4 grades at GCSE in English and Maths in order to qualify for student loans. | Based on current university attendance numbers, if just 15 percent fewer students went to university, there would be a saving of £1.8 billion per year. ¹⁰⁶ | This should lead to approximately 10 percent fewer students qualifying for student loans. |
| Introduce a minimum requirement of EEE at A-Level, or equivalent T-Levels or Level 3 Diploma, in order to qualify for student loans. | | |
| Suspend student loans for courses that fail to deliver good outcomes for graduates. | | The extent of this measure would be determined following assessments of the Office for Students inline with B3 Criteria. |
| Withdraw loan support for unnecessary foundation year courses at university. | | The extent of this measure would be determined following assessments of the Office for Students inline with B3 Criteria. |

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| <p>Require graduates to start repaying their student loan at a fixed amount of £45 per month until they earn over £31,000 following a three year 'grace period', allowing exemptions for graduates working in sectors of high social value, working for charity, on maternity leave, registered as a carer, etc. Repayments will be set at 9% of income over £25,000 once they earn £31,000.</p> | <p>An initial saving of £47.25 million .</p> | <p>The average student loan is £45,000. Under new measures, this is to be paid back over 40 years. If this were to be broken into fixed instalments, this would require payments of £93.75 per month, excluding interest.</p> <p>Setting a repayment amount of £45 per month would be equivalent to what someone would pay if they were earning £31,000 per year – it would also repay just under half of the average loan, should their income remain under the standard threshold.</p> <p>The bottom 10 percent of graduates are expected to earn less than £25,000 10 years after graduation. Based on admissions to university, this would mean approximately 27,000 graduates per annual intake are earning less than the current repayment threshold 10 years after graduation. This would raise £94.5 million per cohort over seven years, as a minimum. If we assume that half of these graduates would qualify for exemptions, this would lead to a saving of £47.25 million.</p> |
|--|---|--|

| | | |
|--|---------------------|---|
| <p>Exempt graduates who work for the NHS and in other needed sectors from loan repayments for up to three years.</p> | <p>£360 million</p> | <p>This would apply to doctors, dentists, and nurses who work for the NHS within the first five years of qualifying. There are 40,000 medical, dentistry, and nursing graduates each year. Estimating salaries of doctors, nurses, and dentists at an average of £60,000 per year, making a loan repayment of £3,000 each year.</p> |
| <p>Use the Levy to fund training in shortages identified by the Migration Advisory Committee.</p> | <p>£380 million</p> | <p>It is unclear exactly how much advantage employers will make of this offering, but Policy Exchange recommends allowing 25 percent of the levy being available to employers to spend on other high-quality training, and assumes a 50 percent take up of the offering available to them.¹⁰⁷</p> |
| <p>Allow the Levy to be spent on shorter training modules.</p> | | |
| <p>Increase the Apprenticeship Levy transfer to 35 percent.</p> | <p>N/A</p> | |

| | | |
|---|----------------|--|
| Fund all apprenticeships offered by an SME, regardless of how much of the Levy is used. | £652.8 million | <p>It is unclear how many more apprenticeships will be offered should the cap be lifted.</p> <p>If we assume, however, that there will be 15 percent fewer university students given grade cut offs for student loans and other measures, all of whom opt for an apprenticeship instead, that would require 40,875 more apprenticeships. If, instead, we aim for 20 percent of school leavers doing apprenticeships, this would require funding for 66,299 more apprenticeships.</p> <p>In 2018/19 there were 97,700 apprentices under 19 and UK Onward calculated that it would cost £962 million to remove these apprentices fully from the Levy, and fund them within Education budgets, working out at £9,846.50 per apprentice.¹⁰⁸</p> <p>Therefore, $66,299 * £9,846.50 = £652.8$ million. This would cover the cost for apprentices at SMEs and large employers.</p> |
| Provide SMEs with a one-off payment of £500 for apprentices under 25 upon completion of an apprenticeship. | £43.8 million | In 2021/22 there were 87,500 apprenticeship starts aged under 25 at SMEs. ¹⁰⁹ |
| Expand the 100 percent funding for small businesses taking on an apprentice younger than 19 to include medium-sized businesses. | £15 million | <p>The mean average cost of training an apprentice is £8,655.¹¹⁰</p> <p>In 2020/21 there were 32,550 apprenticeship starts with medium-sized employers.¹¹¹</p> |

| | | |
|---|-----------------------------|--|
| Allow off-the-job training to be front loaded during an apprenticeship. | N/A | |
| Remove the Functional Skills requirement for completing an apprenticeship. | N/A | |
| Extend child benefit to families with children aged under 19 enrolled on apprenticeships. | £120 million ¹¹² | |
| Enable universities to become new Institutes of Technology | £70 million | The first wave of 12 new Institutes of Technology were established with £170 million of capital investment, with a second wave of nine new Institutes of Technology receiving £120 million of capital funding. ¹¹³ Based on these numbers, the Government should set aside £70 million for 5 more Institutes of Technology. |
| Permit the offering of two-year technical or vocational degrees at some universities. | N/A | |

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