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# SPELLING IT OUT, MAKING IT COUNT

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## **Functional Skills**

qualifications and their  
place in **vocational training**

**A SUMMARY OF FINDINGS AND RECOMMENDATIONS**

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# Foreword

**BEN ROWLAND | CHIEF EXECUTIVE OFFICER, AELP**



Functional Skills qualifications were designed to give the opportunity to learn and demonstrate literacy and numeracy skills in vocational subjects in an applied way. Over time, however, the failure of the funding rate to keep pace with delivery costs - or indeed to change at all since 2014 - has now converged with the effects of reforms to content in 2019 that mean Functional Skills qualifications (FSQs) are now not serving their purpose. Many learners do not succeed with this approach, and a failure to pass FSQs (or sometimes even to attempt them) is one of the key reasons for apprenticeship achievement rates remaining lower than anyone would like. Despite this, FSQs remain an exit requirement for apprenticeships (the only such technical vocational qualification that does so). The 'double whammy' of being no longer fit for purpose and the imposition of a financial burden on providers undermines rather than supports what these qualifications are trying to achieve for learners, for employers and for the country.

“ *It is vital to ensure that we give learners every chance to learn and evidence their skills* ”

The overall picture this report paints shows a system that is not longer fit-for-purpose. It makes seven key recommendations that government and other stakeholders are urged to consider and implement without delay. This includes making the qualifications applied and contextualised (taking advantage of emerging AI technology to tailor sector-specific questions), remove the exit requirement for apprenticeships and to increase the funding to match actual average costs.

This is a timely and important piece of work that we were delighted to have supported by both the Gatsby Foundation and Edge Foundation, and has already triggered further work between us into the benefits of proper contextualisation in Functional Skills assessments. I would also like to acknowledge the help and support of the Association of Colleges, and the Institute of Employment Research at the University of Warwick, both of whom helped us immensely with the research and data collation for this project. Nobody is in any doubt about the central importance of a functional level of literacy and numeracy to the prospects of any individual in life and work. It is vital therefore to ensure that we give learners every chance to learn and evidence their skills in the best possible way, and it is clear that the way we go about this with Functional Skills qualifications is neither particularly effective nor viable. I am certain that the recommendations this report makes, if implemented in full and at pace, will measurably improve the impact that Functional Skills qualifications can have on life and work..



# Background to this research

Vocational skills providers have for some time questioned whether Functional Skills qualifications (FSQs) in English and maths are serving their purpose – to provide those with more practical and applied learning styles access to robust literacy and numeracy training to enable progress in life and their chosen careers.

Reforms to FSQ content in 2019 however appeared to converge the content of FSQs with GCSEs, increasing the proportion of non-contextualised questions being set meaning that teaching methods had to change accordingly. The perception amongst providers and learners alike was that FSQs had been made considerably harder to pass, demonstrated by a recent significant fall in achievement rates.

At the same time, funding for these qualifications remained static since 2014, leading to many questioning whether it is wise or viable to continue to deliver qualifications which no longer appear to serve the purpose for which they were intended. Yet not to do so would limit the choice of learners to acquire skills in the way best suited for them, compromising social mobility and limiting the ability to demonstrate occupational competence through apprenticeships in particular.

To explore this further, and with the backing of both Gatsby Foundation and Edge Foundation, AELP have brought together this extensive study of both the content and costs of FSQs to examine whether provider concerns are warranted, and if so, what could be done to remedy things. Alongside our partners at the Association of Colleges and Warwick University Institute for Employment Research, over six months in 2023 we conducted a range of interviews, focus groups and deep-dive quantitative analysis of the cost of FSQ delivery, to produce this report which proposes seven recommendations to improve the Functional Skills pass rates whilst maintaining their differentiation to traditional GCSE examinations.

This research demonstrates a number of key findings that shine a light on the truth of the widespread perception that FSQs have not only got harder to pass, but are no longer in line with their vocational intent and, moreover, have now become unviable:

- ▶ The difficulty of FSQs is largely unchanged as a result of the reforms in 2019, and yet pass rates have fallen.
- ▶ It appears that the increased lack of contextualisation in exam questions has led to a perception of increased difficulty, leading to increased disengagement by learners.
- ▶ At the same time, both apprentices and employers face challenges balancing Functional Skills training with other commitments due to their exclusion from off-the-job training rules.
- ▶ The majority of FSQs are delivered at a loss even before the cost of retakes are taken into account. Prior to January 2023, this could be as much as £440/qualification for FSQs taken within apprenticeships, which seems only to be in any way mitigated by enlarging class sizes and/or decreasing rates of face-to-face delivery.
- ▶ These losses are exacerbated by the fact that up to a third of learners taking FSQ need to resit them – with each resit incurring a further loss on average of up to around £35 for no extra funding.

The combination of these points has led to more providers and employers requiring English and maths qualifications to be held before even starting apprenticeship programmes, diminishing learner choice and adversely impacting on social mobility.

# We propose seven recommendations to help to improve this situation:

- 1 ENSURE THE DIFFERENTIATED PURPOSE OF FUNCTIONAL SKILLS IS MAINTAINED IN PRACTICE**  
FSQs should serve as practical, real-world alternatives to GCSEs, focusing on essential life and work skills.
- 2 INCREASE EXAM QUESTION CONTEXTUALISATION**  
Infusing real-world scenarios into exams motivates learners and enhances skills acquisition. Government and regulators should also proactively consider FSQ assessment methods in line with evolving AI capability.
- 3 REVIEW THE STRUCTURE AND SPREAD OF LEVEL 2 FUNCTIONAL SKILLS MATHS QUESTIONS**  
Intricate scenario questions should be broken down into multiple segments to enhance clarity and alleviate cognitive strain, using a range of topics to promote consistency and diminish the influence of luck, and fostering fair assessment for all learners.
- 4 PROMOTE DIVERSE ASSESSMENT METHODS AND IMPROVE RECOGNITION OF PARTIAL SUCCESS**  
Diversifying assessment methods, such as formative assessments and project-based evaluations, enhances proper evaluation of learners whilst accommodating diverse needs and strengths. Consideration should also be given to moving beyond a binary pass/fail system.
- 5 INCORPORATE ENGLISH AND MATHS COMPONENTS OF APPRENTICESHIPS INTO THE OFF-THE-JOB APPRENTICESHIP TRAINING DEFINITION**  
Training for FSQs should be allowed as part of off-the-job training within apprenticeships. This could include job-specific Functional Skills training during off-the-job training, supplemented by additional learning opportunities that specifically support the attainment of FSQs.
- 6 CONSIDERATION SHOULD BE GIVEN AS TO THE ROLE FUNCTIONAL SKILLS QUALIFICATIONS SHOULD PLAY IN THE AWARD OF APPRENTICESHIPS**  
Since their removal from T Levels in 2022, no other 16-19 programme of study requires maths and English qualifications as an exit requirement except apprenticeships. Other approaches merit consideration, including study towards literacy and numeracy qualifications as a condition of funding, or developing tailored English and maths programmes related to specific occupational scenarios.
- 7 UPRATE FUNDING FOR FUNCTIONAL SKILLS QUALIFICATIONS BY AT LEAST 10%**  
The funding rate for FSQs, unaltered since 2014, is insufficient to cover costs, even given the recent equalisation of apprenticeship rates with those in the Adult Education Budget. Had the full rate of £724 been increased in line with inflation (as reported by [www.microtrends.net](http://www.microtrends.net)) over this period, it would now stand at over £875. In the face of mounting losses in FSQ delivery an immediate 10% boost to £796 would at least cover the average actual costs of delivery. DfE should thereafter develop a consistent methodology that monitors the costs of delivery in relation to the funding allowed in order to properly inform future funding decisions for FSQs.

# What are Functional Skills?

Functional Skills qualifications (FSQs) in English and maths were first introduced in 2007 as part of a three-year pilot programme, and became more widely adopted over the early 2010s. FSQs up to Level 2 were designed to focus on the practical skills required for everyday life and work, as an alternative to more academic GCSE qualifications. By emphasising the development of essential skills for real-world applications, FSQs are designed to offer second-chance opportunities for those who may have previously not succeeded using traditional educational pathways. Due to their emphasis on real-world applications, FSQs are therefore particularly suitable for apprenticeships, for which English and maths at Level 2 are a mandatory exit requirement.

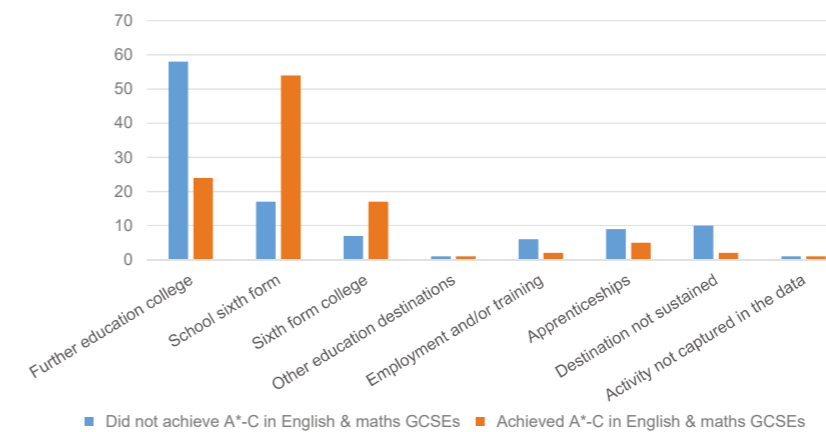
In 2018 the DfE announced plans to reform the FSQ maths qualification, the main purpose of which was 'to improve the relevance of these qualifications, thereby increasing their recognition, credibility and value in the labour market'<sup>1</sup>. The changes aimed to ensure that FSQs better met employer needs in terms of required knowledge and skills, thereby building the qualifications' recognition and credibility. Their applied nature also seemed to be recognised in these plans:

“Functional Skills often contextualise maths and English which helps learners apply these skills in real life work settings ... Many aspects of current FSQs are being retained questions will often continue to be based on everyday contexts and scenarios”<sup>2</sup>

# Who Takes Them?

There are notable characteristics amongst many of those taking FSQs. Figure 1 shows GCSE English and maths attainment by destination after Key Stage 4, and demonstrates that students who do not achieve GCSEs 4-9 (previously A\*-C) are more likely to take up Further Education (FE) college or apprenticeship routes than A Levels; hence, apprentices are more inclined to have previously experienced challenges, particularly in English and maths, in compulsory schooling geared towards GCSEs.

Figure 1: Destination in the Academic Year After Completing Key Stage 4, by GCSE English and Maths Attainment in 2014/2015



Source: Velthuis et al. (2018. p22)

Our focus groups of a range of providers from across the FE and skills sector told us they struggle to provide support to such individuals:

“Looking at the current state of Functional Skills, we are just expecting them to do in a very short period of time what they failed to do in 10 years of schooling.”

Logistics & Transport

“These are people that have probably not been to school at all [...] or have had a bad time at school.”

Land-based industries

<sup>1</sup> Department for Education (2018). Functional Skills English and mathematics subject content Government consultation response [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/684220/Functional\\_Skills\\_Reform\\_Consultation\\_Government-Response.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/684220/Functional_Skills_Reform_Consultation_Government-Response.pdf)

<sup>2</sup> Department for Education (2019). Functional Skills qualifications <https://www.gov.uk/government/collections/functional-skills-qualifications>

“If these young people were capable of achieving Grade 4 in GCSE and Level 2 in Functional Skills, why did not they do it in five years of maths and English support at 10-15 hours a week in school? We have got to take the point why these young people [deliberately] have not taken the academic route.”

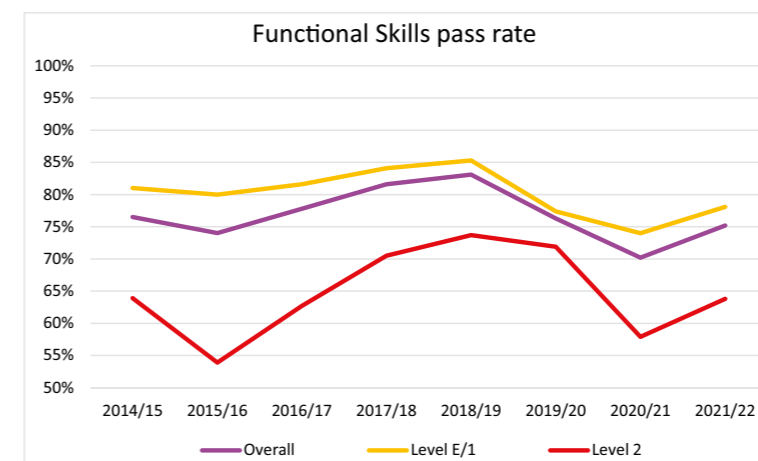
### Foundation & Functional Skills

Our literature review bore out their view that apprentices, often individuals with a prior history of struggling with English or maths during their schooling, are likely to perceive a higher level of difficulty when attempting to relearn these subjects. In particular, there can be serious challenges with attitude and motivation towards learning due to poor prior experiences and a perceived lack of consideration for their individual learning needs. As a result, GCSE maths in particular is commonly seen as an academic subject that ‘switched off’ learners.<sup>3</sup>

## How Have FSQs Performed?

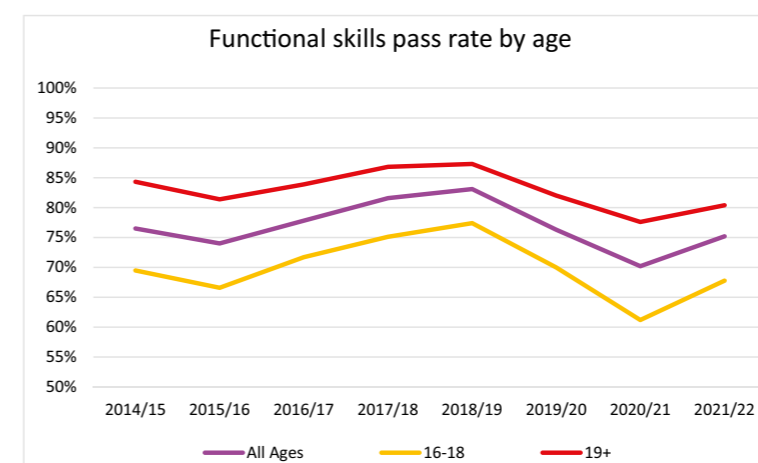
Since their introduction, FSQ pass rates have fluctuated, but notably witnessed a significant decline during the academic year 2020/21 from which they have not yet recovered (see Figure 2 and Figure 3). This clearly reinforced the perception of providers in our focus groups.

Figure 2: Pass Rate of Functional Skills by Level



Source: Created by AELP using data from GOV.UK. [online] Available at: <https://explore-education-statistics.service.gov.uk/data-tables/further-education-and-skills> & <https://www.gov.uk/government/collections/sfa-national-success-rates-tables>.

Figure 3: Pass Rate of Functional Skills by Age

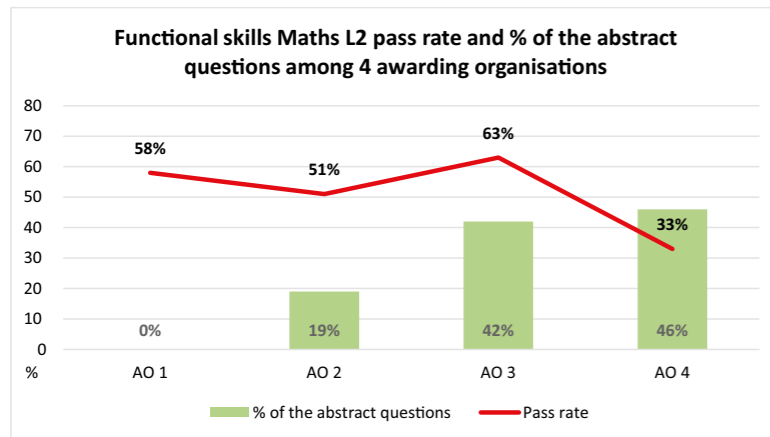


Source: Created by AELP using data from GOV.UK. [online] Available at: <https://explore-education-statistics.service.gov.uk/data-tables/further-education-and-skills> & <https://www.gov.uk/government/collections/sfa-national-success-rates-tables>.

<sup>3</sup> Education & Training Foundation (2014). Effective Practices in Post-16 Vocational Maths Final Report. [online] Education & Training Foundation. Available at: <https://www.et-foundation.co.uk/wp-content/uploads/2014/12/Effective-Practices-in-Post-16-Vocational-Maths-v4-0.pdf>

Our research found that the reforms introduced in 2019 made substantial alterations to test content, especially in mathematics, that incorporated significant levels of abstract and questions without context in a way that is now almost indistinguishable from GCSE (see Figure 4). This in turn has affected how FSQs are taught, raising the perceived difficulty of the qualifications and thereby demotivating and disengaging many who previously struggled with GCSEs.

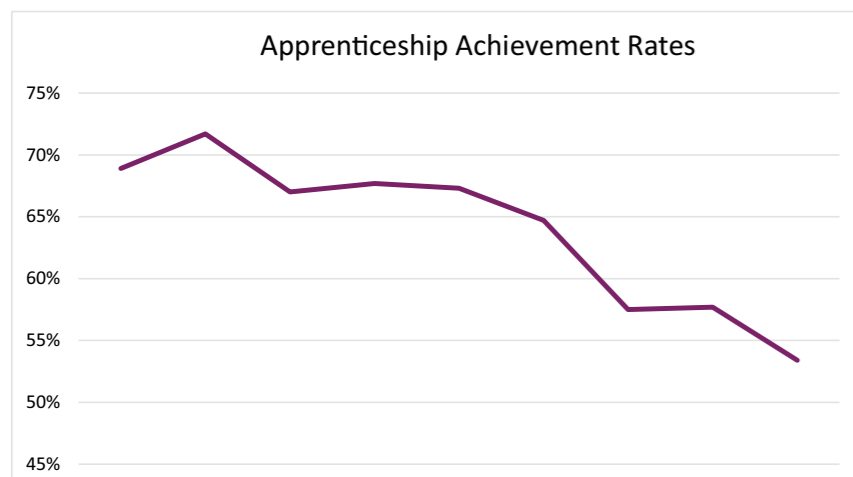
**Figure 4: Pass Rate for Functional Skills Maths L2 Across 4 Awarding Organisations**



**Note.** Created by AELP using data from GOV.UK. Explore Education Statistics. [online] Available at: <https://explore-education-statistics.service.gov.uk/data-tables/further-education-and-skills>

The mandatory apprenticeship exit requirement for qualifications in English and maths has compounded this issue, with recent research from AELP (2023) demonstrating that failure to complete these qualifications accounts for many of those who do not pass the apprenticeship gateway stage to end-point assessment. The failure to pass FSQs is therefore compromising the ability of many to demonstrate their occupational competence, even though their applied levels of English and maths may be completely appropriate. This continues to hold back completion rates for apprenticeships which remain low and generally on a downward trajectory despite a variety of initiatives to improve them (see Figure 5).

**Figure 5: Apprenticeship achievement rates since 2014**



**Source:** Created by AELP using data from Department for Education (2014). Statistics: national achievement rates tables. [online] GOV.UK. Available at: <https://www.gov.uk/government/collections/sfa-national-success-rates-tables>. and GOV.UK (2023). Apprenticeships and traineeships, Academic Year 2021/22. [online] [explore-education-statistics.service.gov.uk](https://explore-education-statistics.service.gov.uk). Available at: <https://explore-education-statistics.service.gov.uk/find-statistics/apprenticeships-and-traineeships>.

# The Impact of Unchanged Funding

Additionally, funding rates have remained static for many years. In 2014 it was decided that FSQs should be funded at £724 if taken on a standalone basis, but only £471 if taken as part of an apprenticeship. The rationale for this difference has never been clear. Had the standalone rate been increased in line with inflation over this period it would now stand at over £875.

As part of our research, Warwick University investigated detailed financial and other data from 11 providers of a range of types to examine whether funding rates of £471 (within apprenticeships) and £524 (on a standalone basis) were sufficient to cover the costs of delivery. The findings, outlined in Table 1, Table 2 and Table 3, were alarming.

**Table 1: Average cost of delivery of FSQs**

Type of provision	Functional skill	Minimum per learner	Maximum per learner	Average cost of delivery per learner	Average surplus/ (deficit) per learner <sup>1</sup>
Apprenticeship	English	£419	£1,243	£911	<b>£-440</b>
	Maths	£419	£1,154	£893	<b>£-422</b>
Non-apprenticeship	English	£404	£872	£744	<b>£-20</b>
	Maths	£404	£956	£763	<b>£-39</b>

**Source:** Warwick IER (figures rounded to nearest pound)

The costs of retakes compound these losses even further:

**Table 2: Additional marginal delivery cost of FSQ retakes per learner of FSQ retakes per learner**

Provision type	Functional skill	Minimum	Maximum	Additional average cost per learner per resit
Apprenticeships	English	£10	£46	<b>£19</b>
	Maths	£16	£46	<b>£35</b>
Non-apprenticeship	English	£26	£115	<b>£34</b>
	Maths	£22	£115	<b>£30</b>

**Source:** Warwick IER (figures rounded to nearest pound)

This needs to be correlated with the high rate of retakes required, with for example 44% of non-apprentices requiring retakes at maths:

**Table 3: Percentages of learners passing FSQs at first attempt**

Provision type	Functional skill	Minimum	Maximum	Average
Apprenticeships	English	19%	81%	65%
	Maths	7%	70%	45%
Non-apprenticeship	English	26%	86%	61%
	Maths	40%	70%	56%

**Source:** Warwick IER (figures rounded to nearest pound)

It is clear that apprenticeship providers have been incurring significant losses on mandated FSQ delivery for many years, which may go a significant way to explaining the current parlous state of many apprenticeship provider's finances. In late 2023 it was announced that from January 2024, the rate would be equalised at £724 both within and outside apprenticeships, but even then it can be seen that on average every qualification will continue to incur a loss of between £20-£39 that multiplied up across sometimes large cohorts, will be very significant and added to considering that up to around a third of learners requires resits, incurring extra costs of approximately £35 without extra funding.

## IN SUMMARY:

- Functional Skills qualifications are funded at £724 each.
- Yet on average, they cost £763 to deliver.
- If a learner resits just once, this on average adds a further £35 on to the costs for no extra funding.

**Therefore a learner requiring just one resit could, even at the equalised funding rates, on average incur a loss to the provider of up to £69, or just under 10%.**

## Where Now?

Our findings lead us to believe that FSQs in their current form, and at their current funding rate, no longer serve the purpose for which they were designed. We believe the reforms have undermined this intent, disadvantaging thousands of young people and adults in the process by diminishing choice of the way they can demonstrate their literacy and numeracy skills.

The seven recommendations we make need urgent consideration and implementation to help to improve this situation:


- Ensure the differentiated purpose of Functional Skills is maintained in practice
- Increase exam question contextualisation
- Review the structure and spread of Level 2 Functional Skills maths questions
- Promote diverse assessment methods and improve recognition of partial success
- Incorporate English and maths components of apprenticeships into the off-the-job apprenticeship training definition.
- Consideration should be given as to the role Functional Skills qualifications should play in the award of apprenticeships.
- Uprate funding for Functional Skills qualifications by at least 10%

It is clear that the country cannot sustain the rate of losses incurred in delivering qualifications that bear increasingly little relevance to the workplace scenarios they were designed to map to, in a way that unhelpfully blurs the line between academic and vocational learning styles, diminishing choice and opportunity for learners and diverging from employer workplace needs.

## CHANGE IS NEEDED, AND IT IS NEEDED NOW.





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