



Department
for Education

Review of the Level 4-5 qualification and provider market

Research report

February 2019

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Social Science in Government

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Executive summary

Introduction

The Department for Education (DfE) commissioned ICF Consulting to undertake a study to examine the functioning of the Level 4 and 5 (L4-5) qualification and provider market, in order to support its review of L4-5 education.

Aims, objectives and scope of the study

The study examines the characteristics and effectiveness of the L4-5 market. It specifically explores supply-side dimensions, which include:

- Factors that influence the design and development of L4-5 qualifications by awarding organisations (AOs) and higher education institutions (HEIs);
- The factors that influence the provision of L4-5 qualifications by Higher Education (HE) providers (universities and alternative HE providers) and further education (FE) providers (colleges, private training providers, community learning providers); and
- The identification of any barriers that may inhibit them, such as any unintended consequences arising from current legislation, policy and funding arrangements, as well as any particular issues related to learner demand/choices and the interplay between L4-5 and other qualification markets;

The research focuses on L4-5 programmes that are not delivered as part of an apprenticeship framework or standard. It draws on data on L4-5 provision approved for public funding which was delivered in 2016/17. It does not include vendor qualifications perceived to be at L4-5 which are not eligible for public funding.

The study does not explicitly explore the demand-side of the L4-5 market. Specifically, it does not explore the reasons why learners choose or do not choose to undertake L4-5 programmes, and employer and learner perceptions of L4-5 qualifications. This means the study is not able to robustly identify information asymmetries and other demand-side factors that are inhibiting the take-up of L4-5 qualifications.

Method

The functioning of the market was assessed using the **Structure-Conduct-Performance (SCP)** market assessment framework. The framework is based on the hypothesis that performance (profitability and, in this context, take-up and progression) depends on firms' conduct (qualifications promoted and pricing strategies) which in turn depends on the structure of the market (firms engaged, products developed, information available).

To measure the effectiveness of the market, the study examines the extent to which the market structure, conduct and performance creates an environment which encourages

innovation, raises standards and supports providers and AOs to be responsive to employer and learner needs. To do this it draws on the Office of Fair Trading (now the Competitions and Markets Authority) guide to competition in public sector markets, which sets out the following characteristics of effective markets:

- Ease of market entry, exit and expansion;
- Absence of significant monopoly powers;
- Widespread availability of information;
- Link between costs and fees;
- Achievement of public interest objectives such as social impacts.

The study assesses the extent to which the L4-5 market has these market conditions and is achieving its expected outcomes. This includes having retention and success rates in line with expectation and good progression to employment and further learning.

The following research was undertaken to examine the L4-5 qualification and provider market:

- **Case study visits to 20 providers** (4 HEIs and 16 FE providers, of which two had degree awarding powers (DAP)). In the case studies we interviewed between 4 and 12 provider staff in each responsible for the strategy, management, development and delivery of L4-5 qualifications. These included 12 providers with a broad L4-5 offer and eight with a narrower range and smaller number of L4-5 learners;
- **Face-to-face and telephone interviews with 10 AOs** (three providing a general range of qualifications and having a major share of the market; seven focusing on one or two subject areas with variable shares of the market in these subject areas);
- **Data analysis on the volume and characteristics of L4-5 learners and the outcomes they achieved.** This draws on L4-5 learner enrolment and destination data from the Higher Education Statistics Agency (HESA) and enrolment data from the Individual Learner Record (ILR) in 2016/17. The study also examined Ofqual data on L4-5 qualifications and the number of certifications in 2016/17.
- **Interviews with eight sector stakeholders** that have conducted research on L4-5 provision or represent sector actors.

Key findings

Dimensions of the L4-5 market

Qualifications: The L4-5 market is diverse. There were 3,368 different L4-5 qualifications that were available to learners in 2016/17, of which 735 were developed by

independent AOs and 2,633 were developed by HEIs and delivered by FE and HE providers. In total, 1,025 HEI and AO accredited qualifications had more than 50 learner enrolments in 2016/17. Some of these qualifications are recognised by industry as providing entry to specific jobs, including a licence to practise, or as continuing professional development (CPD) for particular higher-level roles. Some qualifications may not be as well recognised by employers but provide progression to further learning and help individuals develop practical skills which they need to demonstrate their employability. There were 334 AO accredited qualifications that were available to learners for over two years¹ but have not had any completions.

Accredited bodies: There are a wide range of organisations that develop L4-5 qualifications. In total, 154 AOs and 98 HEIs develop L4-5 qualifications. However, most AOs and HEIs only focus on one or two subject areas. HEIs provide more qualifications in maths, sciences and social sciences at L4-5 than AOs.

Subject areas: L4-5 programmes not delivered through apprenticeships are most commonly taken for subjects in health, public services and care (composing 23% of all L4-5 learners); business administration and law (17%); and Engineering and manufacturing technologies (12%).

Providers: Nearly all FE colleges (97%) and most HEIs (88%) provide L4-5 qualifications. Nearly 200 private and adult community learning providers deliver L4-5 providers, which includes 48 alternative providers in HE that are not FE colleges.

Funding: Most L4-5 programmes are funded by employers and learners, either directly or through loans. Reductions to the FE Adult Skills Budget has meant that few L4-5 programmes are full-subsidised. However, learners can access Adult Learner Loans and HE loans for undertaking L4-5 programmes.

Relative scale of provision: The size of the L4-5 market is relatively small, compared to HEIs and FE providers' overall offer. There were 111,420 learners that studied an AO-accredited L4-5 qualification in 2016/17, which comprises only 2% of all vocational qualifications awarded. In HE, there were 75,632 learners that undertook L4-5 qualifications in 2016/17, which accounted for 3% of all HE learners. The overall market is estimated to be worth around £700m-850m a year, split relatively evenly between FE and HE providers.

Segmentation: The qualitative research with AOs and providers indicates two distinct segments of the L4-5 market. There is an employer focused market which provides CPD to help employees undertake their current job or progress to a new role, and a learner

¹ Defined as AO accredited qualifications with a regulation start date of June 2016 or earlier.

focused market that supports individuals to enter an occupational sector, either directly or by supporting progression to further learning. L4-5 programmes tend to focus on one or other of these groups, but seldom both.

Market structure

Policy and funding drivers: Although development of higher level technical skills has been a priority for successive governments, there has been little focus on L4-5 qualifications specifically, although there have been developments in higher level apprenticeships and National Colleges. Funding policies have enabled learners to obtain loans to participate in L4-5 programmes. In most cases, reductions to the FE Adult Skills Budget have not discouraged providers from delivering L4-5 qualifications.

Barriers to entry, exit and expansion of AOs and HEIs: In line with an effective market, there are few barriers for AOs and HEIs to enter, expand or exit the L4-5 market. The Ofqual regulations allow new AOs to be approved and for AOs to develop new qualifications. It is less straightforward to become accredited to develop HEI L4-5 qualifications, though few providers are constrained by this. Relatively few FECs have DAP/FDAP.

Barriers to entry, exit and expansion of FE and HE providers: There are few barriers to providers applying to AOs to deliver new L4-5 programmes and to teach the courses. A few FE providers did however report challenges in identifying suitable HEIs to partner with to deliver HEI-accredited qualifications, but this has not generally constrained their ability to deliver HE L4-5 qualifications.

Scope for differentiation: Most AO qualifications at L4-5 have similar content as they have historically been based on common standards. However, many AOs distinguish themselves from their competitors through the support they offer providers and the assessment criteria, which encourages them to innovate and improve the provider resources they produce. Providers can also differentiate their offer by the expertise of their teachers, the support they provide learners and the facilities they offer.

Market concentration and coverage of AOs and HEIs accrediting L4-5 qualifications: The AO market generally contains a broad mix of AOs in subject areas which have a high volume of L4-5 learners, but several sector subject areas have one or two AOs in a dominant market position. Switching AOs is relatively straightforward and was carried out by providers. Because some HEIs have withdrawn from franchising and accrediting, a few providers have faced less choice. Others have had difficulties building new partnerships with HEIs.

Market coverage of providers: Overall there is a mix of L4-5 providers by region. For most subject areas each region has at least 10 providers. However, in some regions

there are few providers delivering construction, retail and agriculture programmes, and there are generally fewer providers in the North East and East Midlands delivering L4-5 provision.

Market conduct

Priority of L4-5 programmes: L4-5 qualifications are important for most AOs as it ensures they can offer a full suite of sector qualifications. However, it is only a priority for the few AOs that specialise in higher level qualifications. For AOs it helps ensure they have a comprehensive sector offer and are able to meet all their customers' needs. For providers they were commonly felt to widen participation in learning, meet employers' needs and provide pathways to degrees. Providers' future plans are currently being most influenced by the potential to fund L4-5 programmes from the Apprenticeship Levy.

Development and delivery of L4-5 qualifications: AOs are quite reactive in developing new qualifications in response to changing legislation or policy drivers, as this significantly drives demand. AOs also respond to employer and provider needs, but this is balanced by an assessment of the potential scale of demand and whether this will pay back AOs' development costs (which range from £3,000 to £20,000). HEI accredited programmes incur fewer development costs. There are generally time lags of at least one to two years to bring new qualifications to market except where FE colleges and HEIs have DAP/FDAP.

Competition for L4-5 providers: There is some competition among AOs and between AOs and HEIs. AOs mainly reported that they compete with between one and three organisations for particular qualifications. Most compete on quality and reputation. The importance of reputation may discourage new entrants, particularly in subject areas where there is an established market leader. Neither AOs or accrediting HEIs compete on price for accrediting their courses. For AOs, this is perhaps understandable as the costs they charge providers (generally £100-£200 per learner) are low compared to the overall cost of delivering a programme, and therefore do not significantly influence providers' decisions.

Competition for L4-5 learners: L4-5 providers compete with other L4-5 providers as well as with degree providers. When competing with HEIs, FE providers generally emphasise the supportive environment they can provide for learners and that the learning can be done locally. HEIs mostly market the facilities that they can provide learners as well as what they perceive as being greater industry recognition of degree qualifications. All providers market L4-5 qualifications as stepping stones that allow individuals to progress to further qualifications, such as bachelor degrees, or to enter employment. In this context the qualifications were felt to be particularly effective in providing further learning opportunities to learners that did not have the confidence/grades to enrol on a degree programme or did not wish to relocate. Some providers also offered one-year 'top

up' qualifications to allow L5 learners to gain a degree. FE providers generally reported that they offer lower fees in order to compete with HEI providers.

Information asymmetries: There are few information asymmetries which prevent providers from making informed choices on the qualifications they deliver. However, some providers reported that learners do not commonly have a good understanding of L4-5 qualifications and that many believe degrees are more appropriate for their career progression.

Market performance

Provision of L4-5 programmes: There is reasonably equitable distribution of L4-5 provision across regions. In nearly all regions the proportion of L4-5 learners broadly matches their share of the UK workforce. The exception is the South East which has fewer than might be expected. A slightly higher proportion of learners undertook L5 qualifications compared to L4. However, far more providers deliver L4 programmes than L5. This suggests that supply is not meeting demand in some areas.

Take-up of L4-5 programmes: L4-5 qualifications support a diverse mix of students. The qualifications are undertaken by a slightly higher proportion of ethnic minority and male students than other HE and FE programmes, and there is also a relatively high proportion of older learners and learners with disabilities. A key feature of the qualifications is that they attract learners with very different levels of prior attainment. The ILR and HESA datasets show that most have qualifications at L3 or below but nearly a fifth have qualifications at L5 or above. Fourteen per cent of learners have highest qualifications at L2 or below.

Perceived added value of L4-5 qualifications: The recognition of L4-5 qualifications varies significantly by sector. Providers reported that in areas where there are skills needs and skills shortages, they are valued as providing an alternative pathway to employment. In other sectors, most notably those where there is high competition for jobs, they are less valued as many employers prioritise learners with degrees.

Destination of learners completing L4-5 qualifications: Just under 40% of learners on HE-accredited² L4-5 programmes progressed to full-time employment and 26% progressed to full-time further learning. This reflects the dual aims of L4-5 qualifications. The proportion of learners that progress to employment does, however, vary significantly by subject area and qualification type. The average starting salary of learners on HE accredited programmes who complete a L4-5 qualification and enter full-time employment is £27,693, although it must be noted that some were already in

² Data on the destinations of learners undertaking AO-accredited L4-5 provision was not available

employment when undertaking their programme. Middle-attainment GCSE learners achieve similar median salaries for L4-5 qualifications as they would from degrees by age 26.

Assessment of the market

Structure

The structure of the L4-5 market is relatively effective. The key strengths are:

- It is relatively easy for AOs and providers to start to deliver L4-5 qualifications, and to expand their offer if they wish.
- For some subject areas, and particularly those with high take up (business administration and law; education and training; health, public services and care), there are a broad mix of AOs operating in the market and no AO has a dominant market share.
- There is generally a diverse range of L4-5 providers in each region.

In terms of weaknesses, the ease with which AOs can develop new qualifications has resulted in a diverse landscape which could make it difficult for learners and employers to understand the benefits of particular qualifications. There also remain some sectors, such as construction, ICT, engineering, and arts, media and publishing, which have a high volume of learners but relatively few AOs providing qualifications in the area. This could affect innovation as the dominance of some AOs discourages new entrants and may mean that existing AOs have little incentive to enhance the quality of their qualifications.

Conduct

The conduct of the supply-side of the L4-5 market are effective in some areas, but there are other areas that work less well. The strengths are:

- A strong drive within many providers and AOs to develop their L4-5 provision, despite it being a relatively small part of their overall offer.
- In both HE and FE, the same funding rules apply for loans for L4-5 qualifications as they do for other HE or FE programmes. The use of loans means that learners ought to make value-based judgements on whether the programme provides a sufficient return on their investment.
- AOs are able to articulate a range of quality measures that they use to compete with other AOs. This encourages further innovations and developments in this field, which should ultimately improve standards.

- Providers compete on facilities and the quality of support they provide learners, which raises standards. Most FE providers seem to recognise that this support is a key selling point, along with providing courses which can lead to degrees for learners who want to study without moving from home/travelling long distances.

However, a key limitation of the market is that AOs are generally reluctant to deliver qualifications in some areas where there is likely to be low demand for learners. This can create gaps in provision. There is also limited competition on price between HEIs, with most offering similar fees. This does not provide downward pressure for HEI providers to reduce fees, and may result in fees being a barrier to entry.

The importance of reputation in informing providers' choice of L4-5 qualifications may restrict new entrants from entering the market as they would have difficulty competing with more established qualifications.

In terms of information asymmetries, the information providers give on L4-5 provision is mostly targeted at their existing students, with little wider promotion. Providers also reported that schools and HEIs do not promote L4-5 qualifications to the same extent they promote degrees. They may not draw out the benefits of L4-5 provision compared to other learning programmes for potential learners, which is further compounded with the diversity of qualifications meaning there is no clear L4-5 'brand'.

Market performance

The performance of the supply-side of the L4-5 AO and provider market works well in some areas and less well in others. In terms of strengths:

- Generally, L4-5 programmes support a diverse range of learners, including a relatively high proportion of ethnic minority learners and learners with disabilities.
- L4-5 programmes also support a significant proportion of learners from industry that do not have a L3 qualification, and the industry recognition of some qualifications also means they are undertaken by some learners with qualifications at L6 and above.
- In some sectors a relatively high proportion of learners' progress to employment or further learning. The starting salaries of learners that gained full-time employment after completing a L4-5 qualification are relatively high.
- There is strong recognition of L4-5 qualifications in some sectors, particularly when they are linked to industry recognised skills requirements. There are also examples of the qualifications being considered an alternative route to train new sector entrants.
- A further benefit of L4-5 provision is that it provides accessible learning opportunities for young people that may lack the confidence to undertake a degree programme or require more support to develop the skills required for undertaking

self-directed learning. Here some providers are using L4-5 qualifications as 'bridging' qualifications to degrees.

However, relatively few learners undertake L4-5 qualifications compared to other qualifications at L3 or L6. This was largely attributed to a lack of learner demand, with most providers reporting that employers and learners better understand and better value degree programmes, and some are unaware of the value of the L4-5 qualifications that are widely recognised by industry. The market assessment found that supply-side factors are not significantly inhibiting demand, as most FE colleges and HEIs deliver L4-5 programmes and FE providers in particular run courses to relatively small groups of 8-12 learners. In some cases providers are willing to run L4-5 qualifications in small groups because it provides a progression opportunity for their learners which would not otherwise be available in the local area, and because they expect that some of the learners on the L4-5 course will subsequently progress to other programmes delivered by the provider, such as degrees.

In some sectors, there is also evidence that certain L4-5 qualifications are not widely recognised by employers and result in relatively few learners progressing to employment, despite the provision being commonly undertaken by learners. This is particularly common in employment sectors where a large number of candidates with degrees apply for jobs that do not need for L6 skills, which can lead to 'qualification inflation'. This was reported to be common in sectors such as pharmaceuticals, business services and ICT.

There are also relatively fewer L4-5 providers delivering L5 provision, despite L5 provision comprising over half of all L4-5 learners. This indicates that learners have less choice in L5 provision.

Market failure

Based on the above assessment of the supply-side of the L4-5 market, the key market failures identified are:

- The brand awareness is not strong for L4-5 qualifications overall, although some programmes are widely recognised in their industry. This in part is a result of the diverse landscape which gives the impression of a varied mix of programmes with different focuses and target groups;
- There is variable growth in demand for L4-5 qualifications, with more L3 learners increasingly progressing to degree programmes rather than L4-5, despite employer demand for technical skills;
- The volume of demand for some prospective L4-5 qualifications can be too low for providers to develop new qualifications. Hence provision is more widely available in subject areas where there are high learner enrolments, even where the qualifications are not widely recognised by industry;

- In a few regions and sectors there is limited learner and provider choice for L4-5 qualifications. This in part reflects the difficulties providers have in identifying suitable HE partners, and in part is due to providers having limited capacity to deliver higher level programmes with small learner cohorts.

Recommendations

The study found many positive features of the supply-side of the L4-5 market, as well as areas of improvement. We therefore set out below areas that should continue to be supported and areas where action may be needed to address market failures.

What the DfE should continue:

- Enabling access to government finance and loans for L4-5 learners. These are an important driver of demand and create a market where providers need to be responsive to employer and learner needs.
- Allowing access to the AO market, as this helps create a market which encourages competition and innovation.
- Allowing FECs to obtain DAP/FDAP status as this helps to accelerate the development of existing and new foundation degrees.
- Encouraging FE providers to enhance their facilities and expand their range and scale of provision of L4-5 qualifications.

What the DfE and its partners should start to do:

- Working with sector and professional bodies to support the promotion to providers and learners of L4-5 qualifications that provide direct entry to the labour market, by being actual or de facto licences to practise. Awareness of these qualifications can be low among learners, which reduces take-up.
- For other qualifications, incentivising HEIs to recognise L4-5 qualifications as providing exemptions from the first or the first and second year of a degree programme and encouraging joint working with HEIs and AOs to harmonise content with degrees and L4-5 provision.
- Identifying a branding which can promote the variety of L4-5 qualifications at a national level to complement the work of providers in promoting these qualifications in schools, colleges and employers, and challenge HEIs' promotion of full time degrees as the primary option for L3 learners wishing to progress to higher levels.
- Stimulating FE providers and HEIs to expand their L5 provision, as this appears to be provided less comprehensively than L4, despite having higher learner take-up. It may therefore be that there are potential local gaps in the availability of provision at L5.

- Ensuring that the approval of qualifications for public funding requires AOs to demonstrate the labour market relevance of qualifications alongside support from employers.
- Removing from the funding register qualifications that have had no learner take-up in the last few years.
- Conduct more research on learner and employer perceptions of L4-5 qualifications in specific sectors, how they are considered in employer recruitment decisions, and what factors affect learner decisions to study or not study L4-5 programmes, and the information, advice and guidance they receive on L4-5 qualifications.

1 Introduction

This study examines the functioning of the L4-5 qualification and provider market, in order to support the Department for Education (DfE) review of L4-5 Education. The study specifically examines supply-side dimensions related to the structure, conduct and performance of the market. It draws on interviews with Awarding Organisations (AO) and sector stakeholders, alongside case studies with Further Education (FE) and Higher Education (HE) institutions. The research was commissioned by the DfE and undertaken by ICF Consulting between March and May 2018.

1.1 Context and background

1.1.1 Policy context

In the last few years successive governments have embarked on a series of reforms to post-16 education in order to raise standards and make provision better reflect employer needs. This is in part to improve the productivity of the workforce in England, which lags behind its competitors such as France and Germany; and in part to create skills provision which supports individuals to enter and progress quickly in the labour market.

Recent changes include:

- **Apprenticeship reforms**, which have seen the introduction of new standards that are closely related to specific occupations. The new standards include an increasing number of higher levels (Level (L) 4 or 5) and degree apprenticeships in a range of subjects. A new Apprenticeship Levy on employers with a payroll of over £3 million is supporting the funding of apprenticeships, with levy contributors able to use their contributions to fund apprenticeships, and non-levy contributors able to access vouchers which mean they only have to contribute 10% of the costs of an apprenticeship.
- **Technical qualification reforms (T levels)**³. The Government Post-16 Skills Plan (2016) and subsequent T Level Action Plan (2017) set out a series of proposals to simplify and improve the quality of technical education. Central to this is the introduction of new L3 classroom-based technical study programmes (referred to as T Levels) for an occupation or cluster of occupations within 15 technical education routes. Four are apprenticeship-only routes, whereas the remaining eleven routes contain between two and four T level programmes, all of which must include work experience lasting 45-60 days. To ensure they are relevant to business needs, T Levels will be developed by T Level panels, appointed by the

³ More information available at: <https://www.gov.uk/guidance/t-levels-next-steps-for-providers>

Institute for Apprenticeships and made up of employers, professional bodies and education providers. The updated T Level Action Plan (2018) sets out a phased rollout of T Levels – the first three routes will be rolled out by a small number of high performing providers across the country from September 2020.

- **The Higher Education and Research Act (2017)**⁴. This established two new bodies to regulate and fund Higher Education Institutions (HEIs):
 - The **Office for Students (OfS)**, which in April 2018 took over the statutory responsibilities of the Higher Education and Funding Council in England (HEFCE) for funding HE student provision. The OfS's duties also require it to play a greater role as a market regulator and protector of student interests⁵, while protecting institutional autonomy and promoting quality, choice and wider access.
 - The **UK Research Institute (UKRI)**, which takes over the research and knowledge exchange responsibilities of HEFCE.

The Act also introduces a new Regulatory Framework and a Register of HE providers, which set out conditions that HEIs must adhere to in order to deliver and award qualifications at L4 or above. The register provides a transparent mechanism for new providers to gain Degree Awarding Powers (DAPs), which is expected to support more FE colleges and FE providers to award taught degree programmes.

Within this context, the Government announced in October 2017 that it will be reviewing L4-5 Education, in order to examine how technical qualifications at this level can better address the needs of employers and learners. This includes ensuring they provide effective progression routes for learners completing T levels and other formal education and helping them progress to employment, while also providing opportunities for employers to upskill their staff.

The landscape of L4-5 provision is, however, complex. Programmes are delivered by HE and FE providers, and include a range of qualifications including foundation degrees, higher nationals and diplomas, certificates and awards. The qualifications are developed by both independent AOs and HE providers with DAPs or Foundation Degree Awarding Powers (FDAPs). Therefore, as part of the review, the DfE also needs to understand in depth how this diverse market operates and the interplaying drivers that inform the design and delivery of these qualifications.

⁴ More detail is available at: <http://www.legislation.gov.uk/ukpga/2017/29/contents/enacted/data.htm>

⁵ Universities UK (2017), Implementation of the Higher Education and Research Act 2017

1.1.2 The importance of competitive markets

Competition is important for private markets, as it encourages firms to be responsive for their customers and places downward pressure on costs. This in turn commonly stimulates innovation and improves the quality of their products, while also generating efficiencies and reducing waste. In an effective market, there should be conditions in place that help stimulate competition and choice in a way that benefits consumers and suppliers.

Public markets, such as the market for L4-5 education, operate differently from purely private markets. Customers (for L4-5 provision, learners and employers) do not always pay directly for services, and suppliers are not solely motivated to increase profits, as many also have wider public service interests. Moreover, public markets are also more likely to be influenced by legislation and funding drivers to ensure they meet social objectives.

Nonetheless, competition and choice are also important to create well-functioning public markets. Policy and funding levers, coupled with learner choice, can encourage positive supplier behaviour which raises standards, encourages innovation and improves choice. For L4-5 Education, this includes improving the quality and stretch and challenge of qualifications to ensure they adequately prepare learners for employment and further learning, while also ensuring learners have sufficient choice to select programmes that best meet their needs.

There is a need to explore the functioning of the market for L4-5 Education, to ensure it is responsive for learner and employer needs. Employers commonly report a need for higher level technical skills in the workforce, yet the take-up of L4-5 qualifications is significantly lower than programmes at L3 and L6 (bachelor degree courses). It is therefore necessary to understand why this gap exists, and what actions could be undertaken to ensure Level 4-5 programmes provide the skills the economy needs and supports individuals' social mobility.

1.2 Aim of the study

The aim of the study is to examine the characteristics of the L4-5 market and assess how this compares to an effective market. **The study is specifically exploring supply-side dimensions**, which include:

- Factors that influence the design of L4-5 qualifications. This includes the interaction between providers and organisations that develop L4-5 qualifications (independent AOs and HE providers) to identify needs, labour market push/pull factors, and the wider business, funding and policy drivers that influence behaviour;
- Provider behaviour in deciding what qualifications to deliver. This includes the role played by local communities/local employers, pricing/funding factors, other

business drivers and the alignment of L4-5 qualifications with other programmes, such as apprenticeship or degrees;

- The performance of the supply-side of the market in responding to demand, and achieving social outcomes in supporting a diverse range of learners to access further learning and progress to employment; and
- The identification of any supply-side barriers that may be inhibiting the L4-5 qualification market. This includes identifying any unintended consequences arising from current legislation, policy and funding arrangements, as well as any particular issues related to learner demand/choices and the interplay between L4-5 and other qualification markets, by subject area and geography.

The study examines L4-5 provision that is not delivered as part of an apprenticeship framework or standard and is delivered by FE providers (colleges, private training providers, community learning providers) and HE providers (Higher Education Institutions (HEIs) and alternative HE providers (APs)). It only covers qualifications that are approved for public funding and therefore does not include some vendor qualifications that may be perceived as being at L4-5, such as the European Computer Driving License (ECDL). It draws on L4-5 learner and qualification data from the 2016/17 academic year.

The study does not explicitly explore the demand-side of the L4-5 market. Specifically, it does not examine the reasons why learners choose or do not choose to undertake L4-5 programmes, and employer and learner perceptions of L4-5 qualifications. This means the study is not able to robustly identify information asymmetries and other demand-side factors that are inhibiting the take-up of L4-5 qualifications.

1.3 Methodology

1.3.1 Conceptual framework

To systematically examine the L4-5 AO and provider market the study uses the well-established **Structure-Conduct-Performance (SCP)** market assessment framework. The framework is based on the hypothesis that performance (profitability and, in this context, take-up and progression) depends on firms' conduct (qualifications promoted and pricing strategies) which in turn depends on the structure of the market (firms engaged, products developed, information available).

This framework was chosen because, unlike some other market frameworks, it is not overly reliant on financial metrics, such as profitability, for measuring performance. While this may be appropriate for wholly commercial markets, it does not recognise interplay between legislation and funding incentives in public markets which are necessary to achieve social goals. The SCP framework instead provides more flexible metrics that can be tailored to public sector markets.

Figure 1 Structure-conduct-performance (SCP) Framework



Source: ICF

Based on the SCP framework, an analytical framework was produced which set out metrics for examining the L4-5 qualification and provider market. This included measures to examine:

- How funding conditions and legislation are informing conduct and stimulating demand;
- The role of learners, employers and local communities in informing FE and HE providers' decisions on the qualifications they purchase from AOs; and
- The impact of the supply-side of the market on achieving social outcomes in engaging a diverse range of learners and supporting them to progress to employment and further learning.

The analytical framework is included in Annex 1 of this report.

1.3.2 Defining an effective market

There are a wide range of definitions for an effective market that supports competition and the achievement of social objectives. This study uses the approach outlined in the Office of Fair Trading (now Competitions and Markets Authority) guide to competition in public sector markets, and its reviews of competitive markets.

This highlights the following common characteristics of effective markets:

- **Ease of market entry, exit and expansion.** Easy access helps ensure a good range of organisations can operate in a market, which can lead to greater price competitive efficiency and encourages innovation. An effective market should also enable organisations to leave a market if they wish, which gives them flexibility, while also providing opportunities for high quality deliverers to expand their offer.
- **Absence of significant monopoly powers.** In a well-structured market, no organisation or group of organisations should have the power, in terms of size and market share, to dominate a market. This can restrict opportunities for smaller

competitors and market entrants, which in turn reduces market pressure for competitive efficiency and innovation, while also reducing consumer choice and price competition.

- **Widespread availability of information.** An effective market requires the availability of high-quality objective information to allow customers and producers to make informed decisions. Firms need the opportunity to distinguish their products from their competitors, in order to ensure they can showcase quality in a way that can inform customer decisions.
- **Link between costs and fees.** An effective market requires prices to be proportionate to the costs for delivering a product, including any social costs (such as pollution). For L4-5 qualifications, this means that the fees charged by AOs and providers relate to their development and delivery costs. This helps to ensure that fees are proportionate and fair to consumers and firms.
- **Achievement of public interest objectives.** A key indicator for an effective public market is that it achieves social impacts. For the L4-5 market, this includes the availability of high quality learning programmes, provision being taken up by an appropriate cross-section of learners, and completion and progression being in line with expectations.

1.3.3 Research undertaken

To populate our framework for understanding the L4-5 qualification and provider market, we conducted the following research tasks:

- Case study visits with 20 providers;
- Face-to-face and telephone interviews with 10 AOs;
- A data and documentary review;
- Interviews with eight sector stakeholders;
- Primary analysis of higher education and further education learner data.

The primary research took place between March and May 2018.

Provider case studies

The purpose of the case studies was to explore the delivery of L4-5 qualifications and the factors that affect provision. This included examining the extent to which L4-5 is a priority for providers, what plans or strategies they have in place to increase the take-up of their L4-5 programmes, how the need for the qualifications is identified, and the benefits and perceived value of L4-5 qualifications. Because this is likely to vary by subject area, in each case study we completed interviews with a selection of curriculum leads and course

tutors, alongside interviews with senior leaders and accreditation or quality assurance teams.

In total, the 20 providers that participated in the case studies included:

- 16 FE providers (of which one had DAP and one had FDAP) and four HEIs;
- 12 providers with a broad L4-5 offer and eight providers that had a smaller offer (where they have less than 15 L4-5 courses in the case of FE providers, and less than 10 if they were HEIs);
- At least four providers that delivered qualifications in the eight commonest L4-5 subject areas (business, administration and law; health, public services and care; arts media and publishing; education and training; construction and the built environment; ICT; leisure, travel and sport; and engineering and manufacturing).

In each case study we interviewed between four and 10 individuals. Most interviews were conducted during day visits to the provider premises, although in a few cases we also conducted follow-up interviews with individuals that were unavailable on the visit.

AO interviews

We interviewed 10 AOs to explore the importance of L4-5 programmes to their overall offer, the way they develop and promoted their L4-5 qualifications to providers, and how they identify and respond to demand for new L4-5 qualifications. We focused on AOs that had a high volume of L4-5 learner accreditations in 2016/17, and included AOs working in a mix of subject areas. In total we interviewed:

- Three generalist AOs (City and Guilds, Pearson and OCR) that provide L4-5 qualifications across a range of subject areas and have a major share of the L4-5 qualification market);
- Seven AOs that focus on one or two subject areas. This included AOs that specialised in subjects such as leadership and management, professional services, health and safety, health and public services, manufacturing and engineering, and the creative arts.

Interviews were conducted either face-to-face or by telephone. We interviewed one to three people at each AO (14 interviews in total).

Stakeholder interviews

We interviewed eight stakeholders that represent sector organisations or that have undertaken work on supporting L4-5 provision. The purpose of the interviews was to examine wider perceptions of the strengths and weaknesses of the L4-5 landscape and the behaviour of key sector actors. The interviewees included:

- The Gatsby Foundation, whose mission is to support technical education. The Gatsby Foundation have commissioned research on L4-5 provision and are supporting the DfE to implement its T level reforms;
- The University Vocational Awards Council, which represents HE providers in the areas of higher technical education;
- Joint Council of Qualifications (JCQ), which is a membership body representing large AOs;
- The Association of Employment and Learning Providers (AELP), which is a membership body representing private training providers that deliver FE;
- The Association of Colleges (AoC) which is a membership body representing Further Education Colleges (FEC);
- Universities UK, which is a representative body for HE providers;
- The National College for High-speed Rail, which has a particular focus on delivering higher level technical qualifications that fill gaps in FE and HE provision;
- A researcher specialising in higher level technical education.

Literature review

A literature review was conducted to identify further information on the structure and functioning of the L4-5 qualification market. It included a review of the following:

- Existing research undertaken on L4-5 provision. This included the Gatsby commissioned Mapping the Higher Technical Landscape (RCU, 2018)⁶, DfE/Gatsby research on L4-5 provision in England: provider perspectives (York Consulting, 2018)⁷, and a study on Post-16 education: highest level of achievement by age 25 (DfE, 2018)⁸;
- Additional research on the structure of the L4-5 market. This included policy papers and legislation related to the delivery and funding of L4-5 provision, Ofsted inspection data and the Ofqual AO market report.

⁶ Available at: <http://www.gatsby.org.uk/uploads/education/reports/pdf/mapping-the-higher-technical-landscape-final-version.pdf>

⁷ Available at: <http://www.gatsby.org.uk/uploads/education/york-consulting-level-4-and-5-provision-in-england-provider-perspectives-2018.pdf>

⁸ Available at: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/705269/Post_16_education_highest_level_of_achievement_by_age_25.pdf

Data analysis

The study analysed data on the volume, characteristics and progression of learners that had undertaken L4-5 qualifications. Enrolment data was used from 2016/17, which was the last year data was available. Destination data was for learners enrolled in 2015/16 and surveyed in 2016/17.

The following main data sources were used:

- **The Higher Education Statistics Agency (HESA)** data on the learners that undertook non-degree qualifications in 2016/17 in an HEI. The HESA data provides a comprehensive record of the characteristics of learners studying in HE (gender, ethnicity, domicile, prior attainment) and the title, length and type of qualification they studied. Learners on franchise agreements with FE providers are also included in these figures;
- **The Individualised Learner Record (ILR)**, which contains information on learners that have undertaken FE programmes in 2016/17. The data contains information on the characteristics of learners that received funding to undertake FE learning and the courses they studied. Providers are also encouraged by the Education and Skills Funding Agency to enter data on learners that have benefited from self-funded programmes, although there is no requirement for them to do so;
- **The Destination of Leavers in Higher Education (DLHE) survey in 2016/17.** The survey is conducted for all learners six to nine months after they completed their HE programmes. Across all programmes it has a response rate of 70%, which means the findings can be extrapolated;
- **Ofqual data on AO qualification certifications.** Ofqual collects quarterly data from AOs on the number of certifications (qualifications awarded) for each of their qualifications. This information is available on the Ofqual database from 2003 to the first quarter of 2018. It contains comprehensive data on all AO certifications, but not on enrolments. For this study we used data from the 2016/17 academic year, to match the time period of the HESA and ILR data;
- **The Ofqual Register of Regulated Qualifications.** Ofqual provides data on all its qualifications that are approved for delivery. The database includes information on the date the qualification was developed, whether it is available to learners, the size of the qualification and the assessment approach. It provides a more comprehensive list of AO qualifications than the data on certifications, since it includes new qualifications which may not yet have had any learner certifications.

The ILR and HESA datasets needed to be cleaned extensively before they could be analysed. For the ILR all duplicate records were removed where learners had been entered on the system twice or were entered on both the ILR and HESA datasets. Additionally, learners that had undertaken a L4-5 course as part of an apprenticeship

framework or standard were also removed. When learners have undertaken more than one L4-5 qualification, the shorter qualification was removed, so there was one record per learner.

The ILR data was matched to the Learner Aims Reference Service (LARS) data to identify information on the sector of the qualification. The qualifications were then matched to the common types of L4-5 qualifications, using the DfE list of qualification levels⁹. The collated information was then analysed using SPSS and Microsoft Excel.

The HESA data contained information on all non-degree qualifications conducted in an HE provider, either directly or through franchising with an FE provider. This was then coded to identify all the qualifications that were at L4-5. For comparability, we used the same approach that was used in RCU's mapping of L4-5 provision. Duplicate entries were then removed, as well as records that are not counted within the standard registration population¹⁰ (in line with standard HESA practice). We then removed all learners that were domiciled outside England.

1.3.4 Limitations of the research

There are a few limitations with the research that was undertaken. This included:

- **Potential gaps in the data:** There may be some L4-5 provision that has not been entered on the ILR because providers did not feel it was necessary as the learners were self-funded. Also, there remain some FE and AP providers that claim HE funding directly from the Office for Students (previously HEFCE)¹¹ where learner-level data is not available from HESA (which only provided information on HEIs) or in the ILR data. For APs, there is data on the number of learners undertaking L4-5 courses and providers delivering them, but data is not available on the characteristics of L4-5 learners. However, these limitations will only affect a small proportion of learners that have undertaken L4-5 provision, and therefore should not have a significant impact on the findings for this study, though the overall figures may slightly under-count L4-5 provision.
- **Gaps in the qualitative data:** In some of the AO and provider interviews we were not able to gain quantitative information on the costs they incurred in developing and delivering L4-5 provision. However, all were able to provide estimates which could be used to derive rough values of costs and income.
- **The focus on only supply-side factors gives only a partial view of the market.** It does not examine employer and learner behaviour and how this may affect

⁹ Available at: <https://www.gov.uk/government/news/level-4-5-technical-education-to-be-reviewed>

¹⁰ Explained in: <https://www.hesa.ac.uk/support/definitions/students>

¹¹ From previous research we are aware of at least 50 FE providers that were directly funded by HEFCE .

demand for L4-5 provision. To do this comprehensively would require systematic consultation with learners and employers that access L4-5 programmes and those that do not. The study could only examine qualitatively what AOs and providers perceive to be the factors that influence take-up of their L4-5 qualifications.

1.4 Structure of this report

This report is structured as follows:

- **Chapter 2** describes our definition of the L4-5 market. It sets out the characteristics of L4-5 qualifications and the volume of providers and AOs that deliver these qualifications. In this chapter we also explore any potential grouping or segmentation of the market where particular programmes are targeted at specific groups and have different behaviours and drivers.
- **Chapter 3** presents the structure of the L4-5 AO and provider market. It specifically describes the policies and legislation that underpin the landscape, the level of market concentration, and the opportunity for organisations to enter, expand or leave the market and differentiate their products.
- **Chapter 4** describes the conduct of the market. It sets out the influence of local intelligence and funding in informing the L4-5 programmes that are provided, while also exploring how providers and AOs distinguish themselves from their competitors, and whether this provides the conditions for increasing the quality and availability of L4-5 provision.
- **Chapter 5** presents the performance in the sector, in terms of the take-up and outcomes of L4-5 qualifications and their effectiveness in engaging a broad range of learners and meeting labour market needs.
- **Chapter 6** brings together the findings from chapters 2-5 to assess the effectiveness of the L4-5 market and set out recommendations arising from the study.

2 Defining the L4-5 market

Key findings

- There were 735 AO-accredited qualifications and 2,734 distinct L4-5 HE that were undertaken by learners in 2016/17 (3,469 in total). Of these, 325 AO qualifications had over 50 learner certifications and 700 HEI qualifications had more than 50 learner enrolments in 2016/17 (1,025 in total), while 334 AO qualifications had no certifications, despite being available for over two years.
- L4-5 qualifications have a range of purposes. Some qualifications are recognised by industry as providing entry to specific jobs, including a licence to practise, whereas others are used by employers to provide continuous professional development (CPD) for particular job roles. Some qualifications are used by learners to support progression to further learning and a few help individuals develop practical skills to demonstrate their employability.
- There are 154 AOs and 98 HEIs that develop L4-5 qualifications. The qualifications are most commonly available for subjects in health, public services and care; business administration and law; and education and training. However, most AOs and HEIs only focus on one or two subject areas.
- There are 541 providers in England that delivered L4-5 qualifications in 2016/17. This includes 210 FE colleges, 157 private training providers that deliver FE, 96 HEIs and 45 APs. Most HEIs and FE Colleges deliver L4-5 qualifications.
- Over half (53%) of L4-5 learners study in an FE college, with a further third (32%) of learners studying in HEIs and 10% studying in APs. Private training providers deliver L4-5 qualifications to only 2% of all L4-5 learners, despite making up around a quarter (26%) of all L4-5 providers.
- L4-5 programmes are a small part of HEIs and FE providers' overall offer. They comprised only 2% (**111,420 learners**) of all AO-accredited qualifications awarded in FE and 3% (**75,632 learners**) of all HE learners.
- The overall market is estimated to be worth around **£700m-850m a year, split relatively evenly between FE and HE providers.**
- There appears to be two distinct segmentations of the L4-5 market. There is an **employer focused market** which provides CPD qualifications to help employees to undertake their current job or progress to a new role, and a **learner focused market** that supports individuals to enter an occupational sector, either directly or by enabling progression to further learning.

2.1 Introduction

Chapter 2 presents our definition of the L4-5 qualification and provider market. It describes the characteristics of L4-5 qualifications, the providers that deliver them and the qualification accrediting bodies. The chapter also explores whether there are any segmentations of the market, which have distinct structures and behaviours. It draws on analysis of Ofqual and HESA data, as well as interviews of stakeholders and AOs.

2.2 Purposes of L4-5 qualifications

The AO and provider case studies found that L4-5 qualifications have a variety of purposes for employers and learners. These are described below.

2.2.1 Use by employers

In some sectors, L4-5 qualifications are recognised as licence to practice or standard industry requirement for a particular occupation. This is most common in the health sector or other public-sector occupations, which tend to be more heavily regulated. For example, the Nursing Associate HND (L5) or foundation degree is required to become a nursing associate in a hospital. In other sectors, the Professional Diploma in Accountancy is required for chartered status, which is recognised as a requirement for practising accountants, and the Diploma in Education and Training is generally considered as providing career entry for teaching in FE.

In a few sectors employers were reported to use L4-5 qualifications to upskill staff for new roles. In particular, they were used to help workers develop theoretical or management skills. This was common in sectors which have a significant number of new entrants with intermediate skills, such as construction and manufacturing. L4-5 qualifications used for this purpose are the ILM leadership and management qualifications at L4 and L5, site management qualifications in construction, and engineering HNCs and HNDs.

2.2.2 Use by learners

Some L4-5 qualifications are used by learners to provide an intermediate step to help them progression to further learning. Some HEIs have access programmes to support learners that may not have the necessary prior attainment to enrol directly on a degree programme. These qualifications have generally been developed as HEIs' widening participation agenda and are mostly in subjects such as creative arts, business and administration, and leisure, travel and tourism.

Some L4-5 programmes are used to support career transitions because they can enable individuals that may be in a relatively senior position in another sector to move to a

comparable role relatively quickly (given that many L4-5 programmes last less than a year). Construction and engineering HNC/Ds are a particularly common route for career changers, because these sectors historically experience skills shortages and are considered a 'safe' sector to move to. Providers reported that there is also high demand from career changers for L4-5 programmes in business and administration, ICT, childcare and the creative industries, as these are sectors which many individuals want to work in.

A few courses, particularly in ICT and the creative arts, are also reported to provide practical skills to get individuals into employment, even where the qualification itself is not an entry requirement or particularly well-recognised by industry. Here the qualifications are felt to enable individuals to undertake the practical demonstrations commonly required for some roles. For example, in some ICT and graphic design roles recruitment is primarily through demonstrating practical competences in web design and coding, and for the creative arts it is based on performance or submitting a portfolio.

The study found there is no direct correlation between the type of qualification and their purpose. For example, HNCs and HNDs in some sectors, such as construction, are primarily used to upskill the existing workforce, but in other areas such as business and administration they are used as sector entry qualifications and progression to HE. Similarly, diplomas and foundation degrees in some sectors are regarded as licences to practise, particularly when developed to adhere to sector legislation or provide quality status awards from professional bodies, but for other sectors are regarded as CPD programmes. The purpose of qualifications is largely dependent on their recognition by industry.

2.3 Volume and characteristics of L4-5 qualifications

L4-5 qualifications are accredited by both independent AOs and HE and FE providers with DAP/FDAP. A description of the qualifications accredited by these types of accrediting body is presented below.

2.3.1 AO-accredited L4-5 qualifications

Volume and type of L4-5 qualifications

The Ofqual Register of Regulated Qualifications shows that there are currently 1,655 AO-accredited L4-5 qualifications that are approved for delivery¹² in June 2018, of which 735 had at least five learner accreditations in 2016/17. Around half of these qualifications (325) had over 50 certifications. However, there are also 334 AO accredited qualifications

¹² Based on qualifications data on the Ofqual website, accessed June 2018.

that did not have any learner certifications since 2012, despite being available for at least two years¹³ .

The qualifications developed by AOs are diverse, as they include:

- **Diplomas**, which are classroom-based qualifications that have over 270 guided learning hours (commonly delivered full-time over a year or part-time over two);
- **Certificates**, which are classroom-based qualifications with between 130 and 260 guided learning hours (roughly equivalent to studying full-time for half a year, or part-time for one year);
- **Awards**, which are classroom-based qualifications between 10 and 120 guided learning hours;
- **Higher National Certificates and Diplomas (HNCs and HNDs)**, which are classroom-based higher technical qualifications that are only delivered at L4-5. HNDs are mostly around 980 guided learning hours, and HNCs are around 480 guided learning hours;
- **National Vocational Qualifications (NVQs)**, which are work-based competency qualifications, where learners develop a portfolio of achievement through demonstrating their ability to conduct tasks in a work environment. NVQs can range from 25 to 500 guided learning hours;
- **Professional and sector-specific qualifications**, which are commonly developed by industry but do not conform to the categories described above. Examples include the AAT Professional Diploma for Accounting and the Level 4 Medium Risk Operator Competence for Non-Hazardous Waste Treatment and Transfer. We have classified these as other technical qualifications.

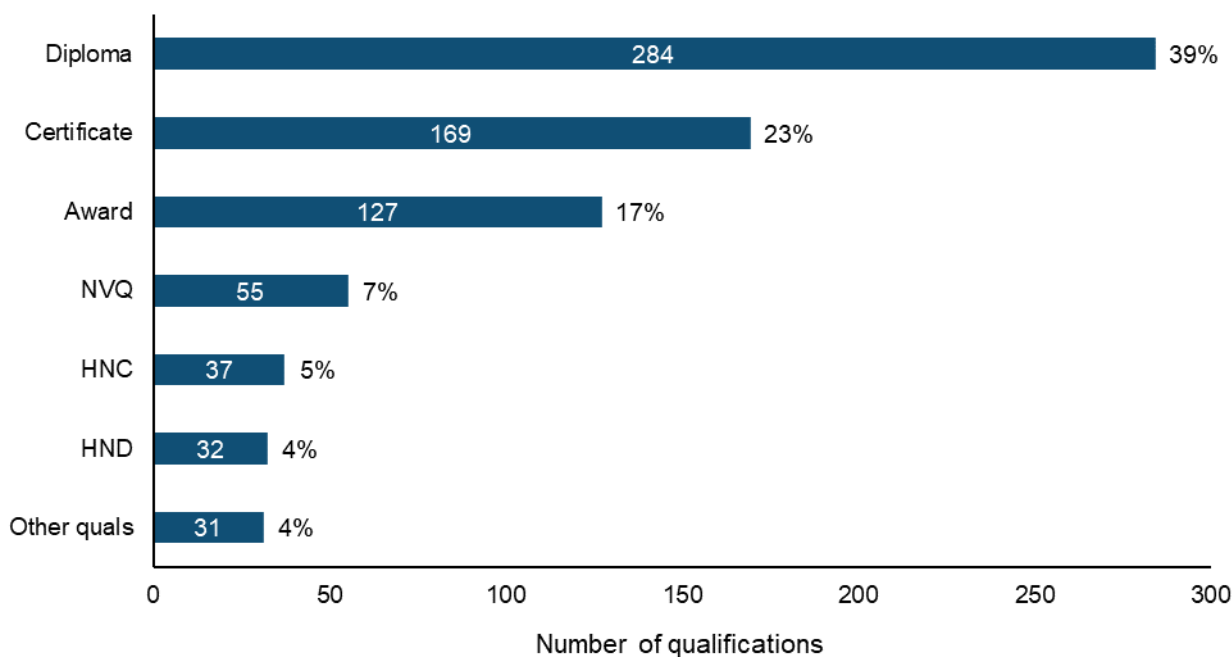
Around 70% (514 out of 735) are Level 4 qualifications, and the remainder (221 out of 735) are Level 5 qualifications.

Qualifications by type

Figure 2 sets out the number of AO-accredited L4-5 qualifications that are approved for public funding by type of qualifications. It shows that the most commonly available L4-5 qualification are diplomas, which account for over a third (39%) of AO-accredited qualifications. There are relatively few HNC/Ds qualifications available (9%), but this is largely because the brand are owned by one AO (Pearson).

¹³ Defined as AO accredited qualifications with a regulation start date of June 2016 or earlier.

Figure 2 Number of approved AO L4-5 qualifications¹⁴ by qualification type



Source: Ofqual data and qualification certifications, May 2018

Qualifications by subject area

Table 1 compares the share of AO-accredited L4-5 qualifications and learners by sector subject area. It shows that almost two thirds of qualifications were in either business, administration and law; health, public services and care; or education and training. However, the proportion of qualifications in business, administration and law (28%) is much lower than the proportion of learners studying in this subject area (46%). In contrast, the proportion of qualifications in health, public services and care is notably higher (21%) than its relative proportion of learners (15%). In most other sector subject areas, the share of qualifications is broadly in line with the share of learners.

Table 1 AO-accredited L4-5 qualifications¹⁵ and learners by sector subject area

Sector subject area	% of AO-accredited qualifications	% of AO-accredited learners
Business, administration and law	28%	46%
Health, public services and care	21%	15%
Education and training	15%	11%
Arts, media and publishing	8%	9%

¹⁴ Qualifications which are available to learners and have had learner certifications in 2016/17.

¹⁵ AO-accredited qualifications which have had five or more learner certifications over the last 5 years.

Sector subject area	% of AO-accredited qualifications	% of AO-accredited learners
Engineering and manufacturing technologies	7%	6%
Retail and commercial enterprise	7%	3%
Construction, planning and the built environment	4%	4%
Agriculture, horticulture and animal care	3%	1%
Leisure, travel and tourism	3%	1%
Information and communication technology	2%	3%
Science and mathematics	1%	<1%
Languages, literature and culture	<1%	<1%
Social sciences	<1%	<1%
History, philosophy and theology	<1%	<1
Preparation for life and work	<1%	<1%

Source: Ofqual data and qualification certifications, May 2018

2.3.2 HE L4-5 qualifications

Volume and type of L4-5 qualifications

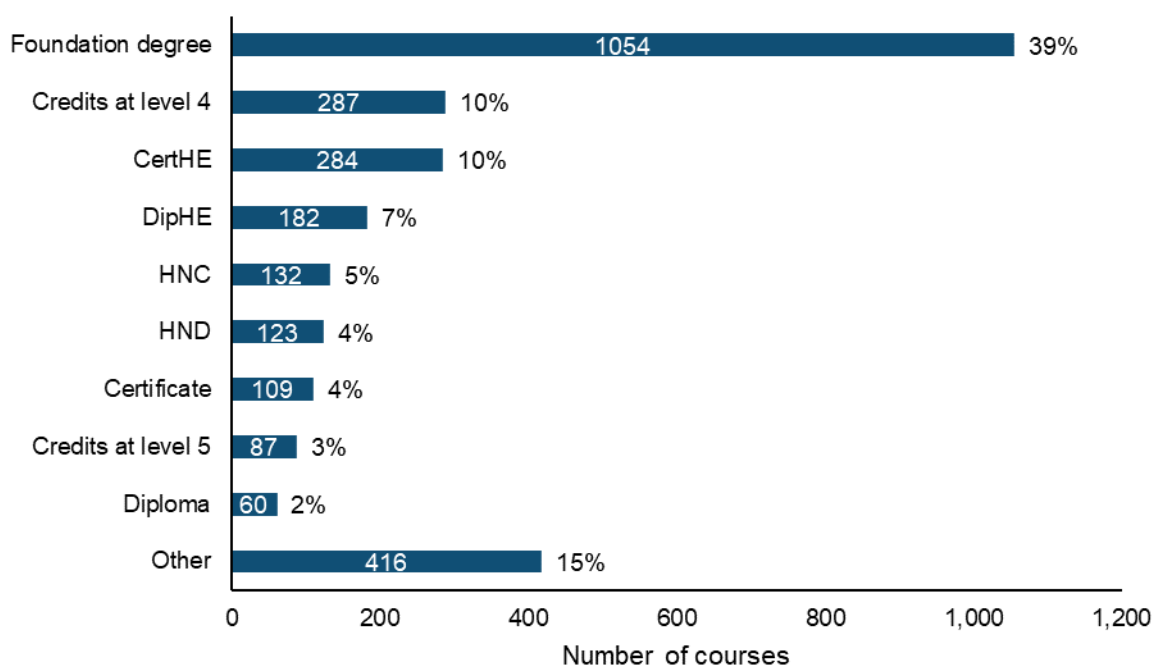
The HESA data shows there were **2,734** distinct L4-5 HE qualifications undertaken by learners in 2016/17, of which 700 had over 50 learner enrolments. HEIs and FE colleges with DAP/FDAP deliver these qualifications in-house and HEIs also franchise provision to providers or accredit programmes developed by partner providers (mostly FE colleges). The qualifications include:

- **Foundation degrees**, which are standalone L5 qualifications that are mostly delivered over two years. Most of the HEIs and FE colleges that were interviewed reported that foundation degree learners can in most cases undertake a top up year to gain a full degree, generally at an HEI that has accredited the programme.
- **Certificates in HE (CertHE)**, which are one-year L4 qualifications. This was originally designed to be an academic qualification at the same level as more vocationally focused HNCs.
- **Diploma in HE (DipHE)**, which are one-year L5 qualifications. They were designed to be academic qualifications at the same level as HNDs.
- **Credits of qualifications**, which are small units of either the DipHE or CertHE that are not delivered as a whole programme.

Some HEIs also enter into arrangements with AOs so they can validate, deliver and accredit AO-qualifications, such as diplomas, certificates and HNC/Ds. For HNC/Ds, HEIs enter into a licensing agreement with Pearson. Here the HEI can use its own quality assurance processes for the qualification and develop their own content or refine content developed by Pearson. Therefore, the 155 HNC/Ds delivered by HEIs are distinct from the 68 AO HNC/D qualifications.

As shown in Figure 3, the most common qualifications provided by HEIs are foundation degrees. These qualifications account for 39% (1,054) of all L4-5 qualifications accredited by HEIs. Other qualifications only account for a small proportion of HE L4-5 qualifications (ranging from 60 to 287, or 4% to 10% of the total). There are also a high proportion of qualifications that do not fit in the qualification types described above. These included bespoke and non-accredited programmes.

Figure 3 Number of HE-accredited L4-5 qualifications by qualification type



Source: HESA data 2016/17

Qualifications by subject area

The most common subject areas in which HEIs deliver L4-5 qualifications are health, public services and care; business administration and law; and education and training (see Table 2). Over half of all HEIs deliver qualifications in these subject areas. This shows that the subjects developed by HEIs are broadly similar to the subjects of qualifications developed by AOs. However, HEIs are more likely than AOs to develop L4-5 qualifications in more theoretical subjects such as science and mathematics, social sciences and history, philosophy and theology. These subjects are delivered by over 20% of HEIs and yet comprise less than 2% of AO-accredited qualifications.

Table 2 Number of HE providers delivering L4-5 programmes by sector subject area

Subject	Number of providers	Percentage of HE providers delivering these qualifications
Health, public services and care	80	66%
Business, administration and law	74	61%
Education and training	66	54%
Science and mathematics	66	54%
Social sciences	58	48%
Arts, media and publishing	51	42%
Engineering and manufacturing technologies	51	42%
Information and communication technology	40	33%
Languages, literature and culture	40	33%
Construction, planning and the built environment	33	27%
Agriculture, horticulture and animal care	31	25%
History, philosophy and theology	25	20%

Source: HESA data from 2016/17

Table 3 compares the proportion of HE-accredited L4-5 qualifications with the proportion of learners in each sector subject area. In most subjects, these two proportions are relatively closely aligned. However, in health, public services and care the proportion of HE-accredited qualifications is considerably lower (19%) than the proportion of learners (29%).

Table 3 Proportion of HE-accredited L4-5 qualifications and learners by sector subject area

Sector subject area	% of HE-accredited qualifications	% of HE-accredited learners
Health, public services and care	19%	29%
Education and training	15%	14%
Business, administration and law	14%	9%
Science and mathematics	10%	7%
Engineering and manufacturing technologies	10%	10%
Social sciences	8%	6%
Arts, media and publishing	7%	4%
Agriculture, horticulture and animal care	5%	5%

Sector subject area	% of HE-accredited qualifications	% of HE-accredited learners
Information and communication technology	4%	3%
Languages, literature and culture	4%	3%
Construction, planning and the built environment	2%	2%
History, philosophy and theology	2%	2%
Combined/general subject unspecified	1%	6%

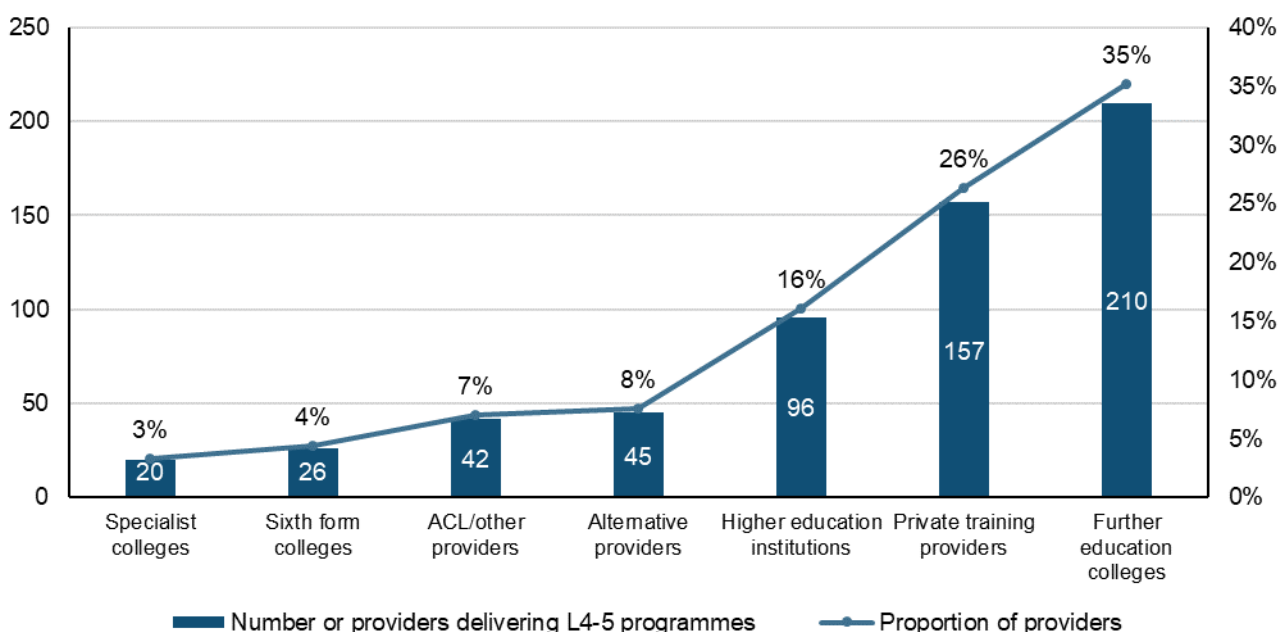
Source: HESA data from 2016/17

2.4 L4-5 qualification providers

2.4.1 Number of providers that deliver L4-5 qualifications

There are 541 providers in England that delivered L4-5 qualifications excluding apprenticeships in 2016/17. Figure 4 shows that FE colleges are the most common L4-5 provider (making up 35% of all providers), followed by private training providers (26%). There are 96 HEIs and 45 APs that deliver L4-5 qualifications, with HEIs making up 16% of all providers and APs making up 8%.

Figure 4 Number of providers that deliver L4-5 qualifications by type, and their relative share of L4-5 providers



Source: ILR and HESA data 2016/17

As shown in Table 4, nearly all FE colleges and most HEIs and specialist colleges provide L4-5 qualifications. Smaller proportions (around a quarter) of private training

providers and sixth-form colleges deliver L4-5 qualifications, and less than a fifth of Adult Community Learning (ACL) or other providers (such as prison services) do so.

Over half (53%) of L4-5 learners study in an FE college, with a further third (32%) of learners studying in HEIs. A tenth of L4-5 learners study at APs. Private training providers deliver L4-5 qualifications to only 2% of all L4-5 learners, despite making up around a quarter (26%) of all L4-5 providers.

Table 4 Proportion of each type of provider that delivers L4-5 qualifications

Type of Provider	Total number of providers ¹⁶	Number and share of providers delivering L4-5 qualifications	Share of L4-5 learners
FE colleges	217	210 (97%)	53%
Private training providers	656	157 (24%)	2%
HEIs	109	96 (88%)	32% ¹⁷
Alternative HE providers	96	45 (47%)	10%
ACL/other providers	179	32 (18%)	<1%
Sixth form colleges	93	26 (28%)	<1%
Specialist colleges	28	20 (71%)	2%
Total	1,282	541 (42%)	100%

Source: ILR and HESA data 2016/17

2.4.2 Scale of provision

HEIs

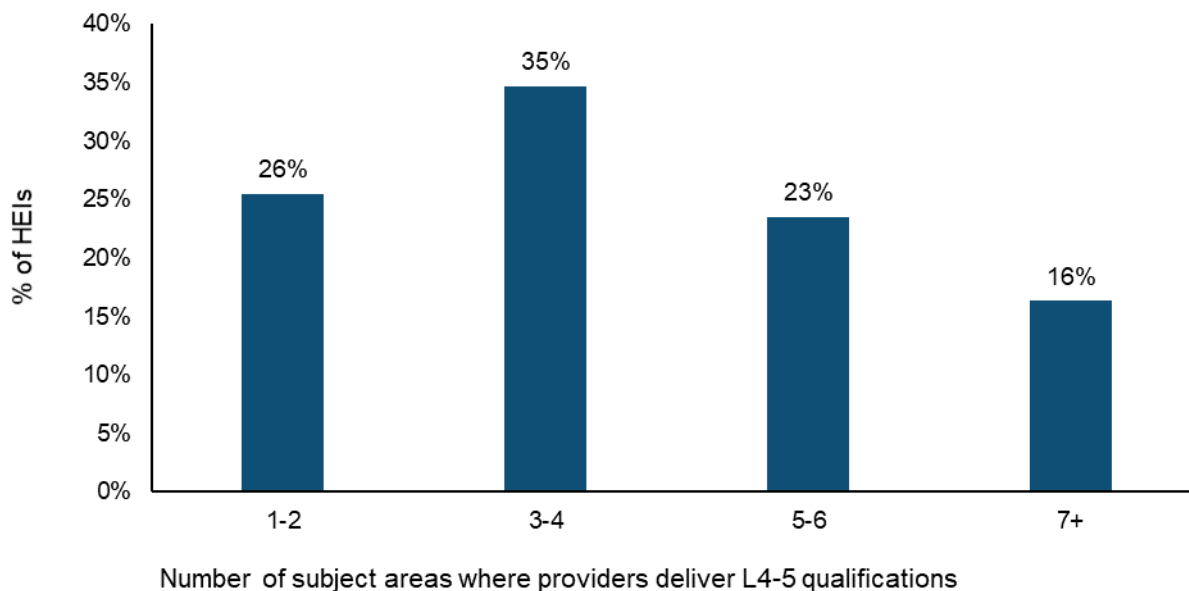
Figure 5 shows that just under two-thirds of HEIs deliver L4-5 qualifications in less than four subject areas, with a quarter only delivering qualifications in one or two subject areas. Only 16% deliver qualifications in over 7 subject areas.

¹⁶ Based on DfE statistical first release data on learner volume by provider and local authority area, for 2016/17

¹⁷ Where HE provision is franchised from a HE institution to an FE college, learners are attributed to the college.

The number of L4-5 qualifications that HEIs deliver also varies considerably. HESA data shows that just over a third (36%) of HEIs deliver over 30 L4-5 qualifications. However, nearly a fifth (17%) of HEIs that deliver L4-5 programmes offer five or fewer courses.

Figure 5 Number of sector subject areas that HEIs deliver L4-5 provision

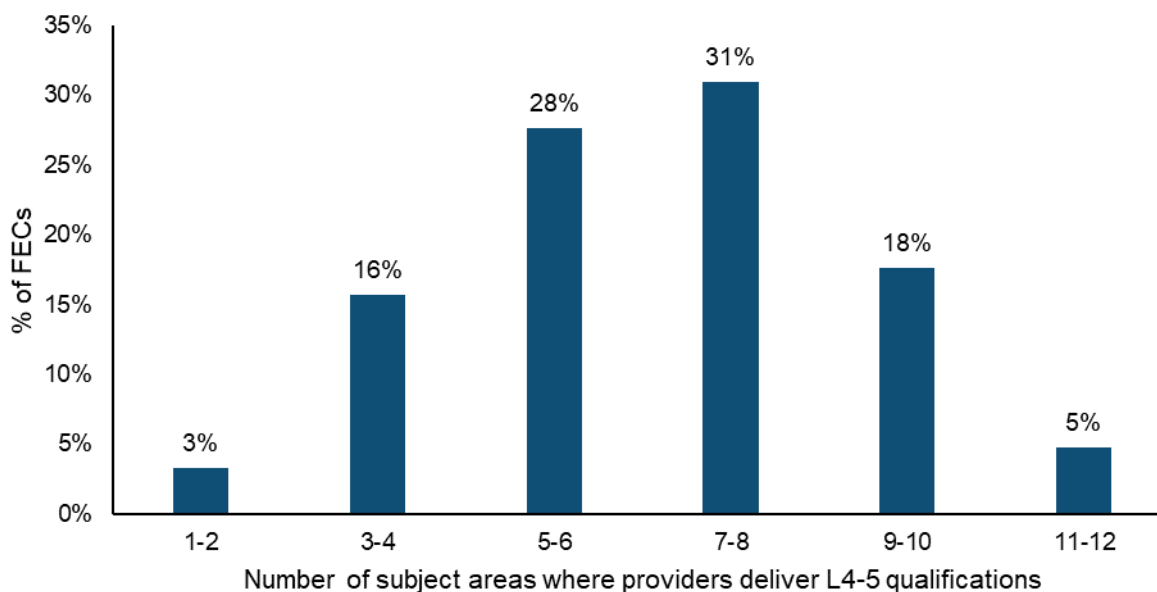


Source: HESA data 2016/17

FE Colleges

As shown in Figure 6, FE colleges delivering L4-5 programmes often have a more diverse offer, with more than half (53%) offering qualifications in seven or more sector subject areas. Further analysis shows that only around a quarter (24%) of FE colleges deliver over 30 L4-5 qualifications.

Figure 6 Number of sector subject areas that FECs deliver L4-5 provision in



Source: ILR data 2016/17

2.5 L4-5 accrediting bodies

Ofqual certification data shows that most regulated AOs (154 out of 187, or 82%) provide L4-5 qualifications, of which 103 have qualifications where learners were accredited in 2016/17. This includes 18 of the 20 largest AOs, with the exceptions being AQA and First Aid Awards Ltd. in total, 81 AOs provided L4 qualifications and 52 AOs provided L5 qualifications.

Two AOs (Pearson and City and Guilds) have a qualification offer that spans a wide range of subject areas. Pearson accredits qualifications in 10 sector subject areas and City and Guilds cover eight. Most of the other AOs tend to focus on particular sectors, with 56% of AOs only offering qualifications in one subject area and 15% offering qualifications in two subject areas.

2.6 Potential size of the market

The L4-5 market is relatively small compared to other provision delivered by HEIs and FE providers. In HE, there were **75,632** learners that undertook L4-5 qualifications in 2016/17, compared to 1,597,825 that undertook undergraduate degrees and 439,075 that undertook postgraduate degrees. In total, L4-5 learners only make up 3% of all learners undertaking prescribed qualifications in HEIs.

In FE, there were **111,420** learners that studied a L4-5 qualification in 2016/17. This makes up only 1% of the 12,469,775 certificates AOs awarded overall in the year, and 2% of the 6,060,835 vocational certificates AOs awarded¹⁸.

There is no robust data on the economic size of the L4-5 market. However, it can be estimated based on assumptions on the fees FE providers and HEIs charge for particular L4-5 qualifications. Based on the qualitative interviews, the study found:

- Foundation degree fees ranged from £5,000-£6,000 a year in FE providers to £8,000-£9,250 in HEIs;
- HNC/D, CertHE and DipHE fees ranged from £6,000 – £9,000 a year in HEIs and £3,000-£6,000 a year in FE providers;
- Certificates, diplomas and awards ranged from £1,500 – £3,000 a year pro rata;
- Shorter qualifications range from £500 - £2,000.

This combined with the learner data gives an estimated overall size of the market of between **£700m and £850m** a year. This is split relatively evenly between the HE and FE markets. The FE market is estimated to be worth between £313m and £420m per year, and the HE market ranges between £370m and £420m.

2.7 Geographical coverage of the provider and AO markets

In the case studies, most providers reported that they competed locally for L4-5 students. FE providers generally reported that most of their learners were based within the city/town region, with most providers also reporting that few learners would choose to study in a neighbouring area as it would be less convenient. HEIs similarly reported that the majority of their L4-5 learners were based in their journey to work area, and their main competitors were local FE colleges and neighbouring HEIs.

However, the study also found that where L4-5 qualifications are promoted as an alternative to degrees, local FE providers are competing with other national HEIs to attract learners. Here the FE provider competes with other HEIs on convenience – the FE provider is able to deliver similar programmes without the learner needing to move away from home.

2.8 Market segmentation/groupings

The analysis of the supply side of the market shows that there is considerable diversity in the L4-5 qualification and provider landscape. Qualifications are developed by AOs, HEIs

¹⁸ Ofqual (2018) Awarding Organisation market report 2016/17

and some FE providers, and delivered by HEIs, APs, FE colleges, private training providers and community learning providers. The qualifications are also diverse, covering a range of sectors and delivered for differing purposes.

There is consequently a range of ways that the market could be segmented. This includes:

- By AO and HE accredited provision, which have differing regulatory requirements;
- By FE and HE provision, where funding and regulations differ;
- By primary purpose (entry to employment; CPD; for career changers; for progression to further learning);
- By type (higher national diplomas/certificates/awards; foundation degrees CertHE/DipHE);
- By sector subject area; and
- By target group (young people yet to be employed, career changers, unemployed adults, employed adults).

These are potential primary segmentations of the market. However, there could also be more nuanced segmentations which include several of these dimensions, for example by sector subject area and target group.

Interviewees in providers tend to look at the market more in terms of purposes and target groups than types of provision and qualification. This is evident from some providers reporting that in some sectors they have used multiple types of qualifications, such as HNC/Ds, foundation degrees and diplomas for the same target groups and purpose.

A potential segmentation of the market which reflects purposes and target groups could be an **employer focused market**, where L4-5 provision is delivered to those in employment as CPD for reskilling and upskilling, and a **learner focused market**, where provision is targeted at individuals who wish to enter a sector. In the qualitative interviews the study found that the learner market mostly includes young people (aged 16-25 learners) undertaking L4-5 qualifications.

The characteristics of the two market are described in Table 5. While there are similarities between these two segmentations of the market, interviewees often described that most L4-5 qualifications were targeted at only one of these groups. Most HEIs and FE providers reported programmes which were mostly undertaken by individuals that were employed and those that were not.

Characteristic	Employer market	Learner market
Customers	Primarily employers and their employees	Career entrants, career changers, unemployed adults
Purpose	Provide professional development for staff to perform	Help individuals enter employment in a sector, either directly or by

Characteristic	Employer market	Learner market
	their existing role better or as preparation for promotion to a higher skilled role	providing access to further learning (such as degrees) that provide new entry opportunities
Funding	Employers, Government Skills Budget funding	Learners, HE student loans, Adult Learner Loans, Government Adult Education Budget funding
Delivery model	Part-time or blended learning	Full-time, part-time or blended learning
Qualification type	AO and HE accredited qualifications	AO and HE accredited qualifications
Competitors	FE providers and HEIs	FE providers and HEIs

Table 5 Characteristics of the employer and learner markets

Source: ICF analysis

3 Market structure

Key findings

- Although development of higher level technical skills has been a priority for successive governments, there has been little focus on L4-5 qualifications specifically, outside developments for higher level apprenticeships and National Colleges.
- Funding policies have enabled learners to obtain loans to participate in L4-5 programmes. Reduced allocations of FE Adult Skills Budget funding to subsidise them has not significantly discouraged FE and HE providers from offering L4-5 qualifications, although some reported that it reduced learner demand.
- In line with an effective market, there are few barriers for AOs and HEIs to enter, expand or exit the L4-5 market. The Ofqual regulations allow new AOs to be approved and for AOs to develop new qualifications.
- Equally there are few barriers to providers applying to AOs to deliver new L4-5 programmes and to deliver them. For HEI accredited L4-5 qualifications it is less straightforward, though few are constrained by this. Few FECs have DAP/FDAP to award their own L4-5 qualifications.
- Most AO qualifications at L4-5 have similar content, as they have historically been based on common standards. However, many AOs distinguish themselves from their competitors through the support they offer, which means that AOs can be rewarded for innovation and improving the quality of service. Providers can differentiate their offer by the expertise of their teachers, the support they provide learners and the facilities they offer.
- Switching AOs is relatively straightforward and this was carried out by providers. Because some HEIs have withdrawn from franchising and accrediting, providers report fewer options in identifying HE partners with a few reporting that they experienced difficulties building new partnerships with HEIs.
- Overall there is a mix of L4-5 providers by region. For most subject areas each region has at least 10 providers. However, in some regions there are few providers delivering construction, retail and agriculture programmes, and there are generally fewer L4-5 providers in the North East and East Midlands.
- The AO market generally contains a broad mix of AOs in subject areas which have a high volume of L4-5 learners. However, several sector subject areas with higher as well as lower volumes of learners have one or two AOs that have a large share of the market.

3.1 Introduction

This chapter examines the structure of the L4-5 AO and provider market and its effectiveness. It particularly explores:

- The diversity of provision and its availability across all parts of England;
- How recent and current policy and funding drivers influence the demand for, and delivery of, L4-5 provision;
- The extent to which qualification and provider legislation support a dynamic L4-5 market that allows market entry, expansion and exit;
- What scope there is for providers and AOs to differentiate their offer from competitors, to be flexible, and to innovate;
- The concentration of providers and AOs in the market and the scope for particular organisations or groups of organisations to have an undue effect on the market.

The chapter draws on a review of policy documentation and literature, as well as analysis of the HESA, Ofqual and ILR datasets and the qualitative research.

3.2 Establishment of L4-5 programmes

Many L4-5 qualifications are well-established in the FE and HE landscape and are well-known by providers. HNCs and HNDs were introduced in the 1920s with the specific aim of providing more technical routes into employment. The Diploma in Higher Education was also created in the early 1970s (and later the Certificate in Higher Education) for those planning a teaching career, and similar technical qualifications were subsequently developed mainly for the health professions. Other professional qualifications, which are now classified as L4-5 qualifications, also emerged in the 1970s¹⁹.

A particularly high proportion of post-16 learners undertook L4-5 qualifications in the 1950s and 1960s. By the time of the Robbins Review in the early 1960s, individuals on non-degree courses accounted for more than half of the higher education population²⁰. However, by the 1990s the recognition of polytechnics as universities and Government loan support resulted in an increase in the number of learners undertaking bachelor degrees and a decline in the volume of learners undertaking L4-5 programmes. By the mid-1990s non-degree courses accounted for less than a quarter of all higher education learners²¹.

¹⁹ Field, S. (forthcoming). A history of higher technical education. DfE.

²⁰ Parry, G., Saraswat, A., Thompson, A. (2017). Sub-bachelor Higher Education in the United Kingdom. Quality Assurance Agency.

²¹ Ibid.

Foundation degrees were introduced in 2000²² partly in response to these trends. They were intended to redress the historic skills gap at intermediate levels, involve employers in their design, enable students to apply their learning to workplace situations and, if wanted, guarantee progression to the final stage of a bachelor degree²³. Take up of foundation degrees increased rapidly in the mid-2000s, rising from around 20,000 in 2004/5 to nearly 55,000 in 2009/10. Universities played a prominent role in this development – both as deliverers of foundation degrees themselves and through franchising, accrediting and quality assuring foundation degrees delivered by FE providers.

The development of wider vocational L4-5 programmes was advocated by the 2006 Leitch Review, which proposed targets to increase the percentage of adults at Level 4 and above from 29% to 40% by 2020. This was adopted by the government and this has underpinned government policy promoting intermediate qualifications. More recently, the policy focus has switched to increasing L4-5 programmes through higher level and degree apprenticeships (English Apprenticeships: Our 2020 Vision, 2015).

These various policy developments help explain the fragmented L4-5 qualification market, where foundation degrees and higher vocational qualifications have continued alongside HNCs, HNDs and other professional qualifications, rather than replacing them, although the numbers studying each of these has changed absolutely and relatively over the last 10 years. They also explain why FE colleges, private training providers and universities all now deliver L4-5 qualifications, with foundation degrees stimulating HE provision in FE providers.

3.3 L4-5 policies and funding

This section explores the role that current policy drivers have on the market. In an effective market, policies should encourage providers to deliver L4-5 provision which meets learner, employer and societal needs, while not incentivising behaviour that can restrict customer (learner or employer) choice or inhibit providers from competing.

3.3.1 Current policy drivers

In the last five years there has been a significant policy priority to increase progression to higher level technical skills. The 2011 New Challenges, New Chances: Further Education and Skills System Reform Plan introduced changes which aimed to create a '*ladder of opportunity*' for learners, and clear and flexible progression routes from community

²² The Guardian. (2000). Blunkett announces £978m package for academics.

²³ Parry, G., Saraswat, A., Thompson, A. (2017). Sub-bachelor Higher Education in the United Kingdom. Quality Assurance Agency.

learning and basic skills to higher vocational education. More recently the Apprenticeship Trailblazers, and Post-16 Skills Plan have set in train substantial changes to technical education provision at L2-3, intended to facilitate progression to either higher-level qualifications or employment.

The Government has also taken steps to create a more effective provider base for L4-5 qualifications. The National Colleges programme was created to lead the design and delivery of technical skills training at L4–6 in five key sectors: nuclear, digital skills, high-speed rail, onshore oil and gas, and the creative and cultural industries. Four of the five National Colleges have now opened. The 2017 Industrial Strategy White Paper also committed to extending technical education reforms to higher levels, and applicants progressing to phase 2 of the Institutes of Technology (IoT) application process have recently been announced.

However, at the same time there have been substantial reductions in adult education funding, as Government has aimed to rebalance the funding of skills provision so that those that benefit most (employers and learners) contribute more to the cost of provision. This has resulted in a decline in fully-funded L4-5 provision and an increased expectation that most provision should be funded by learners and employers directly or through loans. However, learners who undertake a L4-5 course as part of an apprenticeship can have it funded from the Apprenticeship Levy.

3.3.2 Funding for L4-5 provision

Funding accessed by providers

HE providers (which includes universities, APs and some FE providers) receive core teaching grants to cover some of the costs for delivering HE programmes, which they are expected to supplement with tuition fees. These grants are provided by the Office for Students and are based on agreed targets for enrolments. In 2017/18 a total of £1.32 billion was paid in teaching grants to HE providers for provision at L4-7²⁴.

FE providers can also receive funding from the Education and Skills Funding Agency (ESFA) Adult Skills Budget (ASB) to deliver some programmes. However, this differs from HE funding in that the allocation is allocated per learner and the funding based on nationally prescribed funding rates for particular courses. ASB funding fell from £2.84 billion in 2010/11 to £2.01 billion in 2015/16, a reduction in cash terms of 29%²⁵. There is

²⁴ HEFCE. (2018). Guide to funding 2017-18.

²⁵ Foster, D. (2018). Adult further education funding in England since 2010. House of Commons Briefing.

currently no specific budget allocation within the ASB for L4-5 provision so providers are not required to use it to deliver a certain amount of L4-5 programmes²⁶.

The core funding that HE providers receive could provide them with an advantage over other FE or independent providers that do not receive these funds. However, HE providers reported that it did not provide any substantial benefits, as their overhead costs (which cover facilities, buildings, and lecturer salaries) were higher than in FE or independent providers, nor did FE providers indicate that this was unfair. There is also a discrepancy between HE learners (learners studying a prescribed HE programme in either a FE provider or HEI) receiving means-tested maintenance loans while FE learners (learners studying a non-prescribed HE programme in a FE provider) do not.

Funding accessed by learners

Learners undertaking L4-5 programmes can access loans to cover their tuition fees. For FE programmes, learners can access ALL, which since 2016/17 is available for all learners over 19 years old to undertake L3-6 programmes at an approved FE provider. The ALL is not means-tested and loans are repayable once a learner has finished their course and are earning over £25,000 per annum²⁷. HE learners can access an HE student loan for prescribed qualifications, which includes foundation degrees, HNC/Ds, CertHE and DipHE qualifications. This includes a tuition fee loan and a means-tested maintenance loan for living costs for learners studying full-time. Both are repayable on similar terms to the ALL²⁸. Part-time students' eligibility depends on the intensity of their course delivery. Learners studying at 50% intensity are eligible for loan funding for prescribed HE programmes.²⁹

Student Loan Company data shows that £222.3m was allocated by ALL in 2017/18 to learners studying at all study levels, which was a drop of 6% on the year before. The total HE loans for 2017/18 are nearly £15 billion, up £1 billion (7%) compared to 2016/17. The data does not disaggregate the funding provided for L4-5 programmes.

Impact of current funding arrangements on the supply of L4-5 provision

In the case studies some FE providers reported that they had been able to maintain their L4-5 offer since the introduction of loans and reductions in the ASB budget. They believed this was because the costs of L4-5 programmes were still significantly lower

²⁶ Skills Funding Agency. (2018). Adult Education Budget Funding Rates and Formula 2017 to 2018. Allocations to individual providers are determined using a formula-based approach (based on course learner numbers, course teaching hours, and uplifts for disadvantaged learners and areas).

²⁷ GOV.UK (2018) Advanced Learner Loan.

²⁸ GOV.UK. (2018). Student Finance.

²⁹ DfE. (2017). Part-time Maintenance Loans: Government consultation response.

than degrees because the fees were less and learners were commonly employed or living locally so had low living costs.

Other providers reported that the reduction in subsidised provision has reduced demand for some programmes, particularly those that were funded by learners. In some subjects, such as business administration, providers also reported that the increased number of providers delivering degree programmes in their local area and perception that degrees were better recognised by industry had also reduced take-up. As a consequence, these providers reported that they had reduced their L4-5 offer in the last five years.

The study did not include consultation with learners and therefore did not assess the extent to which the lack of subsidised L4-5 provision has affected take-up. It can be assumed that if demand for L4-5 provision increased then the number of providers delivering L4-5 provision would increase as would the breadth of their offer.

3.4 Entry, exit, and expansion in the L4-5 provider market

This section explores the regulations for L4-5 providers that influence entry, exit and expansion in the market. An effective market is typically characterised by having few barriers that restrict entry, as it encourages new market entrants which in turn improve learner choice and encourages innovation. High quality suppliers should also have opportunities to grow so they can increase their market share and there should be few barriers to exiting the market, so firms have scope to innovate with new products or services.

3.4.1 Entry to the market

Delivering AO accredited L4-5 programmes

To deliver L4-5 qualifications, prospective new providers need to submit an application to an AO, which typically includes setting out facilities and management arrangements they would put in place and presenting their quality assurance systems. Once a provider becomes an AO-approved centre, there is then a shorter application form for delivering a particular suite of programmes, which includes setting out staff members' skills and capacity to deliver the qualification(s). This process can be completed within 3-6 months.

An existing provider may incur some upfront costs in developing facilities and systems as well as preparing staff to deliver a new programme. This can include providing new teaching facilities and recruiting new staff if this is in a subject area where they have limited capacity. Provider case study interviewees did not believe this was a significant barrier that prevented them from introducing new AO-accredited programmes.

HEIs can also deliver AO accredited programmes through partnership agreements with individual AOs. This is particularly common for HNC/Ds, where HEIs enter a licensing agreement with Pearson. A relatively high proportion of HEIs deliver AO-accredited

courses, which suggests the process is relatively straightforward, which is what one would expect from an effective market.

Delivering HE L4-5 qualifications

To deliver HE programmes, FE providers which do not have DAP need to partner with an HEI and be willing to adhere to the HEI's quality assurance processes for obtaining approval, teaching and assessment, and accrediting qualifications. The case studies show that many FE providers have been able to develop partnerships with several HEIs and some have a strategic partnership where the FE college develops programmes which the HEI accredits and certifies.

Some FECs did, however, report that many HEIs do not wish to franchise their provision to new partners or accredit FE programmes, as it is not their core business, and some have withdrawn requiring them to seek another HEI. A few providers felt that some HEIs did not wish to partner for competing programmes with FE providers in their local area, which meant that many of the case study FE providers partnered with HEIs from other regions.

To deliver HE accredited qualifications in HEIs and FE colleges with DAP/FDAP is more straightforward as the process is internally regulated. This generally means a much shorter period is needed to establish a programme to which learners can be recruited; some providers estimate 6-9 months compared to one to three years for provision developed in partnership with an HEI.

Accessing public funding for L4-5 programmes

New sector entrants would only be able to access public funding to deliver L4-5 qualifications if they were an HEI or FE college. Becoming an FE college requires the developments of articles of association and approval from the Secretary of State. Becoming a HEIs requires being given DAP by the Privy Council.

There have been several new HEIs and FE colleges created in the last 10 years. This includes organisations established through the National College programme as well as two FE providers (Newcastle College Group and Hartpury College) gaining DAP since 2016 and five (Newcastle College Group, Hull College Group, Grimsby Institute, New College Durham and Warwickshire College) obtaining FDAP since 2012. To obtain DAP or FDAP, FE colleges have to establish a team which can oversee the approval of programmes and quality assure the process of accreditation.

Office for Students guidelines state that gaining DAP status should only take 12-18 months, but applicants should have some experience in delivering HE qualifications. Applicants then have to demonstrate that they can adhere to the requirements of the HE Regulatory Framework.

The process for becoming HEIs and FE colleges is therefore likely to take considerable time, and some prospective organisations would likely have to invest significant resources to develop systems to gain approval by the Secretary of State or Privy Council. However, being able to access public funding does not give L4-5 providers a significant advantage in the market, as most L4-5 programmes are full-cost recovery programmes. Moreover, even when HE providers receive some core teaching costs, there remain opportunities for non-HE providers to remain cost competitive as they have lower overhead costs. Consequently, this does not appear to have a negatively effect on limiting entry to the market.

3.4.2 Expansion of the market

L4-5 providers have opportunities to expand their offer by adding or changing programmes/qualifications through applying to an accrediting body to deliver new qualifications. Most providers did not believe the process was difficult as they could generally demonstrate that they have the resources to deliver the programme effectively.

Providers also do not have restrictions on increasing group sizes or cohorts. In the case studies, most reported they had the capacity to expand their offer if they wished. However, a few providers indicated that extending and expanding provision was hampered in some instances by:

- **A lack of availability of staff with subject knowledge.** A few FE providers reported that they had difficulty in recruiting teachers to deliver higher level courses. It was particularly common in STEM subjects, where there is high demand from industry for STEM skills and competition from schools which can offer higher starting salaries. However, most providers stated that they were generally able to overcome this problem.
- **A lack of availability of staff with the skills to deliver more practically orientated skills.** A few HEIs reported that their staff were not always suited to delivering L4-5 programmes. As one stated *“many of our lecturers have a very academic style and this would turn off learners on L4-5 programmes. We have trouble in identifying lecturers that are able to engage the group”*.
- **Timetabling and resourcing.** A few FE and HEIs reported challenges in identifying space for delivering courses. This was particularly common in science subjects where learners required access to specific equipment (such as laboratory facilities, 3D printers), which needed to be shared with learners on degree or L3 programmes.

In HEIs, a few of them reported challenges in convincing senior managers to invest in L4-5 programmes. This was because for some programmes, such as HNC/Ds, there are fewer learners that undertake these qualifications compared with those undertaking degrees.

3.4.3 Exiting the market

FE providers and HEIs both reported that it was relatively straightforward to stop delivering L4-5 programmes/courses. As L4-5 provision is only a small part of their overall offer, ceasing to deliver L4-5 programmes would not result in a significant financial penalty. There is also relatively little public funding available for L4-5 programmes, so all the case study providers reported they were under little pressure from funders to deliver L4-5 provision. All case study providers gave examples of courses which they had stopped as a result of changes in demand.

This straightforward process for exiting a market is important for an effective market. It encourages providers to deliver high-risk new programmes as they can quickly cease delivery if there is a lack of customer demand. Moreover, it also allows underperforming providers to leave the market to concentrate on other programme areas.

3.5 Entry, exit and expansion in the L4-5 qualification market

This section explores the regulation that supports entry, exit and expansion in the AO market. It specifically explores the ease with which new AOs can become approved developers of L4-5 qualifications, the extent to which existing L4-5 AOs can expand their offer, and whether there are any penalties or barriers to exiting the market.

3.5.1 Entry and expansion in the market

To deliver regulated qualifications AOs must demonstrate they can implement systems that meet Ofqual's Criteria for Recognition³⁰. New entrants must specifically give assurances on governance arrangements, integrity, resources and finances, competence and interpretation. The process does not however appear to be a major barrier to entry, as there are a range of small organisations and employers that have met Ofqual requirements to become an AO, with a major expansion of AOs taking place in the 2000s.

AOs also have to seek approval from Ofqual for recognition of new qualifications, including those at L4-5. To do this, AOs need to adhere to the requirements of the Regulated Qualifications Framework (RQF) and present a business case for the need for the qualification³¹. Ofqual then reviews applications for new qualifications to ensure levelling, size, and assessment criteria are appropriate.

³⁰ Available at:

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/371106/2011-05-16-criteria-for-recognition.pdf

³¹ Ofqual. (2015). Explaining the RQF.

In the qualitative interviews AOs reported that it was relatively straightforward to gain approval for new L4-5 qualifications. Most reported they were experienced in developing a business case for the qualification and had little difficulty in identifying employers to provide a letter of support for the qualification. They also reported few difficulties in gaining Ofqual approval for the qualifications. Consequently, few felt there were significant barriers to expansion.

3.5.2 Exiting the market

There are no restrictions on exiting the L4-5 AO market. In recent years there has been a general reduction in the overall number of AOs, from 176 in 2012/13 to 155 in 2016/17. However, much of this is due to mergers, which includes ILM merging with City and Guilds and EDI merging with Pearson.

AOs leaving the market would also not lead to a significant loss of expertise. The units that comprise their qualifications are available to other AOs through the Ofqual unit bank and can therefore be used by other AOs.

Some interviewed AOs reported that exiting the L4-5 market would not have a significant consequence on their business. This is because the qualifications are small volume qualifications compared to their core L2-3 programmes. However, for a few AOs that mostly deliver professional services and leadership management qualifications it was their core offer. Exiting the L4-5 market would have a major impact on these AOs.

3.6 Scope for differentiation

In an effective market, suppliers should have scope to demonstrate the quality of their products compared to their competitors. This encourages suppliers to improve quality, while also allowing consumers to make informed choices on the products that best meet their needs. For the L4-5 market, it would be expected that providers can differentiate the quality of their courses and AOs can differentiate the quality of their qualifications.

3.6.1 L4-5 qualifications

In the qualitative interviews, providers did not report significant differences in the content of AO qualifications. This is likely to be because AOs reported that they commonly based their qualifications on the National Occupational Standards (NOS) for particular occupations, and the units of all regulated qualifications that were on the Qualifications and Credit Framework (QCF) have to be publicly shared on a units database for the qualifications to be eligible for funding³². While this may limit differentiation, it does

³² Although new RQF qualifications do not explicitly require a link to NOS.

ensure that learners are able to achieve a minimum base standard regardless of where they undertake their course.

Moreover, the AOs that were interviewed believed they still had opportunities to distinguish their products from their competitors. This was mainly in:

- The assessment criteria for the qualifications. AOs have always had the freedom to develop assessment criteria/methods that they believe are most appropriate for learners;
- The systems they have in place to validate and record learner enrolment and achievement. This included online portals and the frequency and quality of external assessment visits;
- The quality of the qualification materials and resources provided (qualification handbooks, training and communication on changes to the qualification).

This suggests there is some scope for differentiation in the sector. This was corroborated in the provider case studies, where some curriculum leads reported making decisions on AOs based on the quality of support they provided, and the appropriateness of the assessment criteria. The scope for differentiation is also likely to increase in future as the RQF gives AOs more scope to differentiate the content of their qualifications.

None of the AOs we interviewed reported that the level of difficulty of the assessment influenced provider purchasing decisions. This was corroborated by providers, which reported that their key expectations are that the assessments are realistic and reflect the learning. As data on L4-5 achievements are not published there are also no specific commercial incentives for providers to deliver less challenging L4-5 qualifications. This means there is no evidence of a 'race to the bottom' where AOs compete to develop easier qualifications that ensure more learners complete their study programmes.

HEIs have more flexibility in the content of their accredited qualifications, and are not required to share content. However, when their qualifications adhere to certain professional standards (such as the Chartered Management Institute kitemark) or draw on AO qualifications, then there is likely to be some homogeneity in content. HEIs as well as the FE providers delivering them therefore felt they had generally more opportunity to distinguish their qualifications from their competitors and to flex their qualifications to match providers' and employers' needs.

3.6.2 L4-5 providers

Most case study FE providers reported that they aimed to distinguish their offer from competitors through the quality of the learning experience and the facilities and resources

they provide to learners. A few also stated that their reputation with learners and employers in providing learners with higher quality work ready skills enabled them to differentiate their offer.

HEI providers largely believed they distinguished their programmes through the quality of the courses and the knowledge and experience of their teachers. Some also reported that they could differentiate their programme by the level of challenge and the standard that learners reach when they complete the qualification.

This indicates that across providers there is some room for differentiation. However, the general homogeneity of the AO accredited qualifications means there is less scope for providers to differentiate their programmes from their competitors.

3.7 Scope to switch accreditation bodies

This section explores whether there is scope for providers to switch accrediting bodies, which could be AOs or HEIs. In an effective market, there should be few barriers or penalties for switching supplier, as this gives customers more opportunity to access the products or services which best meets their needs.

3.7.1 Awarding organisations

Providers reported that it was relatively straightforward to switch AOs, which is in line with what would be expected in an effective market. Most providers said they used a range of AOs and consequently already had approved provider status with more than one AO, so only had to submit an application to deliver particular qualifications. Providers and AOs reported that there were generally no financial penalties for a provider when changing AO but some development costs would be incurred to change lessons plans and schemes of work to reflect the new qualifications. Some also reported that they needed time to develop an effective working relationship with assessors. As one provider stated, this could lead to challenges as they *“would have to get used to another assessor’s style”*.

In practice, it is more resource intensive for a provider to use multiple AOs in a curriculum area, so changes tend to be made which cover a wide range of qualifications. This is because providers would have to implement different data collection and accreditation systems for some programmes and use different online systems and resources. However, curriculum leads reported that this would not prevent them from changing AOs if they felt it would improve the quality of the qualification. A few gave tangible examples where they have changed AOs recently as they were not satisfied with the qualification, the assessments or the support provided.

3.7.2 HEIs

In the case studies, none of the curriculum leads reported that the HEIs that accredited their L4-5 programmes imposed penalties should they wish to change HEI. However, many reported limited opportunities to change HEIs because:

- A significant proportion of HEIs in their subject area did not wish to franchise their qualifications to an FE provider or accredit FE providers' programmes. In the qualitative interviews, some HEIs reported that this was because it was resource-intensive to manage franchised programmes, and there was a significant reputational risk should the franchised provision not be at an appropriate standard. A few FE providers felt that nearby HEIs did not want to work with them as they felt it would reduce demand for their own courses, so many FE providers partner with HEIs in other regions.
- Challenges in developing a partnership arrangement with an HEI. Most FE colleges reported it was onerous to change their QA systems to ensure they met the HEIs requirements, as it commonly required new forms, teaching inspections and particular monitoring returns. Consequently, most FE providers felt it was only feasible to partner with one HEI for a subject area, and most only wanted to develop partnerships with two or three HEIs.

A few case study FE colleges have changed HEI either because the HEI has withdrawn or because of strategic decisions within the FE college about which HEI to partner with. The reasons for changing included rationalising the number of HEIs they work with around subject areas, having a more local HEI as a preferred partner, and not working with a direct competitor in their local area.

3.8 Market concentration and coverage

This section examines the concentration of AOs and providers that develop or deliver L4-5 qualifications. In an effective market, there should generally be a range of AOs or providers, with no supplier or group of suppliers having a particularly large market share. If a market is dominated by one or a few organisations, it creates an environment where they can abuse their market position, for example by artificially increasing fees, limiting choice to maximise profits, or by pricing below costs so that competitors leave the market. This can act as a signal deterring new entrants.

In certain specialised subjects the number of learners may be extremely low. In this situation, the market may not be large enough to support a wide range of suppliers, as the returns they would make would be too small to make provision viable and it may be more efficient to have a single supplier.

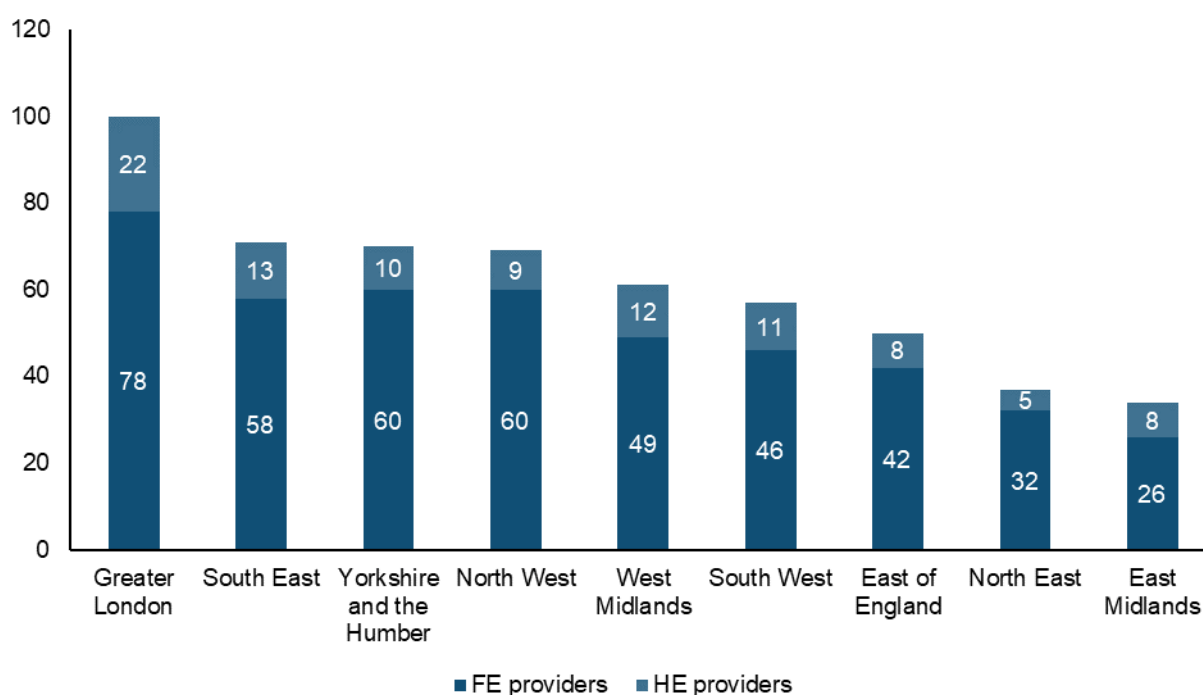
The section examines the concentration of providers by region, overall and for particular subject areas. This is largely because previous research on FE markets has suggested

that competition largely takes place at a local level, with few learners willing to relocate in order to study a particular course. The section also explores the concentration of AOs by subject areas, which is at the level where most providers are likely to choose between AOs.

3.8.1 Providers

As shown in Figure 7, there are a large number of L4-5 providers in each region and a mix of FE and HEI providers. All regions have at least 26 FE providers and five HEIs that deliver L4-5 qualifications. The largest number of providers are in the more populous areas of Greater London and the South East. This indicates a relatively good overall coverage of L4-5 providers.

Figure 7 Number of L4-5 qualification providers by region



Source: ILR and HESA data for 2016/17

Table 6 shows the number of providers in each region delivering L4-5 subjects for each sector subject area. It shows that there is a relatively good range (at least 20 providers) delivering qualifications in arts, media and publishing; business administration and law; health, public services and care; and education and training. There are fewer providers (in most regions less than 10) delivering L4-5 qualifications in subject areas with fewer L4-5 learners, such as history, philosophy and theology; languages literature and culture; and social sciences.

There are some regions where there are relatively few providers for particular subject areas where there are a considerable number of L4-5 learners. This includes:

- Relatively few construction and ICT qualification providers in the East Midlands and North East;
- Few retail and commercial enterprise qualification providers in the East Midlands, East of England and South West;
- Few agriculture, horticulture and animal care programmes in the East Midlands, East of England and North East.

The number of learners undertaking courses in these areas was not considerably lower than in other regions so it does not appear to affect the volume of learners studying L4-5 qualifications. However, it may be reducing learner choice.

There is also likely to be less choice for learners in the North East and East Midlands, which overall have more subject areas where there are relatively few providers. In the North East there are less than 10 regional L4-5 providers for nine subject areas. In the East of England there are eight subject areas where there are less than 10 L4-5 providers. This partly reflects that they both have the smallest share of the England working age population (the North East has 5% and the East Midlands has 8%)³³.

Table 6 Number of providers delivering courses by subject area by region*

Sector subject area	TOTAL	EM	EE	GL	NE	NW	SE	SW	WM	YH
Agriculture, horticulture and animal care	87	5	7	11	1	15	10	11	15	12
Arts, media and publishing	289	15	21	45	14	50	34	23	50	37
Business, administration and law	409	24	37	64	21	66	45	33	64	55
Construction, planning and the built environment	141	8	13	22	9	28	16	12	13	20
Education and training	379	19	34	58	28	57	42	35	55	51
Engineering and manufacturing technologies	226	13	13	24	12	44	31	21	34	34
Health, public services and care	508	23	31	96	23	84	54	39	78	80
History, philosophy and theology	23	2	2	5	1	2	3	4	1	3
ICT	180	10	13	28	9	35	20	17	27	21
Languages, literature and culture	47	4	2	10	6	6	5	7	2	5
Leisure, travel and tourism	156	8	10	17	6	34	10	18	27	26

³³ Based on ONS Annual Population Survey, 2016/17

Retail and commercial enterprise	108	2	8	17	9	22	12	5	10	23
Science and mathematics	113	7	9	17	6	20	16	14	15	9
Social sciences	69	7	6	7	3	11	10	7	9	9

*Green boxes denote there are over 20 providers, yellow boxes denote 10-19 providers and red boxes denote fewer than 10 providers.

Source: ILR and HESA data 2016/17

3.8.2 AOs

Table 6 shows the number of AOs that deliver L4-5 qualifications by subject area. It shows that in subjects where there is a relatively high volume of learners (health, public services and care; engineering and manufacturing; retail; arts, media and publishing; education and training; and business administration and law) there are generally at least 10 AOs that provide qualifications in the subject area. There also appear to be a larger range of AOs operating in retail. This suggests that providers have a good range of AOs that they can choose from in these subjects.

There are, however, relatively few AOs providing construction qualifications (8), despite a relatively high number of learners studying the subject at L4-5. In the case studies, most curriculum leads reported that the HNC/D has a good reputation and is widely recognised by employers, which may discourage other AOs from delivering qualifications in the subject.

Table 7 Number of AOs accrediting qualifications and learner volumes by sector subject area

Sector subject area	Number of AOs	Number of AO-accredited L4-5 learners	% of AO-accredited L4-5 learners
Business, administration and law	41	52,440	46%
Health, public services and care	34	16,965	15%
Education and training	30	12,505	11%
Engineering and manufacturing technologies	19	6,760	6%
Arts, media and publishing	18	10,825	9%
Retail and commercial enterprise	17	3,545	3%
Leisure, travel and tourism	9	1,590	1%
Construction, planning and the built environment	8	5,090	4%
Agriculture, horticulture and animal care	7	920	1%

Sector subject area	Number of AOs	Number of AO-accredited L4-5 learners	% of AO-accredited L4-5 learners
Information and communication technology	5	2,945	3%
Languages, literature and culture	4	50	<1%
Science and mathematics	3	320	<1%
Preparation for life and work	2	710	1%

Source: Ofqual data for 2016/17

Table 8 shows the proportion of overall accreditations provided by the largest AO in each subject area. It shows that in some subject areas with a high volume of L4-5 enrolments (business, administration and law; education and training; health, public services and care), there is a relatively even split of AOs, with no AO having more than a quarter of the market. In all these sectors the four AOs with the highest volume of accreditations do not contribute to more than 71% of all accreditations. The HHI³⁴ index for these subjects is between 900 and 1,450, which also indicates they are competitive marketplaces.

Subject areas with fewer L4-5 learners, such as agriculture, languages, sciences, and leisure are mostly dominated by a few AOs, where two or three account for all or most accreditations. This could be reasonable, given that the number of learners undertaking qualifications in these subject areas are low and therefore the market size may only support a few AOs to develop qualifications in these areas.

The construction, ICT, and arts, media and publishing subject areas are, however, large markets dominated by a few AOs. For construction, Pearson accounts for over 80% of all L4-5 learners. In arts, media and publishing the market is dominated by University of the Arts, London. Case study interviewees felt this reflected the higher quality of their content and assessment and indicated that there is significant competition with HEI accredited L4-5 qualifications.

³⁴ The Herfindahl-Hirschman index (HHI) is a measure for assessing the concentration of a market. The formula for calculating HHI is $HHI = (\text{supplier 1 market share})^2 + (\text{supplier 2 market share})^2 + (\text{supplier 3 market share})^2 + (\text{supplier 4 market share})^2$. A HHI index of around 1,500 indicates a competitive marketplace and 2,500 indicates a few market suppliers have undue powers

Table 8 AO share of the market by subject area

Sector subject area	Largest supplier market share	Second largest supplier market share	Third largest supplier market share	Fourth largest supplier market share	Proportion of the market of four largest suppliers
Agriculture, horticulture and animal care	63%	37%	0%	0%	100%
Arts, media and publishing	60%	14%	12%	7%	92%
Business, administration and law	24%	22%	17%	8%	71%
Construction, planning and the built environment	82%	17%	1%	0%	100%
Education and training	22%	13%	12%	12%	59%
Engineering and manufacturing technologies	56%	28%	7%	4%	96%
Health, public services and care	25%	25%	10%	5%	65%
Information and communication technology	69%	27%	2%	1%	99%
Languages, literature and culture	79%	21%	0%	0%	100%
Leisure, travel and tourism	70%	18%	13%	0%	100%
Retail and commercial enterprise	38%	27%	16%	12%	92%
Science and mathematics	100%	0%	0%	0%	100%

Source: Ofqual data for 2016/17

4 Conduct of the market

Key findings

- L4-5 qualifications are important for most AOs as it ensures they can offer a full suite of sector qualifications. However, it is only a priority for the few AOs that specialise in higher level qualifications.
- Some FE providers consider L4-5 strategically important as it supports local LEP priorities and is in line with wider organisation priorities to expand their HE offer, while a few HEIs also reported they felt L4-5 was important for widening participation. However, the low volume of L4-5 learners meant that many providers did not regard it as a priority.
- AOs are quite reactive in developing new qualifications to meet changing legislation and policy drivers, as this significantly drives demand. They also respond to employer and provider needs, but this is balanced by an assessment of whether there is sufficient demand to pay back their development costs (which range from £3,000 to £20,000).
- There is some competition among AOs, and between AOs and HEIs. AOs mainly reported competing with 1-3 organisations for particular qualifications. Most compete on quality and reputation.
- L4-5 providers compete with other L4-5 providers as well as with degree providers. FE providers generally emphasise the supportive environment they provide learners and that the learning can be done locally when competing with HEIs. HEIs mostly market the facilities that provide learners as well as what they perceive as being greater industry recognition of degree qualifications. All providers market L4-5 qualifications as stepping stones that allow individuals to progress to further qualifications, such as degrees, or to enter employment.
- Neither AOs or accrediting HEIs compete on price for accreditation. For AOs, this is perhaps understandable as the costs they charge providers (generally £100-£200 per learner) are low compared to the overall cost of delivering a programme, and therefore do not significantly influence providers' decisions.
- FE providers generally offer lower fees to compete with HEI providers. There is little variation in the fees that HEIs charge for L4-5 programmes.
- There are few information asymmetries which prevent providers from making informed choices on the qualifications they deliver. However, some providers reported that learners do not commonly have a good understanding of L4-5 qualifications and many believe degrees are better for their career progression.

4.1 Introduction

This chapter examines the behaviour of the AOs, HEIs and FE providers in the L4-5 market. It specifically explores:

- The extent to which providers and AOs regard L4-5 programmes as a priority, including any wider business drivers that encourage L4-5 developments;
- How new qualifications are developed, promoted and delivered, including their effectiveness in engaging relevant stakeholders and whether there are any financial barriers to developing new programmes;
- How providers and AOs compete in the marketplace, including the role placed by price, reputation and quality;
- Any perceived information asymmetries in the market, where providers and learners do not have sufficient information to make informed purchasing decisions on subjects, qualifications and AOs, and if this was affecting the provision of L4-5 provision

The chapter mostly draws on the findings from the provider case studies and AO and stakeholder interviews.

4.2 Strategic fit of L4-5 qualifications

This section examines the extent to which L4-5 qualifications are a priority for AOs and providers, and in turn the extent to which they are willing to invest in them. An effective market has sufficient incentives for organisations to invest in products in order to raise standards.

4.2.1 AOs

A few AOs indicated that L4-5 programmes were their main offer. These AOs primarily developed leadership and management or professional qualifications, where industry demand was primarily for qualifications above L4. In these AOs the L4-5 programmes were a core business priority and consequently most had plans in place to refine or expand their L4-5 offer.

The other AOs we interviewed stated that L4-5 provision was a small part of their offer, but most felt they were strategically important qualifications. This was because they believed it was important to have qualifications available for L1-5 for their common suites of qualifications. This was felt to increase the take-up of the qualifications, as providers could offer pathways without the need for them to use multiple AOs, while also demonstrating that the AO has the higher level subject knowledge needed to design L4-5 programmes. Even when there was little demand for qualifications at certain levels, AOs

felt it was important to have a broad offer as providers would feel it helped 'future-proof' their programmes should demand increase.

As a consequence, most of these AOs said they were willing to invest in developing and renewing L4-5 qualifications in areas where they believed they had particular expertise and industry recognition. However, this was also balanced with an assessment of the likely returns from the qualifications. All AOs expected that most qualifications would provide a return on their development costs over the time period they were accredited, irrespective of whether they were commercial or not-for-profit organisations.

4.2.2 FE colleges

There were mixed views among FE providers on the extent to which they regarded L4-5 provision as a priority. Some reported it was a key strategic priority, largely because:

- **It was in line with their wider priority to expand their HE offer.** Some FE providers believed L4-5 provision was a key stepping stone to enable individuals that were not initially ready to move directly to a degree to take the first step in undertaking a more theory-based higher learning programme. Moreover, FE providers believed they could attract learners that wished to undertake L4-6 learning but did not want to leave their home area. These providers generally linked L4-5 provision to their strategy to widen access.
- **It reflected major employers' and Local Enterprise Partnership (LEP) priorities.** A few providers have, and are, developing new L4-5 programmes to support key LEP priority sectors. This included examples of providers expanding health and social care, ICT and engineering programmes to meet new employer demand. Most providers could point to specific developments which had been employer-led.
- **It enabled early positioning to support the expansion of providers' apprenticeship programme.** Some providers had plans to expand their L4-5 offer in areas where the qualifications could be used as the main learning in an apprenticeship standard. This was because they envisaged that demand would increase as a result of the apprenticeship levy.

However, there was a sense among a few providers that L4-5 was not a priority. These said that the lack of funding for adult learning and difficulties in encouraging learners to take loans to study L4-5 provision were making the qualifications they offered less viable. A few providers also believed that degree programmes were better progression routes from L3 for the learners they worked with. These providers still considered opportunities for developing new L4-5 programmes, including foundation degrees, but this was responsive to explicit learner requests rather than as part of a strategic plan with organisational leadership.

Providers that did not regard L4-5 provision as a priority were generally FE colleges that had a large L2 offer and relatively few learners on L3 programmes. These providers had fewer learners that want to undertake L4-5 provision, which they stated discouraged them to grow their L4-5 offer.

The developments in L4-5 provision, whether reactive or as part of a wider strategic plan, does appear to be driving providers to invest in new programmes or in revising existing programmes, which would be expected from an effective market. However, it does not appear to take place systematically across the FE sector.

4.2.3 HEIs

The case study HEIs generally did not regard L4-5 programmes as a strategic priority. Even so, they saw it as an opportunity to widen access to their programmes, as it provided a useful route for engaging individuals that did not believe they were ready, or did not want to, study a degree programme.

In most of the HEI case studies, new developments in L4-5 were largely not part of wider strategic plans but in response to local needs. Most of the HEIs we interviewed were able to provide examples of L4-5 programmes that had been developed to respond to demand from large employers. This ranged from full one-year programmes to shorter courses. For example, one provider developed associate nursing HNDs through discussion with their local Strategic Health Authority, and others reported delivering one term or one unit engineering or manufacturing programmes for particular employers. Units in the first or second year of a degree programme were generally classified as L4-5 qualifications.

Similar to many FE providers, most HEI providers did however report that the apprenticeship levy could potentially provide significant opportunities to attract additional demand for their L4-5 offer. One of the HEIs we interviewed had plans to expand their offer in areas where they believe there would be employer demand for L4-5 apprenticeships. However, others were 'waiting to see' the level of demand for higher level apprenticeships from employers before developing a strategic response.

4.3 How the need for new qualifications is identified

This section explores the mechanisms that providers and AOs employ to identify demand for qualifications. In an effective market it is expected that suppliers should be able to respond swiftly and effectively to changes in customer demand.

4.3.1 AOs

AOs interviewed generally reported that their approach to identifying demand for L4-5 qualifications was the same as for other vocational qualifications. New qualifications were generally identified through a mix of:

- **Horizon scanning** to identify needs due to changing legislation or other factors that could create demand for the qualifications. A notable example is the 2007 teachers' qualifications regulations for FE, which required all teachers to achieve a L5 qualification within five years in order to teach in the sector³⁵. As a consequence of this, 30 AOs developed teacher training qualifications. There are also examples of AOs developing healthcare qualifications to create entry pathways to new job roles and incorporating content on construction topics, such as Building Information Modelling, to reflect new legislation on Government commissioned construction projects.
- **Feedback or requests from partner employers.** Most AOs reported that they worked closely with particular employers, with some convening six-monthly or annual employer panel meetings. Employers propose new qualifications that meet a need in their workforce. AOs do however assess whether there is a broader market demand to make it viable to develop the qualification.
- **Feedback from providers.** This takes place relatively rarely, but a few AOs reported examples of providers reporting that they wanted to deliver a new qualification, largely as a response to a local need. In the case studies, only two providers reported asking an AO to develop new L4-5 qualifications. They were generally refused because they believed the projected learner numbers were too small to make the qualification viable.

Policy and legislative developments were generally considered by AOs as the most effective way for identifying new qualifications, as this assured demand. AOs stated they would generally be unwilling to develop bespoke low volume qualifications unless employers are willing to fund the cost for development. The exception is when the qualification provides a progression route from another one of their qualifications that had not previously existed. Here it was felt there was scope to encourage take-up as there was a large market to promote the qualification to.

The interviewees also identified a few examples of employers funding new qualification developments. One AO reported that a public-sector employer funded them to develop a bespoke qualification for staff on values and ethics that they wanted to make mandatory for all their staff. Another AO reported that an employer funded them to develop a bespoke leadership and management qualification for their sector. However, AOs acknowledged that only large employers would fund qualification development.

This suggests that there are established mechanisms with which AOs can identify demand for new qualifications. However, this is largely driven by changing legislation which creates demand for new qualifications. These mechanisms are less effective in

³⁵ The 2007 Teaching Qualifications (England) Regulations were rescinded in 2012 following recommendations from the Lingfield Review on Professionalism in Further Education

private markets which are less affected by regulation, and also in sectors where there is a high volume of small enterprises and not a strong 'sector voice' to articulate skills needs.

4.3.2 HE and FE providers

In the case studies, provider staff similarly monitored new policy and funding developments to identify opportunities for new provision. Most gave examples of how new professional standards resulted in them developing programmes in nursing and child care. A few also reported developing provision in response to government policies, such as Prevent safeguarding, as well as sectoral priorities.

Local skills needs and priorities were also said to have a significant impact on providers' level 4-5 offer. For example, a provider in the Midlands reported that they have a broad range of manufacturing and engineering qualifications due to the region's large car making industry. Similarly, a provider in the South East increased ICT courses as a result of demand for new entrants from local technology companies. The influence of local employers' priorities was more apparent among FE providers than HEIs, which is perhaps unsurprising given that FE providers largely recruit local learners.

All providers reported that learner demand was a key driver for developing new programmes. Most FE providers reported developing programmes to meet the needs of learners that did not wish to, or felt able to, go to university to undertake further learning. Consequently, many providers offered L4-5 qualifications are in their high-volume L3 programmes, such as creative arts and media, ICT, hair and beauty, and business as well as in subjects where they had demand from graduates of access courses.

Some FE providers and a few HEIs reported working with their local LEPs and employers to identify new programmes based around skills gaps or priority sectors. For some providers this had resulted in them developing new programmes in social care and health, more cutting-edge technologies, such as 3-D printing and cyber security, and ethics. For others, it resulted in them maintaining programmes in courses where they had relatively low take-up, such as for engineering programmes, as there continued to be a local demand for new entrants.

Providers and sector stakeholders reported that there can sometimes be a significant time-lag between when a need is identified and when providers are able to deliver a new qualification. In many cases it was reported to take one to two years unless they had DAP/FDAP. Providers stated this is due to the time taken to identify staff to produce the qualifications, develop the curriculum and timetable/resource the course in line with marketing and recruitment. Stakeholders felt it was a weakness which affected the responsiveness of the L4-5 offer.

4.4 Development and revision of L4-5 qualifications

This section examines the approach that providers and AOs adopt to develop new qualifications. In an effective market, suppliers should have efficient systems in place to develop high quality qualifications, which keeps the product costs low for customers. Moreover, in an effective market the upfront cost for developing new products should not disincentive suppliers to expand their offer.

4.4.1 AOs

Development approach

All the AOs we interviewed generally had similar processes for developing new L4-5 qualifications. These typically included:

- **An initial consultation with key stakeholders**, which could include employers, providers, professional and sector bodies, to understand the need for the qualification and what should be included;
- **Employing a unit writer to develop a draft qualification**. This was mostly an external contractor although a few AOs reported they used in-house staff;
- **Refinement and testing**. To do this most AOs convened a stakeholder group to provide feedback on new qualifications. A few AOs also reported that they conducted online consultation on their website;
- **A final internal quality assurance review**, to ensure the qualification levelling, size and assessment decisions are reasonable. This is generally conducted by internal AO staff;
- **Applying for qualification approval from Ofqual**. This is required for qualifications to access public funding or loans. To do this the AO has to provide a business case for the need for the qualification and submit letters of support from a selection of employers.

Stakeholders and external experts were involved to ensure the qualifications were relevant for employers. However, AOs reported that they often experienced challenges in engaging a broad range of employers, and particularly SMEs, to participate in the qualification development process.

AOs adopted a similar approach to revising qualifications. They typically employed an external bid writer and consultation with key sector stakeholders. However, the process for revising qualifications was generally less onerous than the process for developing new qualifications.

The revision of qualifications generally take place periodically. Most AOs reported that they generally review their qualifications within five years to ensure they remain current.

Ofqual also only approves qualifications for a limited time period, so before the approval period ends there is a need to review whether the qualification is still relevant. AOs also reported that they occasionally revise the qualifications if there is a particular change in policy or legislation that significantly affects the skills learners needed to acquire.

Costs

AOs estimated that the total costs of developing L4-5 qualifications could range from £3,000 - £20,000, depending on the size of the qualification. Most of the costs were for employing an external unit writer and in facilitating expert meetings. There were also some indirect opportunity costs in internal staff leading and reviewing new L4-5 qualifications and therefore having less time to develop or refine other qualifications in their portfolio.

Revising qualifications generally is less resource intensive. If major revisions are not necessary, then the cost of revising the qualifications were generally low, at £1,000 - £2,000. In some cases, AOs have absorbed all the costs for revising qualifications.

All AOs reported that the cost for developing L4-5 qualifications was generally the same as developing qualifications at other levels. However a few reported that developing L4-5 qualifications was slightly more expensive because it was more difficult to identify unit writers with higher level and specialist skills, and therefore those that they could identify required a higher daily funding rate.

AOs reported that the cost of developing L4-5 provision was not a significant barrier for introducing new products. In most areas they were relatively low. The most significant barrier which affects their ability to develop new qualifications are other qualification programme reforms which means they have less internal capacity to respond to new employer or provider demand.

4.4.2 Providers that develop L4-5 qualifications

Providers that develop L4-5 qualifications (HEIs, APs and FE colleges with DAP/FDAP) follow a similar process to AOs in developing new qualifications. There is some consultation with stakeholders, which takes place through bi-lateral or group meetings, and a testing and review phase.

Unlike AO qualifications, most qualifications developed by providers are produced by in-house staff. This commonly includes curriculum heads or senior lecturers in the subject area. The qualifications are also commonly based on professional standards or existing research indicating the skills needs for particular sectors.

New qualifications are reviewed through providers' accreditation teams. They review the content to ensure it is appropriate for the projected course length and in line with the intended level of the course. They also review the assessment criteria to ensure it is appropriate for measuring achievement.

The provider interviews were unable to specify the costs of developing new qualifications, as they were incurred by existing staff in their organisation. However, they indicated that it would take 20-30 staff days to develop a new one-year programme and having the qualification approved for accreditation. Providers generally felt the process was not significantly onerous and did not deter them from developing new programmes.

HEI and FE Colleges curriculum leads reported that they reviewed their qualifications annually, based on learner feedback and developments in the sector. Few had formal mechanisms for doing this however. It was largely the responsibility of the lead lecturer to revise the qualifications to ensure they were up-to-date and go through the process of accreditation.

4.5 Delivery of L4-5 programmes

This section sets out the approach providers have taken to deliver L4-5 programmes. In an effective market it is expected that effective, efficient processes are in place to ensure providers can respond to customer demand.

4.5.1 Employer-funded provision

Recruitment

For employer provision, providers commonly rely on their relationships with local employers to recruit learners onto programmes. In most case studies, providers were able to give examples of large employers (such as hospitals) or known groups of employers where they would negotiate a cohort of learners to undertake the training each year. Afterwards providers would typically advertise vacancies on their website in order to fill any remaining places.

A few providers also reported promoting their provision to new employers. This was generally to set out some of the wider benefits of their L4-5 programmes, rather than to promote particular qualifications.

Employers were the main source of L4-5 learner tuition fee funding for around 10% of records entered on the ILR (excluding apprenticeships). Providers reported that most of the remaining learners will have received ALLs.

Course delivery

Employer programmes are delivered part-time, most commonly through one-day release a week, which sometimes includes evening classes. Most of the programmes last for a year, with a few programmes lasting for two years. A few providers (mostly HEIs) also deliver shorter credits of a qualification that could last for a semester.

In most cases, cohorts are organised into a class, or two if there is high demand. However, a few HEIs reported that in some cases they have also been able to put learners onto modules of a degree course or mix cohorts. The latter allowed them to run the class with small numbers.

The minimum number of learners that providers need to run a class varies. FE providers stated they could feasibly run some classes for 8-12 learners. HEIs in contrast stated they required minimum class sizes of 20-30 learners, and this was far lower than what they would require for a degree programme.

The minimum class sizes were generally based on opportunity costs. The risk with running courses with fewer learners is that it could take tutor time away from other programmes which could support a larger group of learners. Most providers admitted that there were limited fixed costs with delivering a new L4-5 programme, as most delivered lessons using existing facilities/classrooms.

4.5.2 Learner-funded provision

Recruitment

FE providers reported that most of the learners they recruited to L4-5 programmes were existing learners that had recently completed a L3 programme. However, a few also reported that they recruited a substantial number of learners from other local FE and 16-18 providers. This was mostly when the provider delivered courses in more specialist subject areas (e.g. agriculture and animal care) where there were few providers delivering the course in the region.

Programmes are largely marketed to the providers' existing learners as potential progression opportunities. Most providers said they also advertise on their website and local media, alongside hosting open days and career events for 16-18 year olds. Providers argued that most adults or young people that wanted to undertake a learning programme would go to the website of their local provider, and therefore there was little value in more targeted marketing through employers/job centres.

HEIs with a large L4-5 programme for learners said that they generally targeted this at individuals that may not have the grades or confidence to undertake a degree programme. As one HEI provider stated: *"We get a lot of learners that are good with practical learning, but need work to develop their essay writing and to work on more theoretical subjects"*. Provision was also marketed locally through careers fairs and other local events.

Course delivery

Learner programmes are mostly delivered as full-time courses lasting over one or two years, although some providers also give learners the opportunity to study part-time by

splitting the modules over two years. The cohort was primarily organised into a discrete class.

The minimum class sizes were generally the same as for employer provision. However, some FE providers stated they are able to run classes for smaller volumes where they believed it was valuable to retain students who may then progress to one of their HE programmes. However, this is normally undertaken with an assumption that demand would grow, otherwise the course would not be considered sustainable.

Providers said the cost of delivering L4-5 qualifications was consistent for employer and learner focused provision. Moreover, most did not report any differences between the costs of L4 and L5 qualifications.

4.5.3 Accreditation of qualifications

For AOs, the approach to accrediting L4-5 qualifications depends on whether the provider has direct claims status and is consequently approved by the AO to assess the qualifications themselves. In these cases, the AO provides external verification, by assessing a sample of portfolios to ensure that consistent standards are being applied. The cost of an external verifier visit is however generally low, as it consists of 1 or 2 day visits in the year by AO staff or associates.

AOs also incur costs for recording learner data and in compiling learner records to issue certificates. However, these costs are largely negligible. Most AOs use fees for registration and certification to partly cover the one-off costs for developing the qualifications.

AOs can also incur additional costs for appeals, additional visits or from developing and then marking external assessments. However, most AOs charge separately for these elements, although appeal costs are typically reimbursed if the appeal is successful.

For HEI internal courses, assessments are reviewed and marked by internal tutors and reviewed by their accreditation teams. The costs incurred are generally internal staff time and are dependent on the size of the qualification. The accreditation costs were generally felt to comprise a small part of the tuition fees.

For courses that HEIs accredit but are delivered by FE providers, HEIs typically adopt either a franchise or partnership approach. For franchised provision, the HEI will mark all the programme assessments and then issue a certification. For provision delivered in partnership with FE providers, the FE provider conducts the programme assessment but the HEI may conduct a sample review. In both cases the HEI also reviews the provider's quality assurance systems and they commonly undertake some tutor observations. These are covered by the fees agreed.

4.6 How policies on L4-5 influence plans for provision

This section examines the extent which providers' plans and strategies are affected by Government policies. In an effective public market it would be expected that public policies should incentivise providers to develop and deliver provision that meets societal needs.

4.6.1 Providers

HE and FE providers believed that the main policy driver that was influencing their L4-5 plans was the recent Apprenticeship Levy. They said that the levy provided a major opportunity for employers to access funding for L4-5 programmes. SMEs would only need to contribute 10% of the costs of the training, while larger employers would be able to use their levy contribution.

Most providers believed that the introduction of the levy would mean that very few employers would then support their staff to undertake standalone L4-5 provision. They argued that the substantial cost saving would encourage apprenticeship take-up. They also believed that the structure of most L4-5 provision targeted at employers (such as one-day release HNC/D programmes) would mean that existing L4-5 provision could fit within the apprenticeship standard delivery model. The only major difference would be the introduction of end-point assessments.

T level developments were also having an influence on future provider plans. Some providers were considering rationalising their L3 offer to focus on areas of strength, and expanding provision in higher level skills in these areas. This could on the one hand result in some providers delivering new L4-5 programmes in new subject areas, but may also result in some exiting the market.

Most providers reported however that the high level of self-funding meant that L4-5 provision was not affected by funding policies. As one provider stated: *"We find it refreshing that our choice of courses to deliver is fully dependent on whether we can recruit learners and employers that are willing to pay for training. This means we are completely responsive to demand"*.

4.6.2 AOs

Most of the AOs we interviewed did not believe there were any policy developments that were influencing their plans for L4-5. This was largely because many of the AOs provided qualifications that were not commonly subsidised through ASB funding. Some of the AOs also reported that they mostly focused on the adult market, and consequently would be unlikely to be affected by the technical education reforms.

A few of the AOs we interviewed did however believe that the T level may affect their qualification offer. They reported that they may have to consider withdrawing from some

sectors where they do not deliver the T level programme, as this may affect the take up of other L4-5 qualifications in the subject area. Here they felt that providers may be unwilling to use AOs that cannot offer the full suite of qualifications from L1-5.

However, it is important to note that T levels are at an early stage of implementation and most of the AOs we interviewed had not yet developed plans in response to the proposals but were waiting for further details on the content of the 11 classroom-based technical routes.

4.7 Competition among AOs in the qualification market

This section examines competition in the qualification market. An effective market has a good range of competitors for a particular services or products, which creates an environment that incentivises suppliers to improve quality and price.

4.7.1 Number of competitors

Most AOs only reported two or three other AOs that they regarded as their main competitors for a particular subject area. These competitors could be a mix of large AOs and smaller AOs that specialise in a particular area.

AOs reported that they commonly competed with AOs and accrediting HEIs that offered different types of L4-5 qualifications for the same group of learners. For example, AOs delivering diplomas reported that they competed with other AOs delivering HNDs or diplomas and HEIs delivering foundation degrees. In some cases, the competition would be at a sector subject level, but more often qualification competition takes place at a sub-sector level (for example, leadership and management courses are generally in competition with other leadership and management courses).

4.7.2 Competition on quality and reputation

Most AOs and HEIs reported that they mainly competed with other accrediting bodies on quality, largely framed around employer recognition of the qualifications. AOs did this through:

- **Promoting the reputation of their qualifications.** AOs said they commonly competed using the more general reputation of their qualifications in a sector. For example, one AO with highly regarded qualifications in hair and beauty at L3 used this to promote its L4-5 qualifications;
- **Emphasising employer engagement in qualification design.** AOs reported that they commonly used the involvement of key sector employers to demonstrate to providers the value of the qualifications. This included using employer testimonies and case studies demonstrating progression after completing the qualification.

Another important dimension of quality was the effectiveness of the resources and materials given to providers. Most AOs reported that they commonly competed on the support they provide centres, including:

- The quality of course materials and qualification guidance;
- The quality and appropriateness of the assessment criteria;
- The use of online systems to improve the ease with which learners can be registered as accredited;
- Effectiveness of communication, particularly when qualifications are being revised;
- The availability of training and support for teachers that are new to delivering the qualifications.

A few AOs also reported using the quality of their assessors and subject specialists as a way to market their provision to providers. These were generally smaller providers that felt they had significant in-house expertise and industry experience which distinguished them from larger AOs.

The competition on the quality of support is likely to incentivise AOs and HEIs to improve their qualifications. However, there is also a risk that the importance of reputation in the sector may discourage new entrants, as they cannot compete with the reputation of more established AOs.

4.7.3 Competition on price

None of the AOs reported they competed with other AOs on price. AOs felt this was largely because the accreditation and certification fees were low (typically £100-£200 per learner) and a relatively small proportion of programme costs, so it did not have a significant bearing on provider decisions. Most AOs reported that the fees they charge for L4-5 qualifications were in line with other qualifications.

Most AOs did however negotiate reductions in qualification fees with providers if they registered a high volume of learners on the qualification. This was largely based on the volume of learners that providers put through a qualification. AOs reported that this was mostly calculated formulaically.

A few AOs said they charged a fixed fee for all their qualifications with their prices available on their website.

4.7.4 Factors that influence provider decisions on qualifications

In the case studies, curriculum leads reported that the main factor that influenced their decision on AO was the appropriateness of the qualification to their learner cohort. This mainly related to the extent to which the content reflected industry needs, the appropriateness of the assessment criteria (with most providers wanting a mix of

coursework and end-point assessments), and the quality and knowledge of the external verifiers.

Other factors, such as the quality of support, were also considered important but secondary reasons. Some providers reported being unhappy with the online portal or support that certain AOs provide, but few changed AO as a result. Here the quality of the qualification was felt to be more important than the quality of the support provided. A few providers indicated that they were replacing AO qualifications with HEI accredited qualifications in order to provide more flexibility for themselves and learners.

4.8 Competition among providers

Competition among L4-5 providers is complex. In the case studies providers reported that for many sector programmes they competed for L4-5 learners with both:

- Other local providers that offered similar or the same L4-5 qualifications; and
- Providers that delivered bachelor degrees, which many learners considered as an alternative to undertaking a L4-5 qualification.

For the former, curriculum leads generally only reported one to three competitors in their local area that they were aware of and these would often be for learners who were mobile or on the fringes of their catchment area. These competitors were mainly HEIs and FE providers. For the latter, providers reported that they could be competing in a wider market against HEIs from across the region/country. However, for prospective learners who do not wish to move to study they were competing with HEIs in the same area.

There were a range of ways that providers reported competing with other providers. These are described in depth below.

4.8.1 Quality and reputation

In the provider interviews the study found that providers generally had very nuanced ways of competing with other local L4-5 providers. Most generally emphasised areas that they felt were particular selling points. For example:

- Some HEIs used DLHE data to promote the destinations or starting salaries of learners that complete their programmes;
- Some emphasise inspection grades or other quality standards for their programmes, and teaching quality;
- Some promote their new facilities or training resources.

However, overall there were also some distinctive approaches that HEIs and FE providers used to compete for learners. FE providers generally emphasised the

supportive environment of the learning, particularly when targeting their existing learners. They particularly promoted the wider support they provided learners to ensure they achieve their qualifications, and that individuals could study *“in an environment they are used to”*.

HEIs generally highlighted the resources and facilities they are able to provide learners. This includes access to library facilities, campus social events, institution gyms and student services. Some also emphasised what they felt was the increased recognition of HEI-awarded qualifications compared to AO qualifications by employers.

When competing for learners that may also be considering undertaking a degree, both HEIs and FE providers reported that they emphasised that L4-5 programmes would allow the learner to study in their local area, without the upheaval or cost of moving to another city. Moreover, providers also reported that the L4-5 programme provided opportunities to gain a degree over the same period, but the learner had the option of finishing their study at the end of any year and still achieve a nationally recognised qualification.

In terms of engaging employers, most providers aimed to compete by demonstrating their responsiveness to their needs. Consequently, many emphasised that they were able to tailor their qualifications to ensure it reflects their specific requirements. Most did this by discussing the content of the course with local large employers.

A few providers also reported delivering evening classes to improve the accessibility of their programme to employed learners. One provider also reported that it had commissioned an organisation to develop an online learning module using Artificial Intelligence Education Technologies. However, most of the providers we interviewed did not use blended learning approaches.

4.8.2 Price

The case studies identified that among HEIs there was little competition by price. Most generally charged similar annual fees for courses (£6,000-£8,000 for HNC/Ds and around £9,000 for foundation degrees. HEIs stated that they had a formula to calculate the costs of programmes, which generally included a contribution to overheads and tutor time, which meant it was difficult to justify a reduction in their standard fees unless they could demonstrate it would provide a wider business benefit.

There was more variation in the fees that HEIs charged for non-prescribed courses. This could range from £800 to £1,500 per unit, depending on the size of the cohort. In most cases the non-prescribed programmes offered to employers or learners were smaller components of existing programmes and consequently the HEI did not have to incur significant delivery costs, as they could invite learners to attend particular modules of degree or HNC/D courses.

FE providers were more flexible in the prices they charged. The annual fees generally ranged from £3,000-£4,500 for HNC/Ds and £6,000-£9,000 for foundation degrees with

most charging less than HEIs. FE providers reported being more price sensitive as they had to be more wary of what their learners would be willing to pay to progress from a L3 qualification to L4-5. Non-prescribed courses are generally £3,000-£4,500 per year for full-year courses, Shorter courses are calculated pro rata. When competing with local HEIs most FE providers reported that they had to offer much lower prices for foundation degrees as many learners need an incentive to study the qualification in an FE provider.

Most providers believed that high fees do not *per se* discourage young people from undertaking L4-5 programmes. They reported that the fees with in line with those charges for degree programmes, where demand has remained strong since the cap on fees increased in 2012. However, the recognised that some learners may choose to undertake degrees instead of L4-5 programmes if the fees are similar and they have the option of undertaking both in their local area, due to the higher recognition of degrees in the labour marker However, the study did not conduct primary research with learners or employers and therefore it was not possible to corroborate the interplay between funding and the take-up of L4-5 qualifications.

4.9 Information asymmetries

Most providers generally believed they had sufficient information to make appropriate decisions on sector qualifications. Many of the curriculum leads we interviewed reported coming from industry and consequently they had some understanding of the recognition of the qualifications by employers, as well as the appropriateness of the content. Moreover, some also had colleagues in other sectors that were experienced in working with the AOs and could provide them with information of the quality of support provided by the AO.

Some curriculum leads did however report that they had left industry over 10 years ago, and consequently were not aware of some of the latest technology and processes used in industry. They felt that this could potentially affect them from making informed decisions on the qualifications they use.

Most providers reported that it was difficult to promote L4-5 qualifications to young people as most had little knowledge of different types of L4-5 qualifications and how they compared with degrees (foundation degrees, HNC/Ds). They said that many young people and parents perceived degrees to provide better value in the labour market, as they were more widely recognised by employers and that these views were still held by many careers advisors in schools. Most FE providers, as described above, promote their L4-5 qualification offer directly to schools and 16-18 learners.

5 Performance of L4-5 qualifications

Key findings

- There is reasonable distribution of L4-5 provision across regions. In nearly all regions the proportion of L4-5 learners broadly matches the size of the region, based on their share of the UK working age population. The exception is the South East, which has a lower share of L4-5 learners compared to the relative size of its workforce
- A slightly higher proportion of learners undertook L5 qualifications, compared to L4. However, far more providers deliver L4 programmes than L5. This suggests that supply is not reflecting demand in some areas.
- L4-5 qualifications support a diverse mix of students. The qualifications are undertaken by a slightly higher proportion of ethnic minority and male students than other HE and FE programmes, and there is also a relatively high proportion of older learners and learners with disabilities.
- A key feature of the qualifications is that they attract learners with very different levels of prior attainment. The ILR and HESA datasets show that most have qualifications at L3 or below but nearly a fifth have qualifications at L5 or above. 14% of learners had highest qualifications at L2 or below.
- Just under 40% of learners on HE-accredited³⁶ L4-5 programmes progressed to full-time employment and 26% progressed to full-time further learning. This reflects the dual aims of L4-5 qualifications. The proportion of learners that progress to employment does however vary significantly by subject area and qualification type.
- The average starting salary of learners on HE accredited programmes who complete a L4-5 qualification and enter full-time employment is £27,693. Middle-attainment GCSE learners achieve similar median salaries for L4-5 qualifications as they would from degrees by age 26.
- The recognition of L4-5 qualifications varies significantly by sector. Providers reported that in areas where there are skills needs and skills shortages, they are valued as providing an alternative pathway to employment. In other sectors, most notably those where there is an oversupply of new entrants, they are less valued as many employers may prioritise learners with degrees.

³⁶ Data on the destinations of learners undertaking AO-accredited L4-5 provision was not available

5.1 Introduction

This chapter examines the effectiveness and quality of L4-5 qualifications. This includes examining:

- The coverage and relative take-up of L4-5 qualifications;
- The perceived added value of L4-5 qualifications in the qualification landscape for learners and employers;
- The extent to which the programme has supported social mobility by enabling a more diverse range of learners to access higher level skills; and
- The destinations of learners that completed L4-5 qualifications and their recognition by employers.

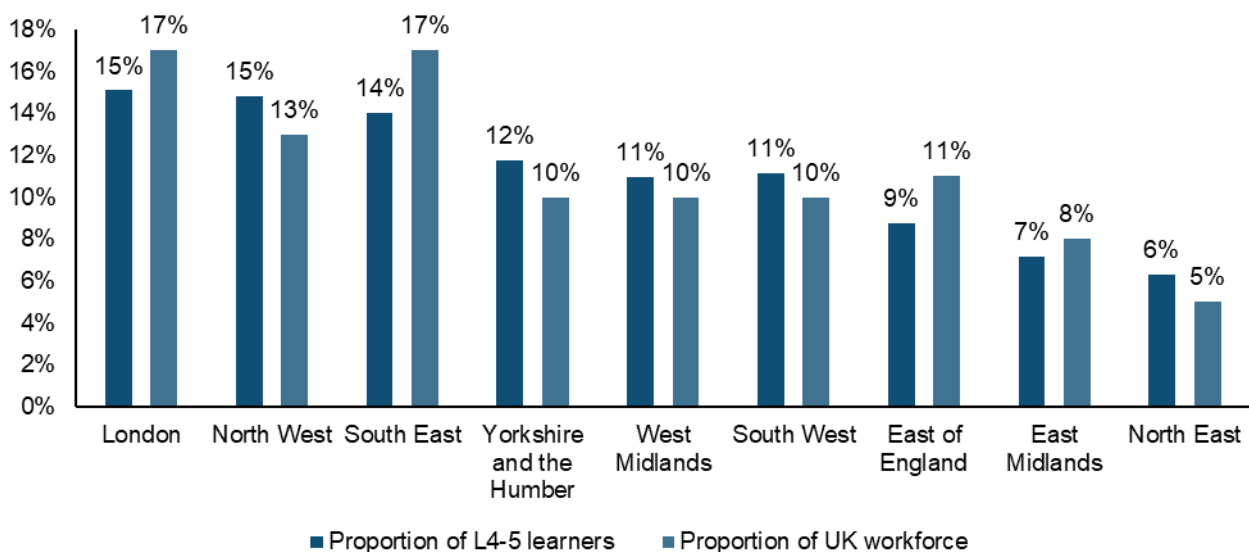
The chapter draws on analysis of the ILR and HESA datasets and qualitative research with AOs, providers and stakeholders.

5.2 Coverage of learners undertaking L4-5 qualifications

5.2.1 Geographical coverage

Figure 8 shows the distribution of L4-5 learners by region, and how this compares to the region's share of working age adults. Of the **187,052** learners that have undertaken L4-5 provision in 2016/17, the highest proportion of learners were in London, the North West and South East. The proportion of learners broadly match each region's size of the UK workforce, although London, the South East and East Midlands and the East of England have fewer learners relative to their size, and the North West and Yorkshire and the Humber have a slightly higher proportion of learners.

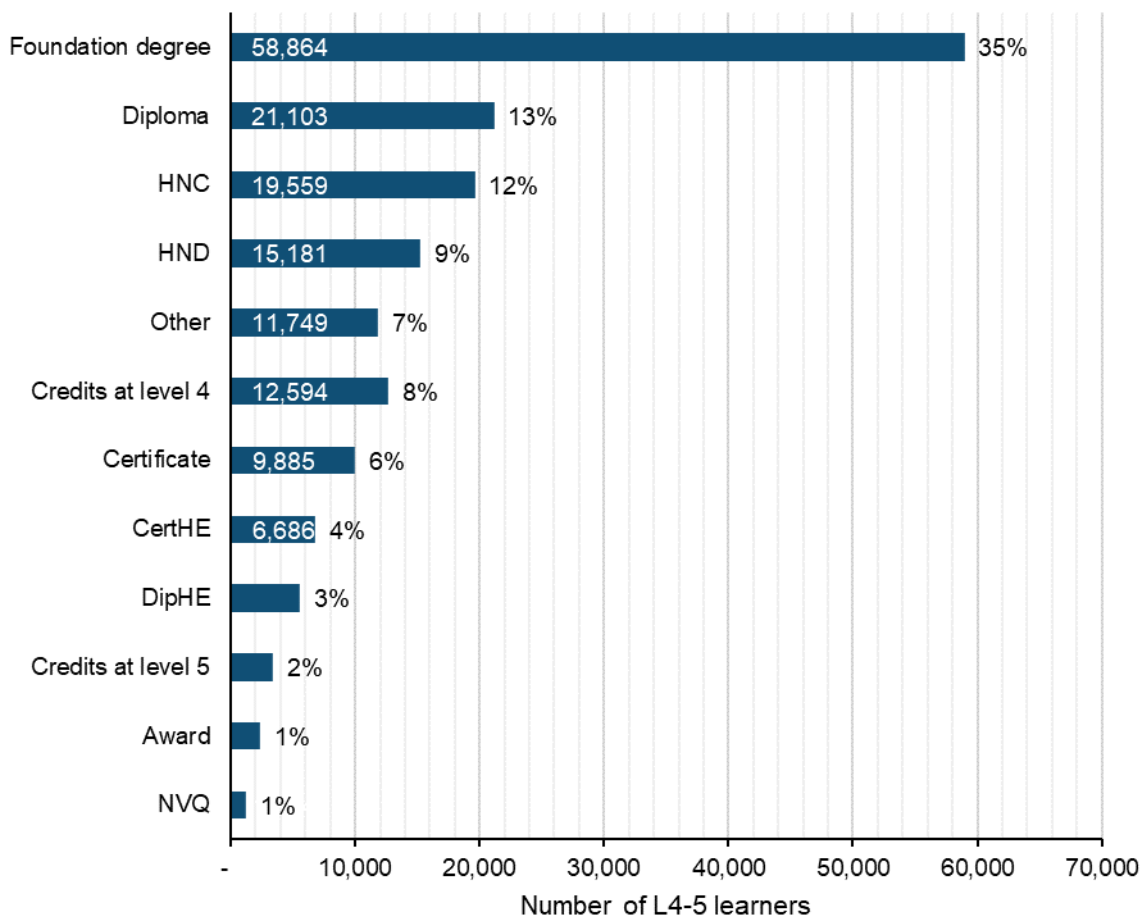
Figure 8 Proportion of L4-5 learners per region



5.2.2 Coverage by type of L4-5 programme

Figure 9 shows that the most commonly taken L4-5 qualification in 2016/17 was a foundation degree. No other qualification contributes more than 13% of all learners, which indicates a diverse market. However, interviewees reported that in some cases there was convergence between these different L4-5 programmes, with foundation degrees for example having similar content to some HNDs.

Figure 9 Take up of L4-5 qualifications by programme type³⁷

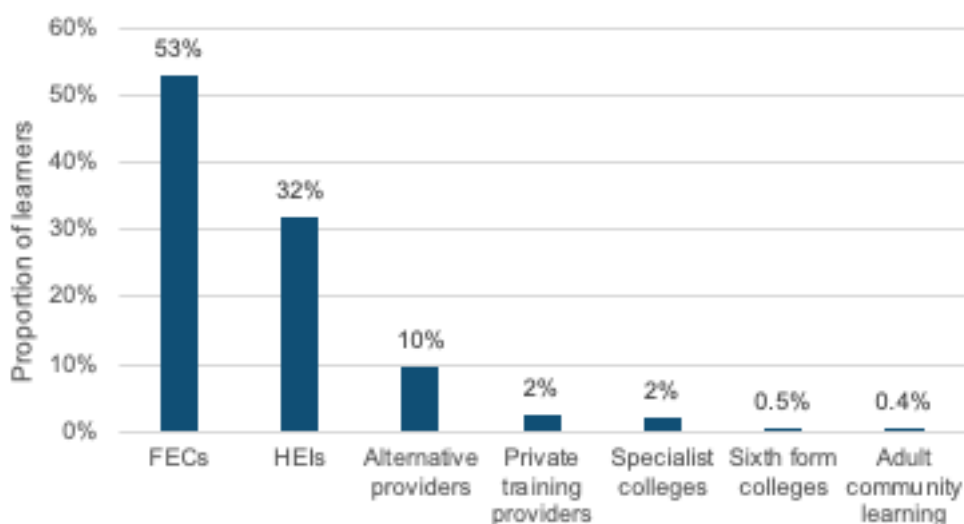


³⁷ Note that the ILR does not have complete coverage of AO-accredited L4-5 learners.

5.2.3 Coverage by type of provider

Figure 10 shows that three fifths of learners undertake level 4-5 qualifications at FECs while approximately a third of learners' study at HEIs.

Figure 10 Take up of L4-5 qualifications by provider type



Note: the proportion of learners in further education colleges includes learners on HEI franchise agreements.

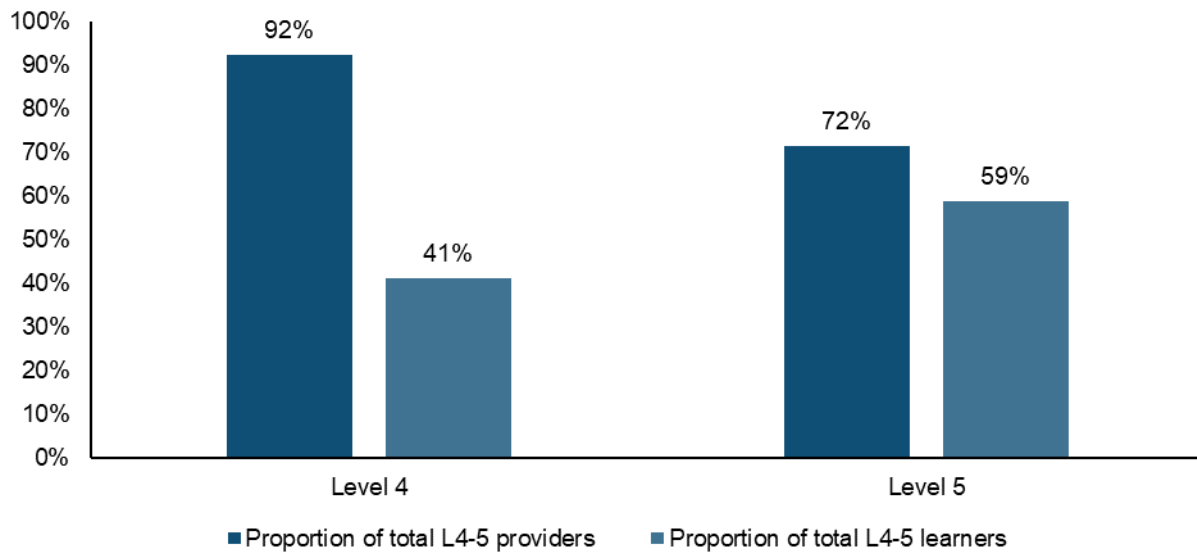
Source: ILR and HESA HEI and AP data, 2016/17

5.2.4 L4-5 provision by level

Figure 11 shows that more learners undertake L5 programmes than L4 programmes (59% compared to 41%). This is consistent for HE (both franchised and HE delivered) learners and learners undertaking AO accredited programmes. It is also broadly consistent across regions.

This differs considerably from the proportion of providers delivering L4 and L5 provision. The ILR and HESA data show that nearly all L4-5 providers (92%) deliver L4 programmes, while notably fewer (72%) deliver L5 programmes. This is despite providers reporting no difference in the costs for delivering L4 or L5 provision. One reason for this is that in FE, some of the L4 provision does not provide progression to L5 and some FE providers are not offering HNDs or foundation degrees. However, it may also show that supply may not fully reflect demand.

Figure 11 Proportion of learners by level, compared to the proportion of providers delivering L4 and L5 programmes



Source: ILR and HESA data, 2016/17

Table 9 shows that the lower proportion of providers delivering programmes at L5 can in part be explained by a very large drop in the proportion of private training providers delivering qualifications. Notably, a slightly larger proportion of higher education institutions deliver qualifications at level 5.

Table 9 Breakdown of L4-5 providers and learners by level and type of provider

Provider type	Proportion of total L4-5 providers		Proportion of total L4-5 learners	
	Delivering L4	Delivering L5	Studying L4	Studying L5
Further education college ³⁸	38%	37%	23%	37%
Higher education institution	15%	17%	14%	20%
Private training provider	26%	9%	2%	0.3%
Specialist college	3%	3%	0.4%	2%
Sixth form college	4%	3%	0.3%	0.2%
Local authority	6%	2%	0.4%	0.1%
Other	1%	1%	0.02%	0.01%
Total	92%	72%	41%	59%

Source: ILR and HESA data, 2016/17

³⁸ HE franchised learners are included in these figures.

Foundation degrees and HNDs together account for approximately three quarters of level 5 qualifications taken by learners. Table 10 shows that learners in London, the South East and the North West wanting to study a foundation degree or HND have a relatively large choice of FEC and HEI providers delivering these qualifications, while learners in the East of England and the North East have a more limited choice of providers and there are relatively few FECs in the West Midlands providing foundation degrees. In most regions, more FECs are delivering foundation degrees than HEIs, although London is a notable exception where a higher number of HEIs deliver these qualifications.

Table 10 Breakdown of providers delivering key L5 qualifications by region

Region	Delivering foundation degrees		Delivering HNDs	
	No. of FECs	No. of HEIs	No. of FECs	No. of HEIs
North West	28	8	29	1
South East	23	11	25	1
London	13	17	19	3
Yorkshire and the Humber	17	9	17	1
West Midlands	7	10	20	5
South West	17	9	16	0
East Midlands	11	7	14	3
East of England	5	6	14	0
North East	6	3	8	1
Total	127	80	162	15

Source: ILR and HESA data, 2016/17

5.2.5 L4-5 provision by sector

Table 11 shows that L4-5 qualifications are most commonly undertaken in health, public services and care (23% of learners), business administration and law (17%), and engineering and manufacturing and education and training (both 12%). This largely reflects the objectives of L4-5 qualifications as they are mostly in vocational studies, and a higher proportion of L4-5 learners undertake qualifications in each of these three subject areas than learners undertaking vocational qualifications overall.

L4-5 provision in more academic subjects such as science and mathematics, social sciences and history is quite low, but is marginally higher compared to vocational qualifications overall.

Table 11 Proportion of learners undertaking L4-5 qualifications and all vocational qualifications by sector subject area

Sector subject area	% of L4-5 qualification learners	% of all vocational qualification learners³⁹
Health, public services and care	23%	18%
Business, administration and law	17%	7%
Engineering and manufacturing technologies	12%	5%
Education and training	12%	1%
Arts, media and publishing	8%	12%
Construction, planning and the built environment	4%	5%
Agriculture, horticulture and animal care	4%	2%
Information and communication technology	4%	6%
Science and mathematics	4%	3%
Social sciences	3%	<1%
Combined/general subject unspecified	3%	0%
Leisure, travel and tourism	3%	5%
Languages, literature and culture	1%	3%
Retail and commercial enterprise	1%	7%
History, philosophy and theology	1%	0%
Preparation for life and work	0%	25%

Source: DfE statistics on vocational and other qualifications data for ILR and HESA data for 2016/17; ILR and HESA data for 2016/17

Table 12 shows that there is considerable difference between HE-accredited programmes and AO-accredited programmes. For HE-accredited courses, the most common subjects are in health (29% of learners on HE-accredited programmes), education and training (14%) and engineering and manufacturing (10%), and there is also a higher proportion of learners in more academic subjects such as science and mathematics and social sciences. AO-accredited provision is mostly in business administration (24% of learners on AO-accredited programmes), health (18%), engineering and manufacturing (14%) and arts, media and publishing (11%).

³⁹ Number of certificates awarded by sector subject area for all types of vocational qualification from Oct 2016 to Sep 2017.

Table 12 Proportion of L4-5 learners by sector subject area and type of programme accreditation

Sector subject area	% of learners on HE-accredited programmes	% of learners on AO-accredited programmes
Health, public services and care	29%	18%
Business, administration and law	9%	24%
Engineering and manufacturing technologies	10%	14%
Education and training	14%	10%
Arts, media and publishing	4%	11%
Construction, planning and the built environment	2%	6%
Agriculture, horticulture and animal care	5%	3%
Information and communication technology	3%	5%
Science and mathematics	7%	2%
Social sciences	6%	1%
Leisure, travel and tourism	0%	5%
Languages, literature and culture	3%	<1%
Retail and commercial enterprise	0%	2%
History, philosophy and theology	2%	0%
Combined/general subject unspecified	6%	0%

Source: ILR and HESA data, 2016/17

5.2.6 Trends in take up

Nearly all the case study providers reported that provision delivered for employers has either remained relatively constant or has increased over the last five years. This was attributed to:

- New policy developments incentivising employers to upskill existing staff in technical skills relevant to their role. This was particularly common in healthcare and public services sectors, which are more heavily regulated;
- Employers increasingly using training to upskill staff in order to fill skills shortages and gaps. This was particularly an issue in the construction and engineering sectors, although it did vary by region;
- Increased demand from L3 learners in FE providers to progress to a L4-5 qualification.

A central strength of much of the provision for employers is that it is well-established in their sector. As one provider stated “*some employers send a lot of their staff to the HND.*”

When we looked into it, we found that in many cases this was because the manager had done the qualification themselves 20-30 years ago”.

Some case study providers reported declines in take-up for their L4-5 programmes targeted to support entry to a sector which depended on learner funding. Some of them attributed this to the increased availability of degree programmes, particularly in areas that are commonly undertaken by L4-5 learners, such as business administration and law and the creative industries. Some also reported that many of the learners that would have undertaken L4-5 programmes because they did not wish to move area for university or did not get a place, now have more options to study a degree in their local area.

Many providers also reported that a key reason for any declining take up was a general low awareness of the benefits of L4-5 qualifications. In these cases, learners believed the qualifications had less prestige than degrees, and were less widely recognised than degrees. A few provider staff also reported that the increased volume of learners that now hold a degree means that learners increasingly believe they need a Level 6 qualification to be competitive in the labour market.

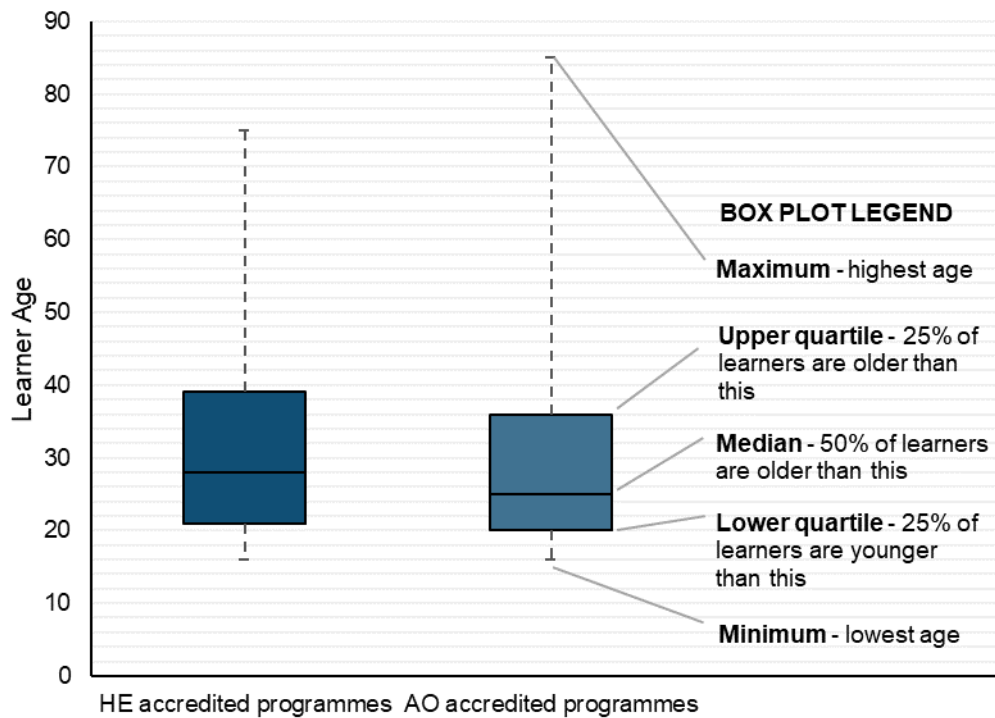
Where learner demand for L4-5 qualifications has remained strong, it has been where the L4-5 qualification provides what is widely considered to be a licence to practise or a demonstration of the competences needed for a job. Providers and AOs reported that demand for L4-5 provision in accountancy, marketing, HR and healthcare have remained strong as the qualifications were felt to provide a ‘fast track’ to employment.

5.3 Learner characteristics

5.3.1 Age profile

The mean age of learners undertaking L4-5 qualifications is 30, which is broadly consistent for AO and HEI accredited qualifications. As shown in Figure 12, there is a relatively narrow distribution of L4-5 learners. The lower quartile for both AO and HEI accredited qualifications is around the age of 20, while upper quartile is around the age of 40. This would be expected from qualifications undertaken by a high proportion of career changers and learners in employment.

Figure 12 Ages of L4-5 learners by type of programme accreditation

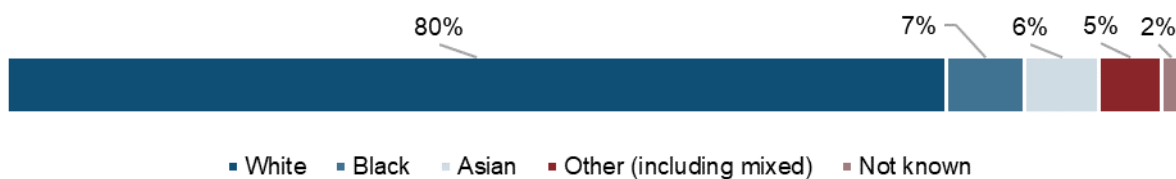


Source: ILR and HESA data, 2016/17

5.3.2 Ethnicity

Figure 13 shows that around a fifth (18%) of L4-5 learners are from ethnic minority communities. This is a higher than the proportion of people from ethnic minorities in the workforce (15%)⁴⁰ and also higher than the proportion of FE and HE learners from ethnic minorities (16%). The difference is statistically significant.

Figure 13 Ethnicity of L4-5 learners



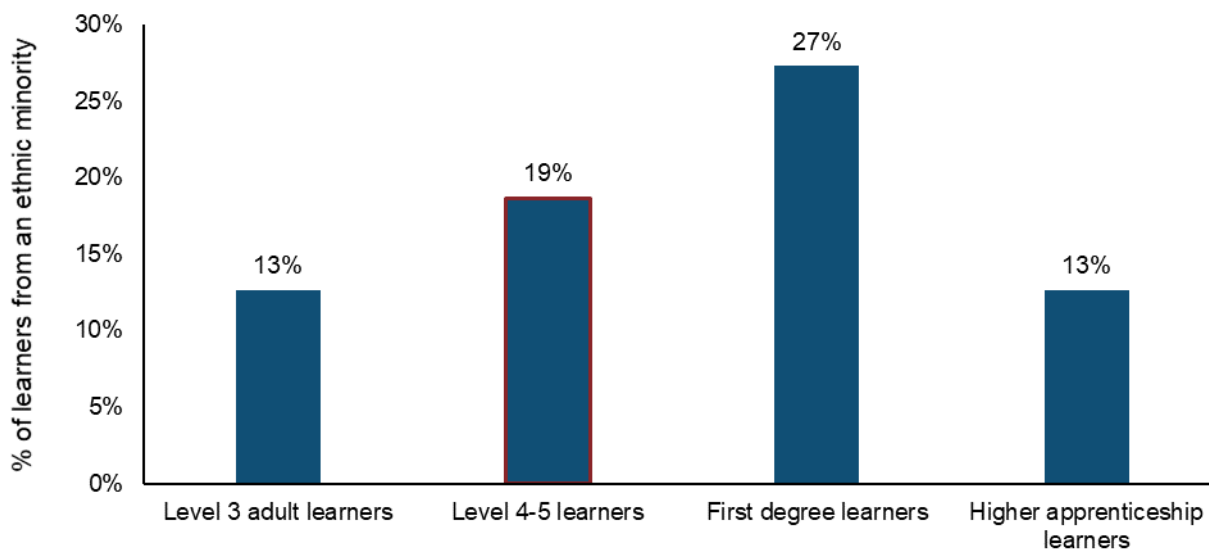
Source: ILR and HESA data, 2016/17

For further comparison, Figure 14 shows that the share of learners from ethnic minority backgrounds at L4-5 is higher than for level 3 adult (19+) programmes and higher apprenticeships. However, it is considerably lower than for first degrees, which is likely

⁴⁰ Annual Population Survey (APS) data 2016/17

to be higher in part due to the larger volume of international students attracted to study degrees in the UK.

Figure 14 Proportion of learners from ethnic minority backgrounds at L4-5 compared to other programmes⁴¹



Source: DfE further education and skills data for 2015/16; ILR and HESA data for 2016/17

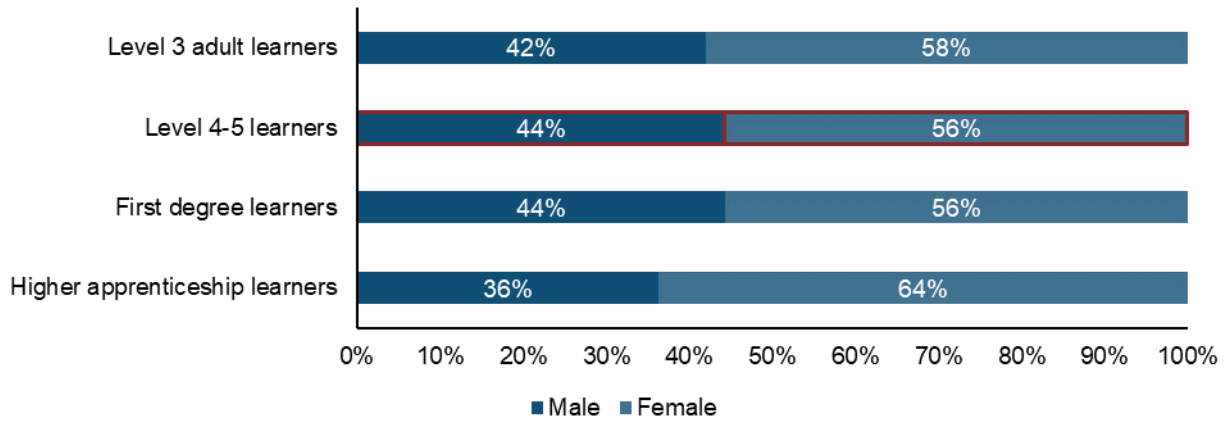
5.3.3 Gender

Around 56% of L4-5 learners are women, and 44% are men. Notably, the gender split differs between HE and AO accredited programmes. In HE programmes, around 61% of L4-5 learners are women, while in AO accredited programmes women comprised only 52% of all learners. This is likely to be due to differences in the subjects that these providers deliver.

As Figure 15 shows, this gender split at L4-5 is in line with learners on first degree programmes, and there is a higher proportion of men studying L4-5 qualifications compared to level 3 adult (19+) and higher apprenticeship programmes.

⁴¹ Percentages based on the total number of learners with a known ethnicity for each programme type in England.

Figure 15 Gender split of learners at L4-5 compared to other programmes⁴²

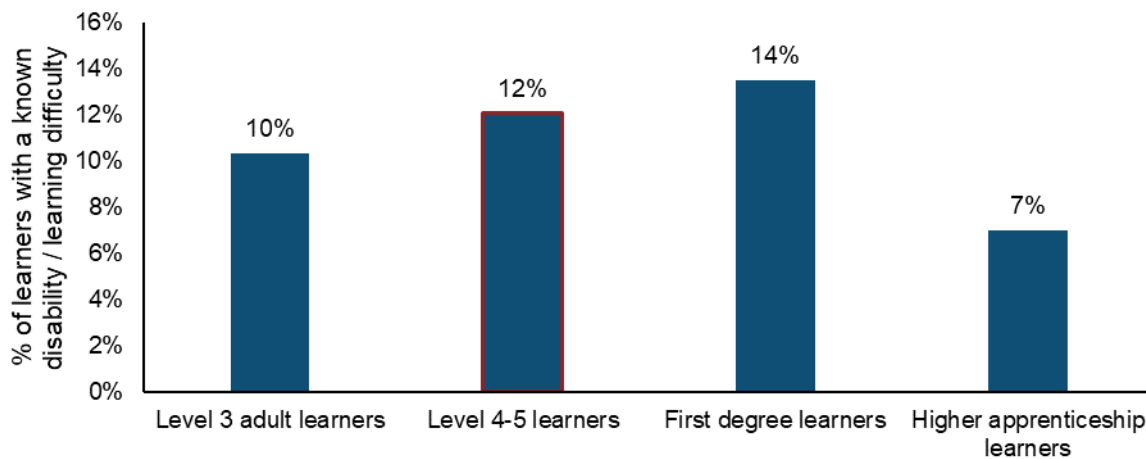


Source: DfE further education and skills data for 2015/16; ILR and HESA data for 2016/17

5.3.4 Disability

The proportion of L4-5 learners with a disability or learning difficulty is around 12%, and this figure is relatively consistent for AO and HE accredited programmes. As shown in Figure 16, L4-5 qualifications attract a higher share of learners with a disability or learning difficulty than level 3 adult (19+) programmes (10%) and higher apprenticeship programmes (7%), but slightly less than first degrees (14%).

Figure 16 Proportion of L4-5 learners with a learning difficulty or disability compared to other programmes⁴³



Source: DfE further education and skills data for 2015/16; ILR and HESA data for 2016/17

⁴² Percentages based on learners in England. Where learners were able to self-report a gender of 'other' this accounted for 0.03% or less of the total learners on each programme type.

⁴³ Percentages based on the total number of learners with a known disability/learning difficulty/health problem status for each programme type in England.

5.3.5 Prior attainment

Robust prior attainment data was only available for learners in FE. It shows that around half of L4-5 learners have a L3 qualification, and around 17% already have qualifications at L5 or higher. This corroborates what the provider and AO interviewees said which is that some L4-5 qualifications were undertaken by graduates because they were better recognised for particular job roles (such as accountancy).

A small proportion (11%) of L4-5 learners had qualifications below L2. In the qualitative interviews, providers reported that some employer focused programmes were undertaken by early school leavers who have subsequently developed skills on-the-job and undertake L4-5 programmes to build on and to have these skills recognised. This suggests L4-5 programmes in some cases play a role in supporting social mobility.

5.4 Completion and progression of L4-5 qualifications

This section draws on data from the HESA destination survey, and therefore only relates to learners on HE accredited programmes. The destination survey receives a response rate of over 70%, which means it can be extrapolated for the population of HE L4-5 learners with a good degree of confidence.

5.4.1 Learner destinations

As shown in 0, the most common destination of L4-5 learners was to full-time work or further study. Overall, 39% of learners progressed to full-time employment upon completing their level 4 or 5 qualification, while a further 26% progressed to full-time study and 27% did a mix of part-time work and/or study. This largely reflects the perceived 'dual aims' of L4-5 qualifications. Only 3% were unemployed.

A larger share of learners who studied part-time went on to full-time employment upon completing their qualification (50%) compared to learners studying full-time (31%). One reason for this is likely to be that many part-time learners are also in some kind of employment during their studies.

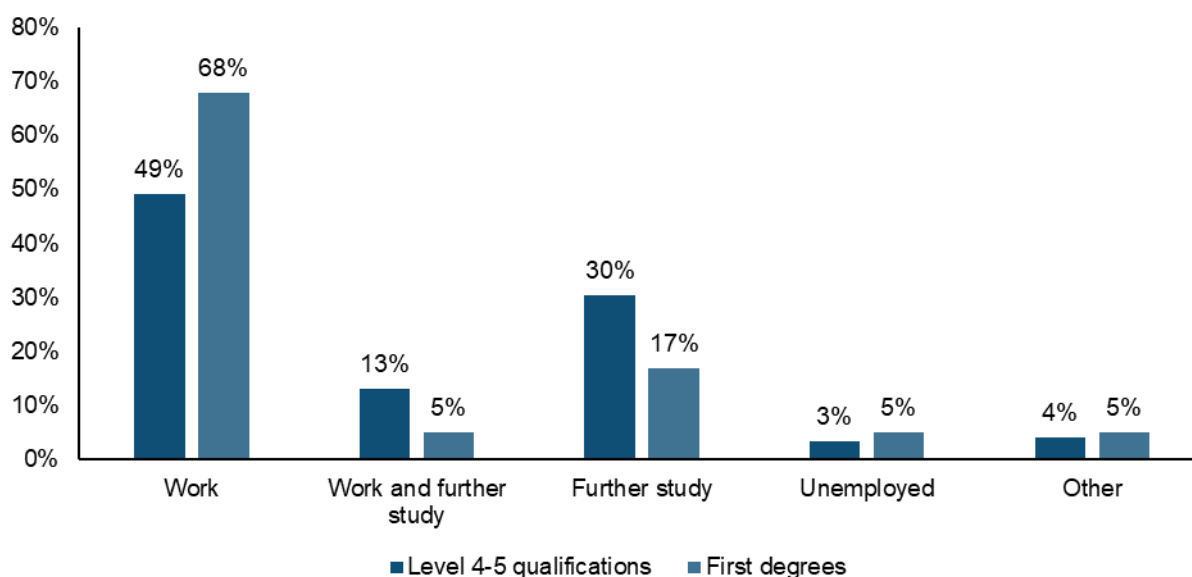
Destinations of L4-5 learners by mode of study

Learner destination	L4-5 learners who studied part-time	L4-5 learners who studied full-time	All L4-5 learners
Due to start work	<1%	<1%	<1%
Full-time work	50%	31%	39%
Part-time work	10%	10%	10%
Primarily in work and also studying	10%	4%	6%
Primarily studying and also in work	6%	8%	7%
Full-time study	10%	37%	26%
Part-time study	7%	2%	4%
Unemployed	2%	4%	3%
Other	4%	4%	4%

Source: HESA DLHE data 2015/16

As shown in Figure 17, learners studying L4-5 qualifications are less likely to progress to full-time work than learners that have completed first degree programmes (49% for L4-5 compared to 68% for first degrees). However, L4-5 learners are more likely to progress to further learning (30% compared to 17%).

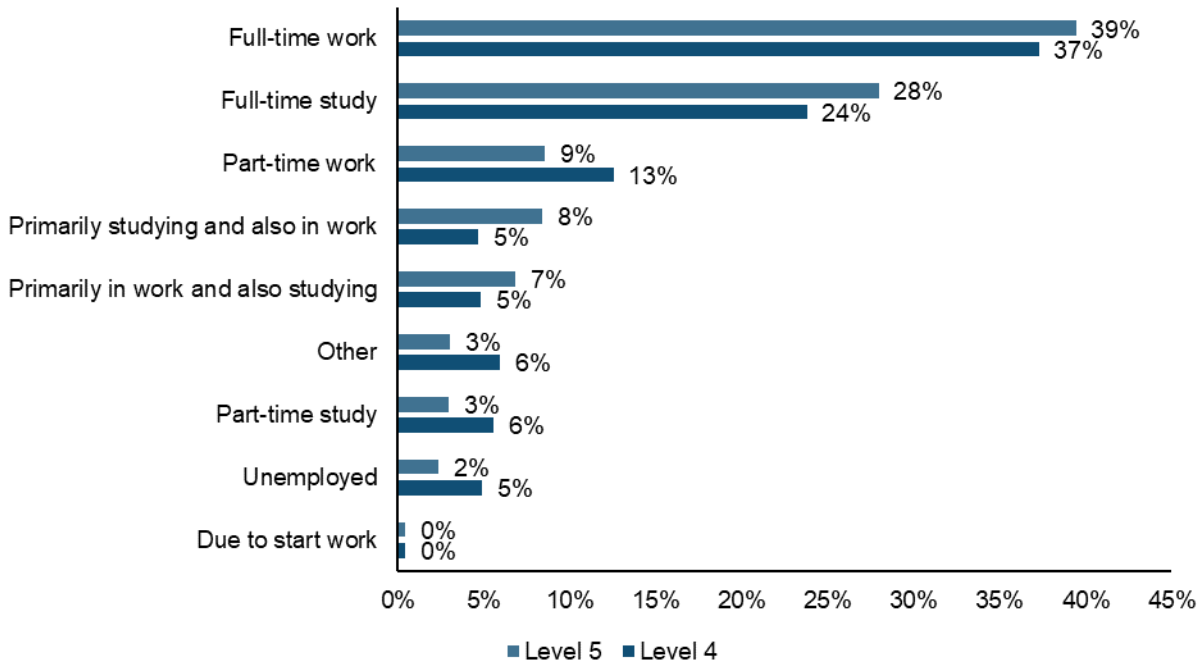
Figure 17 Destinations of L4-5 learners and first degree learners



Source: HESA DLHE data 2015/16

As might be expected, there are some differences in learner destinations by qualification level. Learners completing L5 qualifications were slightly more likely to progress to full-time employment or study and less likely to be unemployed than those completing qualifications at L4 (see Figure 18).

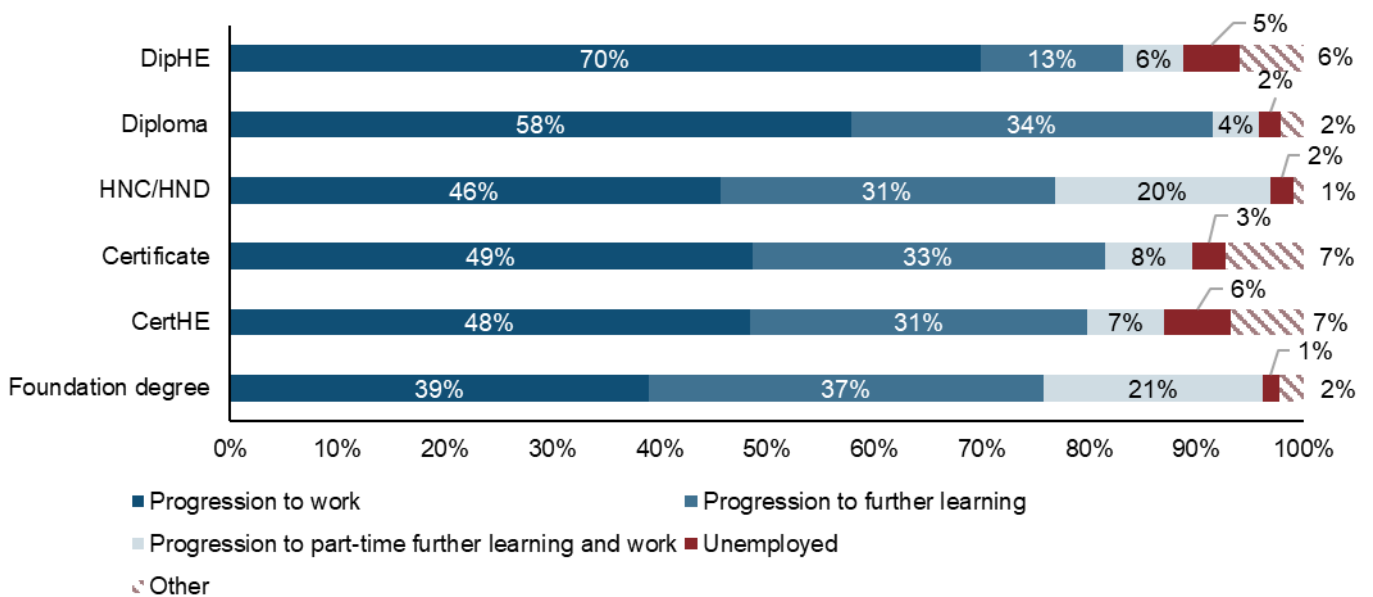
Figure 18 Destinations of L4-5 learners by qualification level



Source: HESA DLHE data 2015/16

The destinations of learners does however vary considerably by the type of programme they completed and the subject area of their course. As shown in Figure 19, more than two thirds of learners undertaking a DipHE progressed into employment, as did over 46% of HNC/D learners. In contrast, less than two fifths of learners on foundation degree qualifications progressed to employment. This may reflect that for these programmes more learners undertaking them progress to a top up course in order to gain a degree.

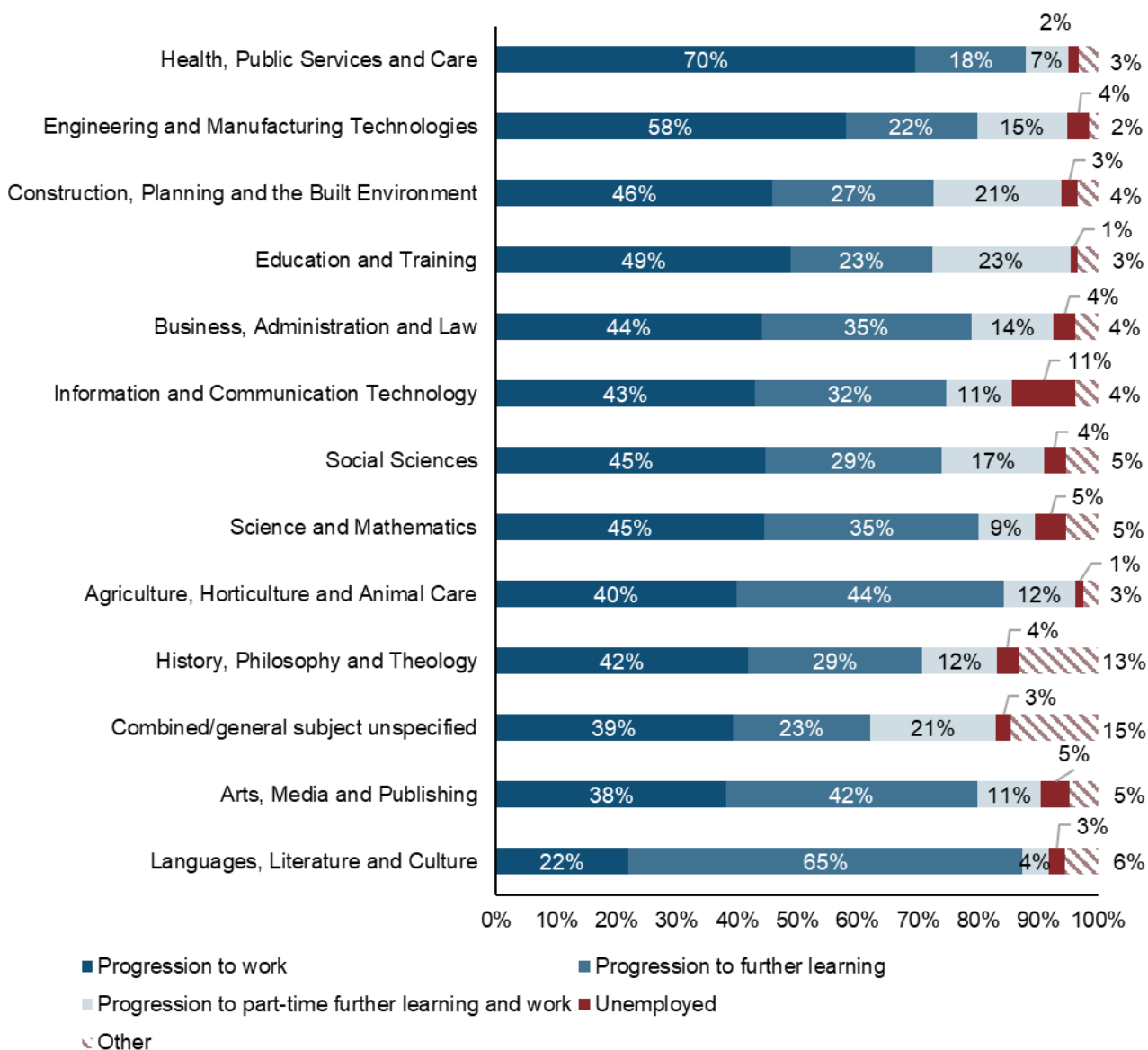
Figure 19 Destinations of L4-5 learners by qualification type



Source: HESA DLHE data 2015/16

There was also considerable variation in outcomes based on the subject area that learners studied in. Figure 20 shows that 70% of learners on health, public services and care programmes; and 58% on engineering and manufacturing programmes progressed into employment. In contrast, less than a quarter of learners on languages, literature and culture courses progressed to full-time employment.

Figure 20 Destinations of L4-5 learners by sector subject area studied



Source: HESA DLHE data 2015/16

5.4.2 Starting salaries

As shown in Figure 21, the starting salaries of learners completing L4-5 qualifications in 2015/16 was £27,693 for full-time employment and £12,902 for part-time employment. Learners completing level 5 qualifications went on to achieve higher full-time salaries

than level 4 learners. Data on Longitudinal Education Outcomes⁴⁴ found that middle-attainment GCSE learners achieve similar median salaries for L4-5 qualifications as they would from degrees (£21,900 compared to £22,500) by age 26.

Figure 21 Average starting salary of L4-5 learners by qualification level



Source: HESA DLHE data 2015/16

5.5 Recognition and quality of L4-5 qualifications

In the qualitative interviews providers and AOs reported that the recognition of L4-5 qualifications varied significantly by sector. In sectors that have traditionally experienced skills shortages (health) or where a high proportion of individuals commonly enter the sector with L2/3 qualifications and progress to senior management or professional roles (construction, manufacturing and engineering and retail) the qualifications are recognised as an alternative pathway to employment or as CPD necessary for promotion.

The main benefit of the qualifications in these sectors was reported to be that they provide a theoretical background that underpin learners' practical skills. This was particularly valuable for sectors such as engineering, where learners need to develop more theoretical skills if they are to progress to roles in system design and/or in research and development. Here a key strength of the qualifications is that they are delivered flexibly (one day release a week) and most can be completed within a year.

There also remain some sectors where L4-5 qualifications are treated as a licence to practise (education and training, some healthcare occupations and accountancy). Here

⁴⁴ Department for Education (2018) *Post-16 Education: Highest level of achievement by age 25*. Available at: <https://www.gov.uk/government/publications/post-16-education-highest-level-of-achievement-by-age-25>

the qualifications also have significant value as they are considered to reflect industry needs. These qualifications are often undertaken by learners with degrees to enter particular sectors as well as learners who are progressing.

L4-5 qualifications were felt to be less recognised in sectors where there is an oversupply of new entrants (creative industries, ICT, and for some business roles). Here there was perceived to be 'qualification inflation', where a high number of applicants for new jobs means that employers tend to sift out candidate that do not have a degree. This in part reflects that the qualifications may not match particular job roles, particularly when the subject is relatively broad, such as business administration. However, for sectors such as creative industries and ICT they are felt to provide the practical skills that enable individuals to demonstrate their competence at job interviews or practical demonstrations and enable them to work part-time or as freelancers.

6 Conclusions and recommendations

This chapter brings together the findings from the study to compare the performance of the L4-5 qualification and provider market to an effective market. This is based on examining the structure, conduct and performance of the market and comparing it to what guidance from the CMA indicates are the characteristics of an effective market. The chapter then presents recommendations on the future focus for DfE to support the market.

6.1 Conclusions




This section presents a summary assessment of how various elements of the L4-5 market function and their strengths and weaknesses. Each element is broadly assessed, and colour-coded, as follows:


- **Generally effective** [O], **green**. This is where the supply-side of the market is operating in a way that reflects what would be expected from an effective market. In the areas where the market is generally effective if there are no major issues that are likely affecting learner choice or the responsiveness of the market to learner and employer demand.
- **Partially effective** [O], **yellow**. This is where the market exhibits some characteristics that are effective, but there are some areas where it could be improved.
- **Not effective** [O], **red**. This is where there are potential risks in the way the market operates which may be restricting the supply of provision or the quality of L4-5 qualifications.

It is important to note that there is no such thing as a 'perfect' market. All markets having strengths and weaknesses, of which only a few are likely to have a major impact on consumers. Moreover, even when the supply-side of the market is working effectively, there can be demand side factors, such as a lack of consumer demand, which can affect the effectiveness of the market.

6.1.1 Market structure

Assessment of the market structure

Performance metric	Characteristics of an effective market	Rating	Strengths and weaknesses
Ease of entry, exit and expansion	There should be few barriers in place for new entrants to operate in the sector, which encourages competition. There should also be few barriers to exit which encourages individuals to innovate and should allow good providers to expand their offer	 Green	Strengths: Clear and not overly burdensome requirements for becoming an AO or for a provider to become an AO approved provider; relatively straightforward for HEIs and FE colleges to develop new programmes and expand their offer. Weaknesses: providers that do not have FDAP or DAP status are not always able to identify HE providers to partner with to deliver HE programmes.
Scope for differentiating products	There should be sufficient scope for providers to differentiate their product, which encourages providers to innovate and improve their products	 Green	Strengths: AOs are able to differentiate their products by the support they provide and the quality of assessment materials. Providers distinguish their offer based on the quality of the teaching and support, their facilities and their assessment approach. Weaknesses: AOs have scope to vary the content of L4-5 qualifications, but AOs reported convergence in content as they have historically been based on national occupational standards. While this may limit differentiation, it does help ensure that qualifications reflect sector needs and there is little variation in the standards that learners achieve.
Market concentration and coverage of L4-5 qualification providers	There should be a broad range of organisations supplying products, so that one organisation or a group of organisations do not have a dominant position that leads to non-competitive behaviour. The only exception is when the market is too small to support a range of organisations to operate efficiently in the market	 Yellow	Strengths: In markets where there is a high volume of learners (business, administration and law; health, public services and care; and education and training) there are a good range of AOs and HEIs with no AOs having more than a quarter of the market. Some smaller markets (agriculture, ICT and leisure and tourism) have few AOs. Overall there is a diverse range of qualifications available. Weaknesses: Construction sector has relatively few AOs, with one AO having a high market share; engineering and ICT subject areas have one dominant provider; some HEIs have withdrawn from the market, which further limits choice.

Performance metric	Characteristics of an effective market	Rating	Strengths and weaknesses
Market concentration and coverage of L4-5 providers	As above	 Yellow	<p>Strengths: Overall there are a range of L4-5 FE and HEI providers in each region. By subject area there is a wide choice of providers delivering qualifications in arts, media and publishing; business, administration and law; health, public services and care; and education and training in each region.</p> <p>Weaknesses: There are relatively few providers delivering construction and engineering qualifications in some regions and few L4-5 providers in the North East and East Midlands delivering some subject areas.</p>

Key strengths and weaknesses

The structure of the L4-5 market quite effective.. The key strengths of the market are:


- The market is relatively easy to access. New AOs are able to undertake a relatively transparent process for becoming an approved AO, and then can apply to deliver new qualifications. HEIs, FE providers with DAP/FDAP and existing AOs believe it is relatively straightforward to develop new qualifications, as this mostly relies on evidence of employer support. Consequently, they generally believe they are in a position to be responsive to provider or employer needs where they agree there is sufficient demand for new qualifications.
- It is relatively straightforward for providers to deliver L4-5 qualifications. Providers only need to apply and meet the quality assurance requirements of AOs or HEIs in order to deliver new qualifications. Learners can access loans for L4-5 programmes delivered by private training providers as well as FE colleges and HEIs, which provides opportunities for new entrants
- For some subject areas, and particularly those with high take up (business, administration and law; education and training; health, public services and care), there are a broad mix of AOs operating in the market and no AO has over a quarter of the learner market. The HHI index suggests this is an appropriate concentration for these subject areas.
- There is a diverse range of L4-5 providers in each region. For most subject areas, there are at least 10 providers that provide qualifications in a particular subject area. Additionally, there are other providers that could deliver L4-5 provision in new areas if there was sufficient learner or employer demand.




In terms of weaknesses, the ease with which AOs can develop new qualifications has resulted in there being a broad range of over 3,000 L4-5 qualifications. This diverse landscape could make it difficult for learners and employers to understand the benefits of particular qualifications, and could result in some learners undertaking L4-5 qualifications that have less value in the labour market.




In construction, ICT, engineering, and arts, media and publishing, there are a high volume of learners but relatively few AOs providing qualifications in the area. Some of these sectors are dominated by 1-2 AOs, which could be discouraging new entrants and may mean that existing AOs have little incentive to enhance the quality of their qualifications.

6.1.2 Market conduct

Assessment of market conduct

Performance metric	Characteristics of an effective market	Rating	Strengths and weaknesses
Policies and funding support the market	Policies and funding should support take up while not adversely affecting organisational behaviour and capacity to respond to customer demand	 Yellow	<p>Strengths: Funding available to learners largely through loans. In HE and FE, the same funding rules apply for L4-5 qualifications as they do for other HE or FE programmes.</p> <p>Apprenticeship reforms, most notably the apprenticeship levy, are stimulating developments as the funding is seen as an opportunity for providers to expand their offer. Some providers see L4-5 provision as a priority as it supports providers to widen participation, retain learners and encourages progression to further learning. AOs develop L4-5 qualifications to ensure they have a comprehensive sector offer.</p> <p>Weaknesses: HEIs have an incentive to deliver degree programmes rather than L4-5 programmes as they are more profitable because they operate with larger class sizes. Some also feel learners are more willing to pay higher fees for degrees as they are perceived to have higher value in the labour market, despite their being little difference in the cost of delivering degree and L4-5 programmes. There are no specific policy drivers for FE providers to deliver L4-5 programmes. Outside developments for higher level apprenticeships, little fully-</p>

Performance metric	Characteristics of an effective market	Rating	Strengths and weaknesses
			funded/subsidised provision is available, which means there is no financial incentive for learners to undertake these qualifications over other learning programmes. As a consequence, some FE and most HE providers do not regard L4-5 programmes as a priority.
Responsiveness of the market to learner and local area needs	Organisations have effective systems to respond quickly to customer needs	 Yellow	Strengths: Most AOs and FE providers regard L4-5 provision as important and are therefore willing to invest in new programmes and their revision. AOs and HEIs are quite reactive to sector legislation or policy drivers. AOs will develop qualifications when employers fund the development costs. FE providers and HEIs also work with local employers and LEPs to develop programmes. Weaknesses: AOs and HEIs have difficulty responding to provider demand where the number of learners that would take the qualifications are low. Some HEIs and a few FE providers do not regard L4-5 as a priority. Time scales for bringing new or changed qualifications to market can take longer than a year except where an HEI or an FE provider with DAP/FDAP is developing a qualification to deliver itself.
Effectiveness of qualification development and revision	Organisations should have efficient systems in place to develop and revise products based on customer needs	 Green	Strengths: AOs and HEIs generally employ a systematic methodology for developing qualifications, which includes consultation with employers, providers and sector stakeholders. Costs of development and revision are low, which means they do not present a significant barrier to developing new qualifications. Weaknesses: AOs and HEIs can be slow to respond if there is a low level of demand where the return on investment is not clearly apparent.
Efficiency of programme delivery	Organisations should be able to provide services efficiently to ensure they provide good value-for-money	 Yellow	Strengths: Costs and resources for delivering L4-5 programmes are not prohibitive, as most providers can use existing facilities and tutors to deliver the programmes. Assessment is not overly burdensome, irrespective of whether the qualification is accredited by HEIs or AOs.

Performance metric	Characteristics of an effective market	Rating	Strengths and weaknesses
			<p>Provision is largely delivered in a way that is accessible and marketed well to large employers and potential learners, and, in FE, to existing learners. FE programmes cost less and can run with fewer learners than HEI programmes.</p> <p>Weaknesses: In FE many programmes are developed to provide a progression route to existing learners, with little marketing to adults and employers. FE providers can experience difficulties in attracting teachers with the skills and experiences to deliver L4-5 qualifications, particularly in STEM subjects. HEIs can experience difficulties in identifying teachers with the interest or skills to deliver more practically-orientated programmes.</p>
Competition between market - providers	Organisations compete in a way that raises quality, encourages innovation and keeps down fees	 Yellow	<p>Strengths: Providers compete in terms of the support they can offer learners to help them achieve their qualifications, as well as their facilities and the convenience of provision. There is some competition in price between FE and HE providers, with FE providers offering lower fees to attract learners.</p> <p>Weaknesses: In some areas there is little competition on price, with most HEIs offering the same fees for similar L4-5 programmes. There are few examples of quality metrics influencing learner choice (e.g. level of progression to employment, employer recognition of the qualifications). Importance of reputation can also discourage new entrants.</p>
Competition between providers of qualifications in the market (AOs and HEIs)	As above	 Yellow	<p>Strengths: AOs and HEIs compete through the quality of support they offer and the perceived relevance and reputation of the qualifications. This helps drive improvements in quality.</p> <p>Weaknesses: Limited competition by price, but this is not a major issue as AO and HEI costs make up a small proportion of providers' overall delivery costs for a qualification.</p>
Information asymmetries	Providers and learners should have sufficient		<p>Strengths: Providers can review AO and HEI curricula, and make informed decisions</p>

Performance metric	Characteristics of an effective market	Rating	Strengths and weaknesses
(supply-side)	information to make informed decisions on selecting AOs and courses.	Red	<p>on what are most appropriate for learners. Learners are generally able to receive information from providers on the L4-5 courses they offer. Providers generally distinguish and target their L4-5 offer in marketing to existing students.</p> <p>Weaknesses: Information available to learners to make informed decisions is likely to vary by provider. There is a perception among providers that learners and employers better understand and value degrees rather than L4-5 qualifications. Provider marketing of L4-5 qualifications is largely limited to existing students, with little evidence of wider promotion in local communities of the value of some L4-5 programmes in industry. Schools largely promote degrees and there is no single 'brand' for L4-5 qualifications, which inhibits promotion of L4-5 qualifications.</p>

Key strengths and weaknesses

The conduct of the L4-5 market in some areas matches up to an effective market, but there are some areas which are only partially effective. The strengths are:

- Some providers and most AOs are taking steps to improve and expand their L4-5 programmes, despite it being a relatively small part of their overall offer. For most AOs, there is a drive to ensure they can offer a full-suite of sector qualifications from L1-5, as this demonstrates their sector expertise and can be more appealing for providers, as curriculum leads only have to use one AO which is more efficient and can improve progression. For providers, some reported it supported their agenda for widening participation in learning and some said it met LEP priorities.
- In both HE and FE, the same funding rules apply for loans for L4-5 qualifications as they do for other HE or FE programmes. The use of loans means that learners ought to make value-based judgements on whether the programme provides a sufficient return on their investment. As a consequence, they are more likely to make informed choices.
- The introduction of the Apprenticeship Levy is also stimulating developments in L4-5, as it provides a financial incentive for providers to upskill their workforce. Many providers have developed plans to expand their L4-5 offer so they can take advantage of this potential demand, as many L4-5 qualifications can be delivered as part of the main learning in an apprenticeship framework.

- Providers and AOs are generally responsive to new policy and legislative drivers that could create demand for particular qualifications. New programmes in health and education and training have largely been in response to this. AOs also reported that they are responsive to employers, with the study also identifying some examples of employers funding the development of new qualifications.
- AOs are also able to articulate a range of quality measures that they use to compete with other AOs. This includes the recognition of the qualifications by industry and also the quality of the support that they offer providers. This encourages further innovations and developments in this field, which should ultimately improve standards. AOs do not generally compete by price, but this is understandable given their fees comprise only a small proportion of providers' overall delivery costs for L4-5 provision.
- Providers compete on facilities and the quality of support they provide learners, which raises standards. For FE providers there is a strong incentive to support L4-5 learners to achieve, as this means they can then progress to further provision in their organisation. Most FE providers seem to recognise that this support is a key selling point along with providing courses which can lead to degrees for learners without them having to move from home/travel long distances. FE providers also charge lower fees than HE providers, reflecting that they have lower overheads, which also means learners have the choice of undertaking lower cost L4-5 provision.

There are, however, some aspects of the market which work less well. A key limitation is that AOs are generally reluctant to deliver qualifications in some areas where there is likely to be low demand for learners. This can create gaps in the market. Some providers reported difficulties in finding an organisation willing to develop a new qualification that they felt reflected a local need. Some providers, and particularly HEIs, also do not regard L4-5 provision as a priority, given it is a small part of their overall offer.




There is also limited competition on price between HEIs, with most offering similar fees. HEIs argue that this is because the overheads for delivering L4-5 qualifications are similar to degrees. However, it does not provide downward pressure for HEI providers to reduce fees to levels charged by FE providers.



The importance of reputation in informing providers' choice of L4-5 qualifications may also present challenges. While it is a positive that some AOs' qualifications are widely recognised by industry, it may discourage new entrants from entering the sector as they would have difficulty competing with more established qualifications. This could be why there are so few AOs offering construction and engineering qualifications, for example. Additionally, it does not create an environment where AOs are encouraged to improve quality and innovate in order to increase their market share.

In terms of information asymmetries, the information providers give on L4-5 provision is mostly targeted at their existing students. There is little wider promotion of the benefits and industry recognition of particular L4-5 qualifications. Providers also reported that schools and HEIs do not promote L4-5 qualifications to the extent they promote degrees. They may not draw out the benefits of L4-5 provision compared to other learning programmes for potential learners, which is further compounded with the diversity of qualifications meaning there is no clear L4-5 'brand'. There is a need for more research to understand the information that learners receive and the reason they choose to undertake a L4-5 or other learning programme, and the information they received which informed their choice.

6.1.3 Performance

Assessment of market performance

Performance metric	Characteristics of an effective market	Rating	Performance of the L4-5 qualification and provider market
Volume of learners undertaking L4-5 provision	There should be sufficient learners undertaking L4-5 programmes to meet demand	 Red	Strengths: The market is worth around £700-£850m per year. Most learners and employers value provision sufficiently to self-fund, either directly or through loans. Weaknesses: The number of learners undertaking L4-5 provision makes up a small proportion (less than 3%) of FE and HE learners.
Coverage of learners undertaking L4-5 provision	There should be a wide range of customers benefiting from a service, and the take-up should reflect potential demand	 Yellow	Strengths: The proportion of L4-5 learners broadly match each region's share of the UK workforce. There is considerable take-up of the different types of L4-5 programmes (foundation degrees, diplomas, HNC/Ds). Weaknesses: Only about two thirds of L4-5 providers deliver L5 qualifications, despite L5 programmes making up over half of L4-5 learners. In contrast, nearly all L4-5 providers deliver L4 programmes.
Demographics of learners	The learners accessing L4-5 provision should reflect the characteristics of society	 Green	Strengths: L4-5 programmes are undertaken by a higher proportion of ethnic minorities and learners with disabilities than most other FE and HE provision. There is also a better representation of men compared to L3 and higher apprenticeship programmes. Providers reported that L4-5 programmes widen access to people from lower socio-economic groups. Weaknesses: None.

Performance metric	Characteristics of an effective market	Rating	Performance of the L4-5 qualification and provider market
Completion and progression of L4-5 learners	A high proportion of learners should complete L4-5 programmes and either continue to further learning or obtain employment which matches their qualification	 Yellow	<p>Strengths: Around 38% of L4-5 learners on HE accredited programmes progressed to employment and 26% progressed to further learning. Only 2% of L5 learners and 5% of L4 learners did not progress to a positive destination. Mean starting salary of L4-5 learners is high (over £27,000 for those progressing to full-time employment). Middle-performing GCSE students that have undertaken L4-5 qualifications have similar median salaries at 26 years of age than those who undertake degrees.</p> <p>Weaknesses: There is significant variation in positive outcomes by sector and type of qualification. Less than a quarter of learners on languages or arts media and publishing courses progressed to full-time employment. Fewer learners on foundation degrees progressed to employment.</p>
Recognition and quality of L4-5 qualifications	Provision should be recognised and valued by customers, employers and local communities	 Yellow	<p>Strengths: In some sectors, most notably construction, engineering and in leadership and management, L4-5 qualifications are recognised in industry as key qualifications to support employees' transition to new job roles. In sectors such as education and health they are also de facto or actual licences to practise.</p> <p>Weaknesses: In some sectors such as business, administration and law; the creative industries; and ICT, L4-5 qualifications are not widely recognised by industry. In these sectors the high demand for jobs and high number of applicants with degrees has limited the value of L4-5 qualifications for career entry.</p>

Key strengths and weaknesses

The market performance of L4-5 qualifications works well in some areas and less well in others. In terms of strengths:

- Generally, L4-5 provision support a diverse range of learners. A relatively high proportion of ethnic minority learners and learners with disabilities have undertaken L4-5 programmes. The qualifications also support a significant proportion of learners from industry that do not have a L3 qualification, and industry recognition

of some qualifications also means they are undertaken by some learners with qualifications at L6 and above.

- In some sectors a relatively high proportion of learners progress to employment or further learning. The starting salaries of learners that gained full-time employment after completing a L4-5 qualification are relatively high.
- There is strong recognition of L4-5 qualifications in some sectors, particularly when they are linked to industry recognised skills requirements. There are also examples of the qualifications being considered an alternative route to train new sector entrants and as providing employees with the mix of practical and theoretical skills that they need to progress. In these areas, the demand for L4-5 qualifications was reported to have remained strong over the last five years.

In terms of what works less well, relatively few learners undertake L4-5 qualifications compared to other qualifications at L3 or L6. A key reason for this is a lack of learner demand, with most providers reporting that employers and learners better understand and better value degree programmes, and some are unaware of the value of some L4-5 qualifications that are widely recognised by industry. The market assessment found that supply-side factors are not significantly inhibiting demand, as most FE colleges and HEIs deliver L4-5 programmes and FE providers in particular run courses to relatively small groups of 8-12 learners as they are felt to provide learners with a progression opportunity.

In some sectors, there is also evidence that some L4-5 qualifications are not widely recognised by employers, despite being commonly undertaken by learners. This is particularly common in employment sectors where a large number of candidates with degrees apply for jobs that do not need L6 skills, which results in 'qualification inflation'. Providers reported examples of this taking place in business and administration and law; pharmaceutical technician and website design roles, where the occupations largely require higher technical skills and the volume of applicants exceeds the number of jobs.

In some sectors, most notably languages; arts, media and publishing; and ICT, a relatively low proportion of learners progress to employment or further learning. Foundation degrees and HNDs more commonly provide progression to further learning rather than directly to employment, compared with other L4-5 qualifications. However, while the qualifications themselves do not provide direct access to employment *per se*, they can play an important role in supporting less confident learners to take steps to gaining higher level qualifications.

There are also relatively fewer L4-5 providers delivering L5 provision, despite L5 provision comprising over half of all L4-5 learners. This indicates that learners have less choice in L5 provision.

6.1.4 Market failure

Based on the above assessment of the market, the key market failures identified are:

- The brand awareness is not strong for L4-5 qualifications overall, although some programmes are widely recognised in their industry. This in part is a result of the diverse landscape which gives the impression of a varied mix of programmes with different focuses and target groups;
- There is low demand for L4-5 qualifications, with more L3 learners increasingly progressing to degree programmes as they are perceived to be more widely recognised and valued than L4-5. This is despite L4-5 qualifications providing relatively higher average earnings and opportunities to learn without moving from home. This is likely due to information asymmetries among learners;
- The volume of demand for some prospective L4-5 qualifications can be too low for providers to develop new qualifications. Hence provision is more widely available in subject areas where there are high learner enrolments, even though in some, such as the creative industries and business, administration and law, they are not as valued by employers;
- There is a lack of a clear policy incentive for providers to deliver L4-5 qualifications and limited financial incentive for doing so. There is also little financial incentive for providers to undertake L4-5 provision;
- In some regions and sectors there is limited learner and provider choice for L4-5 qualifications. This in part reflects difficulties in providers identifying suitable HE partners, and in part is due to provider capacity to deliver higher level programmes with small cohorts of learners, which make the programmes uneconomically viable.

6.2 Recommendations

The study found many positive features of the L4-5 market, as well as areas of improvement. We therefore set out below areas that should continue to be supported and areas where action may be needed to address market failures.

What should be continued:

- Enabling access to HE student loans and ALL loans for L4-5 learners. These are an important driver of demand and create a market where providers need to be responsive to employer and learner needs.
- Allowing FECs to obtain DAP/FDAP status as this helps to accelerate the development of existing and new foundation degrees.

- Encouraging FE providers to enhance their facilities and expand their range and scale of provision of L4-5 qualifications particularly, but not exclusively, where HEIs are outside their journey to learn area or HEIs do not have such provision.

What they should start to do:

- Working with sector and professional bodies to support the promotion to providers and learners of L4-5 qualifications that are recognised by industry as career entry license to practise. Awareness of these qualifications can be low among learners, which reduces take-up.
- For other qualifications, encouraging HEIs and FE providers to ensure that L4-5 programmes act as stepping stones to degree qualifications. This includes incentivising HEIs to recognise L4-5 qualifications as providing exemptions from the first or second year of a degree programme and encouraging joint working with HEIs and AOs to harmonise content with degrees and L4-5 provision. These changes would support lifelong learning as it means that learners that have achieved a L4 qualification and subsequently gone to work in industry can then re-enter education to undertake a L5 and then a L6 qualification. It will also increase take-up of the qualifications.
- Identifying a branding which can promote the variety of L4-5 qualifications at a national level to complement the work of providers in promoting these qualifications in schools, colleges and employers, while challenge HEIs' promotion of full time degrees as the primary option for L3 learners wishing to progress to higher levels.
- Stimulating FE providers and HEIs to expand their L5 provision, as this appears to be provided less comprehensively than L4, despite having higher learner take-up. It may therefore be that there are potential gaps in the availability of provision at L5.
- Ensuring that the approval of qualifications for public funding requires AOs to demonstrate labour market relevance alongside support from employers.
- Removing from the funding register qualifications that have had no learner take-up in the last few years.

Annex 1: Market assessment framework

Measures	Sources
Structure	
Is there a diverse range of AOs and HEIs offering L4-5 qualifications and are all types of provider delivering the qualifications in all regions?	HESA and Ofqual data on L4-5 qualification certifications over last 5 years and trends. Qualitative analysis of the characteristics of AOs (size, type, sector scope). HESA and ILR data on the range, provision mix and geographical concentration providers delivering L4-5 qualifications, and Ofsted and financial data on their size and quality.
Is the AO market concentration appropriate to allow innovation, price-competition and encourage new entrants?	Ofqual data on accreditations per AO and HESA data on certifications per HEI, assessed using the Herfindahl-Hirschman index (HHI)
Is the provider market concentration appropriate to allow access by all potential learners (new entrants to labour market and existing employees) to L4/5 qualification training?	ILR and HESA data on the number and coverage of providers delivering provision for young people or career changers, and those that deliver provision targeted at the existing workforce. This will include examining the availability of provision within local markets, as defined by study to learn distances
Is entry, expansion (including mergers) and exit from the market for AOs and providers feasible? What are the barriers? How do HEI and AOs decisions affect FE providers?	Review of legislation for approved AOs, including Ofqual's <i>Criteria for Recognition</i> and <i>General Conditions for Recognition</i> . AO views on the ease of delivering L4-5 qualifications in new sectors or for new programmes Qualitative interviews of FE and HE providers on ease of developing L4-5 courses
Are there any barriers to delivering L4-5 qualifications?	Review of recent policy developments and interviews with providers and sector stakeholders
Are there any barriers (legislation, policies or funding) that inhibit the development of new L4-5 qualifications in subject areas without any/many such qualifications?	Review of policy developments related to AO and L4-5 provision and the response from the sector; qualitative interviews with AOs and providers
Is there scope for product differentiation between AOs and providers? Can innovation, quality and lower pricing be recognised?	Provider views on the factors that influence their decisions on the AOs or HEIs they use; secondary analysis of research on vocational qualification markets and provider behaviour. Provider views on the criteria they use to promote L4-5 qualifications to learners. AO view on how they 'sell' their qualifications to providers

Measures	Sources
Conduct	
Are providers and AOs effectively promoting L4-5 qualifications to new entrants and existing employees directly and through employers?	AO and provider interviews on their approach to promoting L4-5 qualifications. Views on how they respond to employer demand for particular qualifications, including any factors that determine whether provision is viable (e.g. minimum class sizes/provider interest, required employer facilities and resources [for in-work provision] geographical area they can support)
Are providers competing on price?	AO interviews on the determinants that influence pricing decisions. Provider interviews on how they decide on AOs and reflect AO costs in pricing courses. Provider views on the factors that influence the prices they quote employers and learners.
Are there other differentiations in providers' offer (course delivery features, flexibility, and assessment)?	Provider interviews on scope for matching different learner/employer needs
Are providers making informed decisions on the AOs or HEI franchise partner they select to provide L4-5 qualifications?	Provider and AO interviews to discuss factors that inform their decisions related to L4-5 qualifications
Is it straightforward for providers to change AOs or HEI franchise partner?	Provider views on the extent to which they change AOs or HEI franchise partner and the implications of doing so, including any financial or resource penalties
Are providers able to progress L4-5 learners to HE degree courses or higher apprenticeships?	Provider views on relations with HEIs and how they affect those who want to progress to a degree. Any examples of course module exemptions for learners that have completed L4-5 qualifications
Are there any constraints on choice such as shortages in the supply-side? How are these constraints resolved	Provider views on choice in the sector; including any, limitations in the quality and coverage of existing L4-5 provision. AO views on factors that inhibit their ability to offer qualifications in certain subjects
Do providers have all the information they require to make informed choices on the quality of AOs and HEI franchise partner	Provider interviews on their access and use of Ofqual QAA data; what other factors they consider when choosing AOs or HEI franchise partners
Are providers effectively engaging with local stakeholders and using local LMI to make informed decisions on the L4-5 qualifications they deliver	Provider interviews on the local intelligence they use to inform decisions on the qualifications they deliver; What other factors (legislative, policy, funding) affects their decisions

Measures	Sources
Are AO and provider interactions effective in determining the type and level of L4-5 qualifications?	AO views on the approach they adopt to maintain their qualification portfolio, including the role played by providers and other stakeholders. Provider views on how they respond to the need for new L4-5 qualifications
Are L4-5 qualifications effectively aligned, and add value to, other relevant qualifications, such as apprenticeships and degree courses?	HESA and ILR data and provider views on progression between L4-5 qualifications and other qualification programmes. Provider views on the common progression routes for learners undertaking particular L4-5 qualifications
Are provider delivery decisions over-influenced by the need to maximise funding?	Quantitative analysis of provider accounts to explore profitability made on existing provision, and whether there is scope to reduce margins Provider views on the importance of funding on the viability of programmes AO views on how funding driver influences their offer and demand for their qualifications
How might current or planned reforms affect the responsiveness of the FE and AO landscape? This specifically includes: - FE – T level reforms, funding conditions on English and maths, Area Reviews - HE – Office for Students, the new HE regulatory system, institutes of technology	Provider views and research on the sector response to T level policy and other developments, and its potential implication on L4-5 provision. AO views on the implication of T levels, and particularly the licensing model, on their investment in their current L4-5 offer.
Performance	
Is the performance of AOs and providers delivering L4-5 qualifications what one would reasonably expect?	Ofqual AO market report and data on the profitability and turnover of AOs and providers delivering L4-5 qualifications
Are sufficient providers delivering L4-5 qualifications to a high quality?	Analysis of ILR and HESA data on the number of providers delivering L4-5 qualifications and their geographical coverage, cross-references to Ofsted inspection grades and QAA inspection results
Are L4-5 qualifications effective?	Provider/stakeholder views on the relevance and quality of L4-5 qualifications for particular sectors; Qualification retention and success rates (from HESA and ILR data); learner destinations (from HESA Destination data), benchmarked against other qualification markets
Are the value and benefits of L4-5 qualifications clearly understood by learners and industry?	Provider views on general demand and perceptions of L4-5 qualifications and how they are promoted

Measures	Sources
Is the supply of L4-5 qualifications meeting learner and local area demands?	Provider and stakeholder views on whether the take-up of qualifications is in line with expectations; AO views on trends in demand, and the reasons for this. To what extent is L4-5 provision viewed as progression from L2/L3 and if not why not. Will development of T levels change this perception
Are L4-5 qualifications delivered to a broad cross-section of learners in terms of diversity and covering both new entrants and the existing workforce (age range)?	Analysis of ILR and HESA data on the characteristics of learners undertaking L4-5 provision, and how this compares to other HE or ILR programmes and the existing workforce
Are L4-5 learners progressing to further learning? Are they given credits expected for L4-5 achievements?	HESA destination data. Provider views on the progression from L4-5 to further learning, including how L4-5 qualifications affect access, admission and exemption of further learning programmes
To what extent do L4-5 qualifications support social mobility?	Analysis of ILR and HESA data to identify the extent to which the cohort of learners undertaking L4-5 qualifications are more diverse than those undertaking HE programmes at L6 and above. Provider and stakeholder views on the recognition of L4-5 qualifications in accessing high skilled job roles
Are AOs and HEIs providing a range of L4-5 qualifications that reflect the needs of all sectors?	Provider and stakeholder views on the quality, coverage and relevance of L4-5 qualifications for particular sectors
Are current legislative, policy and funding arrangements supporting the delivery of a high-quality, robust L4-5 qualification offer	Review of documentation related to recent policy developments and DfE/ESFA funding statements. Research on provide and AO response to recent or planned policy developments



Department
for Education

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Reference: DFE-RR911

ISBN: 978-1-78105-994-4

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