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Committee

Apprenticeships

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Business, Innovation and Skills Committee

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Summary

Last year, the Government invested £1.2 billion into the apprenticeship programme. The same year saw 457,200 people start new training as an apprentice. These figures demonstrate the significance and importance of the apprenticeship scheme to the UK economy. The skills development of our workforce is a key component of long-term sustainable economic growth. It is therefore vital that the apprenticeship programme is fit for purpose and delivers a workforce which reflects the needs of employers. In particular, the UK cannot be satisfied with only providing entry level apprenticeships. Together, Government, employers and schools need to be far more ambitious in expanding and delivering higher and advanced apprenticeships.

The Government has, rightly, made apprenticeships a priority. However, there remain areas of the apprenticeship programme which need reform. Our Report covers a wide range of issues relating to Apprenticeships including government policy, delivery and funding, the engagement of apprentices and employers, quality, value for money and objectives of the programme.

We support the significant increase in apprenticeships, but there is a risk that the rapid expansion may result in the programme becoming less focused. For that reason the Government needs to clearly articulate the overarching strategy and purpose of the apprenticeship programme. The introduction of a definition of apprenticeships would also ensure greater clarity within that strategy. In addition, the Government has to demonstrate value for money in the programme. As the Department acknowledged, there is insufficient data to inform decisions on where funds are best allocated. This needs to be addressed as a matter of urgency.

We also believe that the delivery programme is still too complex. The sheer number of organisations involved works against efficient allocation of funds. We argue that the Government should deliver a smaller and more efficient delivery system.

While we welcome the expansion in apprenticeship starts, the success of the apprenticeship programme should not be judged by numbers alone. At present, the National Apprenticeship Service's objectives are too heavily weighted on numbers. In the future, the quality of the programme should be seen as an equal priority, and should be assessed rigorously.

We also welcome the introduction of core transferrable skills into SASE, which have helped improve the quality of the programme. However, the development of functional skills should be a feature of, not a bar to, apprenticeships.

Apprenticeships should be an attractive option for school-leavers and we acknowledge that the Education Act 2011 requires schools to provide careers advice on apprenticeships. That said, there remains an underlying assumption that vocational training is only for those unable to take an academic route. This is wrong and must be changed. The academic route and the vocational route should be given equal prominence in careers advice. To address this inequity, we believe that the National Apprenticeship Services should be given statutory responsibility to raise awareness of apprenticeships within schools. The

educational system is also needs to change to reflect the importance of apprenticeships. We therefore recommend that schools be required to produce information on apprenticeship starts alongside the number of students entering higher education.

We welcome the development of alternative models of delivery including Group Training Associations and Apprenticeship Training Agencies. These are employer-led and therefore have the potential to address the skills shortage experienced by business. The National Apprenticeship Service should have responsibility for promoting ATAs, support the expansion of innovative models and delivery and to ensure that they deliver high-quality programmes.

1 Introduction

A brief history of apprenticeships

1. The history of apprenticeships in England goes back to the Middle Ages. One of the first documents attempting to set out the terms and conditions for training was the *Elizabethan Statute of Artificers* in 1563.¹ From this early formalisation of the master-apprentice relationship, the apprenticeship grew over the centuries. By the late nineteenth century, the scope of apprenticeships had spread from what was (at the time) more traditional trades such as construction, paper-making and printing to encompass emerging sectors such as engineering and shipbuilding. Apprenticeships today continue to reflect the emerging sectors in the economy such as retail, business and information technology. The most popular apprenticeship subject in 2010–11 was ‘customer service’.²

2. Governments have always had an interest in apprenticeships. However, as the National Apprenticeship Service (NAS) website explains, recent state involvement in apprenticeships has been variable:

The level of state intervention in this country has varied over recent decades, from levy-funded programmes via the industrial training boards in the 1960s and 1970s, to no support or intervention at all in the early 1990s.³

3. In 1994, the Government responded to concerns about skills shortages in the UK by announcing plans for a new apprenticeship scheme. Several elements of the ‘Modern Apprenticeship’ have since been reformed, but a focus on occupational competence has been a central theme. NAS states that changes and increased investment made by the Government since 1997 have led to “a major improvement in the number of Apprentices and in the quality of Apprenticeships”.⁴ In 2010–11, the total number of apprenticeship ‘starts’ was 457,200.⁵ The programme cost for the same period was approximately £1.2bn.⁶

Apprenticeships today

4. The National Audit Office (NAO) recently published a report on adult apprenticeships, in which it described the apprenticeship framework as follows:

Under the Programme, an apprentice performs paid full-time work while receiving training towards a framework of vocational qualifications.⁷

1 For more information on the history of Apprenticeships, see: <http://apprenticeships.org.uk/About-Us/History-of-Apprenticeships.aspx> [accessed 18 April 2012]

2 National Audit Office, *Adult Apprenticeships*, 1 February 2012, page 4

3 National Apprenticeship Service website, *History of Apprenticeships* [accessed 18 April 2012]

4 National Apprenticeship Service website, *History of Apprenticeships* [accessed 18 April 2012]

5 Quarterly Statistical First Release, Post-16 Education & Skills: Learner Participation, Outcomes and Level of Highest Qualification Held, 11 October 2012

6 National Audit Office, *Adult Apprenticeships*, 1 February 2012, page 14, figure 2

7 National Audit Office, *Adult Apprenticeships*, 1 February 2012, para s 1.1 & 1.3 (extracts)

Within this programme:

An apprenticeship framework is a package of training involving several components (all of which must be passed by the apprentice):

- a competency element, leading to a National Vocational Qualification (NVQ) or similar qualification, which assesses how well the apprentice performs a particular occupation;
- a knowledge element, leading to a qualification such as a diploma, which covers the theoretical knowledge required by an individual in a particular sector; and
- training in ‘key’ or ‘functional skills’, leading to qualifications in maths and English.⁸

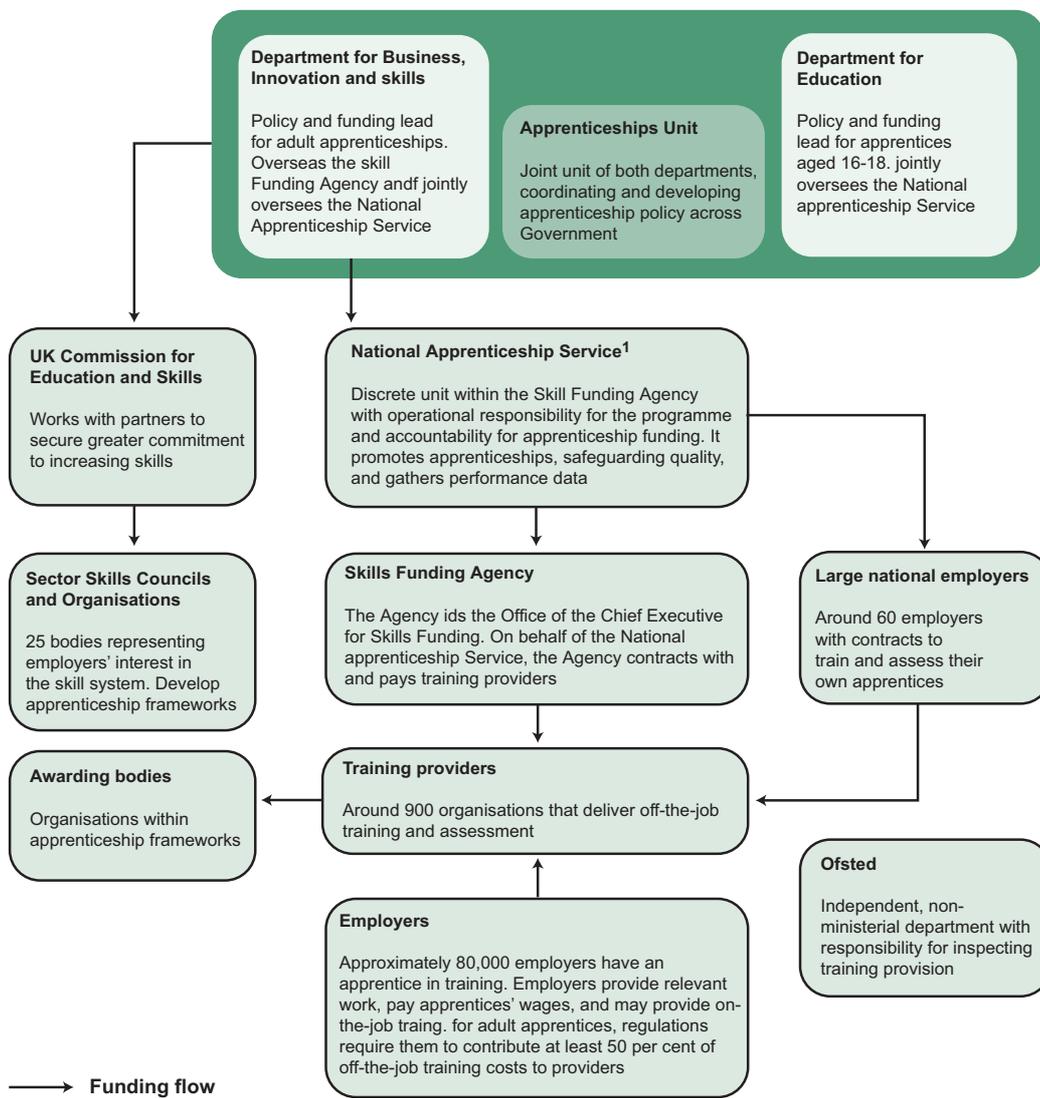
5. Responsibility for public funding of apprenticeships is now shared between the Department for Business, Innovation and Skills (BIS), which funds adult apprenticeships, and the Department for Education (DfE), which funds 16–18 year olds. Working together, the two departments determine the overall strategy and the policy context, funding levels and volumes for the apprenticeship programme. This is co-ordinated through the single joint ‘Apprenticeships Unit’ which spans both departments. All significant decisions affecting the programme as a whole are shared, while the Minister of State for Further Education, Skills and Lifelong Learning also works across both departments.

6. The apprenticeship programme is delivered by NAS, which was established in January 2008 (and officially launched in April 2009). The Service was created to bring about “significant growth in the number of employers offering Apprenticeships and support, fund and co-ordinate the delivery of Apprenticeships throughout England”.⁹ NAS is responsible for the national delivery of targets and co-ordination of the funding for apprenticeship places. NAS is a discrete part of the Skills Funding Agency (SFA), which manages contracts and provides finance and administration services. The NAO summarised the structure and roles of the key bodies involved in the apprenticeship programme as follows:

8 National Audit Office, *Adult Apprenticeships*, 1 February 2012, paras 1.1 & 1.3 (extracts)

9 National Apprenticeship Service website, *National Apprenticeship Service: Apprenticeships* [accessed 18 April 2012]

Figure 1: Key organisations involved in the Apprenticeship Programme¹⁰



→ Funding flow

NOTE

¹ The National Apprenticeship Service has always been a discrete part of the Skills Funding Agency. Originally, the Chief Executive of Skills Funding was accountable for the Apprenticeship Programme budget, but did not have operational control of the Service. Following a departmental direction in August 2011 the Chief Executive of the Service is accountable for the Programme budget as well as the delivery of the Programme, and the Agency acts on his behalf in respect of the Programme.

Our inquiry

7. We announced an inquiry into apprenticeships in December 2011. Among the questions we posed at that stage were:

- How successful has the National Apprenticeship Service been since it was created in April 2009? Has it helped bridge the gap between the two funding Departments (BIS and Department for Education)?
- Is the extra funding promised by the Coalition Government necessary for apprenticeships? How can this funding best be spent?
- Are apprenticeships of a high enough quality to benefit apprentices and their employers? Should there be more Level 3 apprenticeships?
- Apprenticeship bonuses—how should they function? Will they encourage the involvement of more small and medium sized businesses to take on apprentices? If not what will?
- Is the current funding arrangement for training of apprentices of 100 per cent for 16–18 year olds and 50 per cent for 19–24 year olds appropriate?¹¹

We are grateful to all witnesses for their contributions to this inquiry and to all those who submitted written evidence. We are also grateful to staff at the Apprenticeship Unit and the National Audit Office for their assistance.

¹¹ Business, Innovation and Skills Committee website, *Business, Innovation and Skills Committee announces new inquiry into Apprenticeships* [accessed 25 July 2012]

2 Government policy

Introduction

8. This inquiry gave us many opportunities to discuss apprenticeships with employers, trainers, apprentices, students, academics, regulators and other stakeholders. We were consistently impressed by the passion and focus shown by all those involved. The upskilling of the UK's workforce is essential not only to our global competitiveness, but also has direct implications for economic growth, employment, education and social mobility. Apprenticeships are, rightfully, high on the agenda of Parliament, media and public consciousness. Throughout these debates it must be remembered that skills are what matters; and finding the optimum way of delivering them is of the highest importance. As we were told by City and Guilds:

The longer term needs of the economy and society and how this is best supported by a high quality vocational education and training offer must be paramount—rather than diverting resources to support short-term political objectives.¹²

9. Throughout our inquiry we spoke to, and received evidence from, current and former apprentices. A group of former apprentices summarised, better than we could, the importance of getting apprenticeships right:

We're all proud to be apprentices—many of us now even employ apprentices ourselves and we hope that one day they will too. Those young people swinging and missing with their chisels or cutting lopsided fringes today are the leading stonemasons and celebrity hairdressers of tomorrow.¹³

Recent figures on apprenticeships

10. There are three levels of apprenticeship available:

Intermediate Level Apprenticeships

Apprentices work towards work-based learning qualifications such as a Level 2 Competence Qualification, Functional Skills and, in most cases, a relevant knowledge-based qualification.

Advanced Level Apprenticeships

Apprentices work towards work-based learning such as a Level 3 Competence Qualification, Functional Skills and, in most cases, a relevant knowledge-based qualification.

¹² Ev w79

¹³ Ev w67

Higher Apprenticeships

Apprentices work towards work-based learning qualifications such as a Level 4 Competence Qualification, Functional Skills and, in some cases, a knowledge-based qualification such as a Foundation Degree.¹⁴

11. The total number of apprenticeship starts in 2010–11 was 457,200 which represented a 63.5 per cent increase on the previous year. Table 1 shows that the majority of these starts were at the intermediate level, followed by advanced level. However, advanced level apprenticeships grew fastest of all levels between 2009–10 and 2010–11 (75.5 per cent increase).

Table 1: Apprenticeship starts by level (2010–11)¹⁵

Level	Number of apprenticeship starts	Percentage increase (2009-10—2010-11)
Intermediate	301,100	58.1%
Advanced	153,900	75.5%
Higher	2,200	47.8%

12. Table 2 shows that the recent increase in apprenticeship starts was driven by those over the age of 25 with nearly three times the volume in 2010–11 than 2009–10. This compares to a 26.1 per cent increase for those aged 19–24 and 12.8 per cent for those aged under 19.

Table 2: Apprenticeship starts by age (2010–11)¹⁶

Age	Number of apprenticeship starts	Percentage increase (2009-10—2010-11)
Under 19	131,700	12.8%
19–24	143,400	26.0%
Over 25	182,100	270.9%

13. Success rates for apprenticeships are also increasing and the most recent statistics report an aggregate success rate of 76.4 per cent. Table 3 shows that the success rates for more advanced and higher level schemes are higher than that of the intermediate level.

Table 3: Apprenticeship success rates by level (2010–11)¹⁷

Level	Success rate	Percentage point (pp) increase (2009-10—2010-11)
Intermediate	75.3%	1.9 pp
Advanced	78.6%	3.8 pp
Higher	84.6%	N/A ¹⁸

14 National Apprenticeship Website, *The Basics—Apprenticeships* [accessed 29 June 2012]

15 Data Service, Quarterly Statistical First Release, *Post-16 Education and Skills: Learner Participation, Outcomes and Level of Highest Qualification Held*, October 2012, table 8.1

16 Data Service, Quarterly Statistical First Release, *Post-16 Education and Skills: Learner Participation, Outcomes and Level of Highest Qualification Held*, October 2012, table 8.1

17 Data Service, Quarterly Statistical First Release, *Post-16 Education and Skills: Learner Participation, Outcomes and Level of Highest Qualification Held*, October 2012, table 7.3

18 2010–11 represents the first year these data are available

14. While recent developments appear encouraging, Statistics alone cannot provide a comprehensive measure of success, quality or value. Our recommendations are based on both quantitative and qualitative information.

The strategy

15. Scrutinising the performance of the public bodies involved in apprenticeships against their objectives has been an important element of this inquiry. In its report, the NAO concluded that:

The Department for Business, Innovation and Skills has not provided sufficient clarity on what success will look like in the medium to longer term. With the Department for Education, the Department should better define its strategy for the Programme to monitor progress against the outcomes it intends to achieve.¹⁹

Green Lantern Training took a similar view. It argued that the lack of strategy prevented good scrutiny and that “you need to decide what the primary objective of the Apprenticeship is before you can judge whether it is of sufficient quality”.²⁰ They expressed concern that “the Government has allowed the original concept to drift”.²¹ British Gas told us that a clear objective was important to prevent money being wasted. They said that the strategic objective should be related to the definition of an apprenticeship:

Government has a role to play in setting certain key “baseline” objectives for Apprenticeships to prevent allocation of funding into schemes which are either too low level or designed to provide accreditation for existing skills.²²

16. The AELP, however, argued against limiting the scheme by prescribing a narrowing strategy:

Arguing for a limited number, or indeed single, outcome would severely limit the successful role apprenticeships currently play in upskilling employees of all ages—an objective broadly recognised as critically important for the future wellbeing and prosperity of the country.²³

17. We received suggestions for the strategic objective of the apprenticeship scheme from industry, apprentices and academia. For example Mr Wilson, the Director and General Manager at Carillion Training Services, told us that the strategic purpose should be simple and focus on skills:

Apprenticeships, to me, are about having the right skills in the right place at the right time, and if we do not get that right, we cannot grow as an economy and we do not have the right skills base to compete in international markets.²⁴

19 National Audit Office, *Adult Apprenticeships*, 1 February 2012, para 18

20 Ev w148

21 Ev w148

22 Ev w46

23 Ev 159

24 Q 354

Pearson International told us that the apprenticeship programme strategy should be driven by four objectives:

- Support for learner progression;
- Provision of broad educational training;
- Encouraging social mobility; and
- Meeting employer skills needs.²⁵

The Head of Skills and Economic Affairs at Microsoft UK told us that he felt the objective of the apprenticeship scheme should be genuine employment for apprentices:

What we feel we really need are schemes where there are genuine employment prospects, because there is a problem with some of those schemes: I was meeting people at job fairs who were saying, “I have done an apprenticeship and I cannot get a job”.²⁶

The Senior Policy Adviser at the Forum of Private Business, Alex Jackman, agreed and asserted that “it comes down to outcomes—people having jobs at the end of it”.²⁷

18. We also heard from current and former apprentices, who were clear about what they wanted to get out of the scheme. For example, one apprentice in Sheffield, Luke Shaw, told us that he chose to do an apprenticeship to improve his chances of getting a job:

I got my places at university, but I realised then that I could have done my four years at university but still be back in the same position four years later without a job and no experience, so I decided I wanted to do an apprenticeship.²⁸

The Managing Editor of FE week, Nick Linford agreed. He told us that “apprenticeships are there to offer real work with training”.²⁹ Professor Jill Brunt, however, offered a slightly different interpretation of what an appropriate strategy would be for the apprenticeship scheme. She told us that the infrastructure around apprenticeships must reflect the overall goal of quality learning:

Too often we have led initiatives by creating new structures, rather than thinking about the outcomes we are trying to achieve. Ensuring high quality, fit for purpose apprenticeships is surely the goal; the infrastructure to support such a goal is therefore the most pertinent question.³⁰

19. As it stands, the delivery objectives for the National Apprenticeship Service operate under five priorities. These were recently outlined in its Business Plan:

1. Increasing the number of new employers employing apprentices.
2. Increasing the number of young people starting an apprenticeship.

25 Ev w237–w238

26 Q 353

27 Q 74

28 Q 191

29 Q 510

30 Ev w49

3. High quality apprenticeships.
4. More advanced and higher level apprentices.
5. Broadening access to the apprenticeship programme.³¹

20. We asked the Chief Executive of NAS, David Way, what he considered to be the main successes of NAS. He told us that the greatest achievement was increasing the number of employers taking on apprentices:

When the National Apprenticeship Service was created it had the specific task to support the then Government's ambitions to expand apprenticeships, which were then being taken over by the current Government.

It was very clear that the blockages to the growth of apprenticeships were employer opportunities, so the biggest achievement we have been able to bring to apprenticeships has been to expand the number of work places now offering apprenticeships compared with a few years ago. [...] The growth in apprenticeships through having more employers is, I think, the greatest achievement over recent years, and I am pleased that the National Apprenticeship Service has played a part in leading that.³²

21. We have heard from several witnesses that the current focus on numbers may have had a detrimental effect on the quality and other aspects of the apprenticeship scheme. Professor Alison Fuller and Professor Lorna Unwin told us that while the National Apprenticeship Service may well be justified in claiming success against their objectives, it had been given inappropriate objectives and definitions of success:

On its own website, NAS states that its remit is "to support, fund and coordinate the delivery of apprenticeships in England". This signals a narrow focus on systems and numbers. We know from the recent statistics on 'starts' that the overall goal of increasing numbers regardless of age, level, sector or equity is being achieved. But this begs the question as to whether this is an adequate definition of success.³³

This sentiment was echoed by evidence from across the sector. For example the Greater Manchester Local Enterprise Partnership agreed that quality was at risk because of the current objectives:

We echo concerns expressed by others that the rapid growth in apprenticeships has, in some cases, undermined quality and diluted the apprenticeship 'brand'.³⁴

The Federation of Master Builders also told us that it was concerned that quality was a relatively lower priority than the number of apprenticeship starts:

Although the National Apprenticeship Service (NAS) has administered a large increase in apprenticeship starts in 2010/11, it is concerning that this appears to have been at least partly as a result of prioritising volume over quality.³⁵

31 National Apprenticeship Service, *Business Plan 2012–13*, April 2012

32 Q 539

33 Ev w133

34 Ev w145

22. Professor Ewart Keep of Cardiff University elaborated on the problem. He told us that the objectives of NAS were not aligned to the needs of employers and so quality was compromised as a result of the mismatch between employer demand and government wants:

Essentially, government want levels of volume and quality to which too few employers are willing to sign up. [...] Caught between the rock of the targets and the hard place of the number and quality of apprenticeship places that employers and training providers are willing and able to provide, those responsible for managing the apprenticeship system often appear forced into making messy compromises about quality and cutting corners (for example on apprenticeship duration) in order to deliver the required volume and rate of expansion.³⁶

The Managing Editor of FE Week, Nick Linford, agreed that compromises had been made in the pursuit of numbers:

When NAS saw a target of 50,000 to achieve, from what I understand, they were quite concerned, because it is difficult to create apprenticeship places if what you are trying to do is take on new employees, particularly in a market where the economy is struggling. They took some soft options; it was referred to earlier as low-hanging fruit.³⁷

23. When we put this to NAS, the Chief Executive, David Way, told us that his priority for the future was to increase the quality of the scheme and frameworks, indicating a move away from pursuing the number of apprenticeship starts as a priority:

While we are very pleased with the progress that has been made and can point to quite a long list of achievements over the last few years, there are some important issues still to address. Those change over time, but clearly quality is the most urgent and pressing issue with which we have been dealing in the last year. We have been getting to the bottom of quality issues and addressing them; we have made recommendations to Ministers, particularly about duration, which the Minister has announced, and we are now implementing those minimum durations, so quality and ensuring that everybody can have confidence in apprenticeships is the top priority for us at the moment.³⁸

24. The NAO found the National Apprenticeship Service lacked clarity on measuring success in the medium to long run. We have considered the purpose and strategy of the apprenticeship programme as a whole and have received several suggestions about what the main principle behind the scheme should be. These ranged from 'genuine employment' to 'up-skilling the workforce'. Despite the Service's assurances that it would be focussing on quality in as a priority going forward, NAS has five priority areas for its delivery objectives in place, three of which are measured by the number of 'apprenticeship starts' for the year.

35 Ev w123

36 Ev w173

37 Q 512

38 Q 540

This concerned us as we have heard that this focus on numbers has damaged quality in the past and is not aligned with the needs of employers.

25. The Committee welcomes the Government's commitment to raising skills in the workplace through the apprenticeship programme.

26. Our evidence suggests that the apprenticeship scheme continues to lack clarity and purpose in the longer term. Employers, apprentices and other stakeholders remain confused about the overarching objective of the scheme. We therefore recommend that the Government defines an overarching strategy and clear purpose for the apprenticeship programme. Only then can the public and Parliament effectively monitor progress against the outcomes the scheme is intended to achieve.

27. The National Apprenticeship Service has accepted that its priority in the past has been increasing the number of apprentices and the number of employers taking on apprentices. However, many of our witnesses have argued that the success of the apprenticeship scheme cannot and should not be measured by numbers alone. We are encouraged that NAS is now putting greater emphasis on quality, but are concerned that three of its five priorities for 2011–12 remain focussed on increasing the number of apprenticeship starts. We recommend an urgent review of the objectives and priorities of NAS with a view to justify a focus on achieving quality outcomes in both the objectives and culture of NAS. There must be appropriate measures of output for each objective. Therefore we further recommend that qualitative information (such as quality perception, apprentice satisfaction, public awareness and employer support) also be collected and published alongside more traditional statistics. We discuss and recommend further on this later in the report.

Defining an apprenticeship

28. Given how much apprenticeships have evolved, especially over the past couple of decades, it is important to define precisely what we mean by the term 'apprenticeship' in order to scrutinise its effectiveness. The Association of Employment and Learning Providers (AELP) highlighted the importance of having an agreed definition:

For a serious debate on the issues it is essential that everyone involved is talking about the same thing. We believe that at present too often different people and groups mean different things when they refer to an Apprenticeship, and that it is vital first to agree a common definition of what an Apprenticeship actually is before tackling any of the other issues.³⁹

29. Others agreed that it was important to have a definition but argued that it was for employers and employees to define the apprenticeship 'brand'. The UK Commission for Employment and Skills told us that:

It is important that the rapid expansion of the Apprenticeship programme does not lead to the brand being defined by provider opportunity. It must be defined by employer demand and individual aspiration.⁴⁰

30. The Chief Executive of the National Apprenticeship Service, David Way, appeared to agree that confusion remained about what an apprenticeship actually was. He told us that when investigating training providers he “found there were people who did not always understand what an apprenticeship was”.⁴¹ NAS described an apprenticeship as follows:

As employees, apprentices earn a wage and work alongside experienced staff to gain job-specific skills. Off the job, usually on a day-release basis, apprentices receive training to work towards nationally recognised qualifications. Anyone living in England, over 16 years-old and not in full-time education can [be an apprentice].

Apprenticeships can take between one and four years to complete depending on the level of Apprenticeship, the apprentices’ ability and the industry sector. The minimum salary is £2.60 per hour (from 1st October 2012 will change to £2.65 per hour); however, many apprentices earn significantly more.⁴²

Throughout the course our inquiry we received different definitions from various stakeholders. The AELP proposed a slightly different definition as follows:

An Apprenticeship is a competence based skill development programme, designed and endorsed by employers for their employees, which combines independently accredited work based learning, off the job training and relevant experience in the job.⁴³

31. Pearson International argued that a quality apprenticeship had four key hallmarks:

- A focus on the skills needs of the individual;
- A minimum length of stay;
- Broad educational content, not just job specific skills; and
- A progression ladder.⁴⁴

When we asked the Managing Editor of FE Week, Nick Linford, what essential elements should be in any definition of an apprenticeship. He suggested three:

- There must be functional skills or English and maths at Level 1 if you are doing a Level 2 apprenticeship, and at Level 2 if you are doing Level 3;
- There must be a knowledge element; and
- There must be a competency element through the qualification regime.⁴⁵

40 Ev w288

41 Q 569

42 National Apprenticeship Website, *The Basics—Apprenticeships* [accessed 29 June 2012]

43 Ev 156

44 Ev w238

45 Q 508

However, Mr Linford went on to warn against the over-prescription of such a definition:

It is very easy to tick boxes to say, “All of the boxes have been ticked. I would like to claim the funding, and I would like to give the learner the certificate.” My view is that for an apprenticeship, it should be more about the experience of having a real job.⁴⁶

32. The Trades Union Congress (TUC) appeared to agree that genuine employment was a key element to the apprenticeship programme. Tom Wilson, Director of the TUC’s Unionlearn, told us that “you work for an employer, not a group of employers or people getting together, and that that employer, when you have completed the apprenticeship ideally takes you on, and gives you a full-time job”. He described this as “the fundamental idea of what an apprenticeship is all about”.⁴⁷

33. It is generally agreed that a single definition is needed to clarify the apprenticeship brand and enable effective regulation. For that reason, we recommend that the Department formulates a formal definition of an ‘apprenticeship’. It is important that employers, apprentices, regulators and the Government have a common understanding of what is meant by an apprenticeship, and what is not. While we understand the need for flexibility (for example in the area of duration and past experience), an ‘umbrella’ definition should include the following elements:

- Full-time employment;
- Accreditation and a measure of educational gain;
- Independently accredited work based learning;
- Independently accredited off the job training;
- Competence based skill development programme;
- An employer led design;
- Opportunities for progression; and
- A minimum duration agreed by industry sectors.

Furthermore, any definition should state clearly that apprenticeships are for developing skills not simply for the validation or consolidation of existing skills.

46 Q 508

47 Q 670

3 Delivery and funding

Bridging the gap—NAS, SFA and simplifying delivery

34. The apprenticeship programme represents a significant investment on the part of the Government. In 2010–11 the programme cost the public purse £1.2bn.⁴⁸ In England, the Department for Education and the Department of Business, Innovation and Skills allocate funding for the provision of 16–18 year olds and 19+ apprenticeships respectively. The National Apprenticeship Service co-ordinates this funding by covering a proportion of the cost of training apprentices as determined by the relevant Sector Skills Council, dependant on the age of the apprentice (this is discussed in paragraph 42 of this Report). NAS acts as a single point of contact for employers so that the funding appears seamless despite originating from different sources and involving a large number of organisations.⁴⁹

35. Some witnesses argued that the current funding structure was a source of inefficiency for the funding of apprenticeship training. Professor Alison Fuller and Professor Lorna Unwin explained that:

Funding for apprenticeships is diluted through multiple steps in the funding allocation chain—BIS→SFA→NAS→Providers→Employers→Apprentices—along the way, other organisations take a slice (e.g. Apprenticeship Ambassadors Network, Sector Skills Councils, UKCES, Awarding Bodies, ATAs, GTAs). The money pays for a range of administrative tasks, for the cost of qualifications, assessment and accreditation, inspection, and for wages. For example, Awarding Bodies benefit greatly from apprenticeship. In the past, they provided significant levels of curricula and pedagogical support to their ‘centres’ (e.g. FE colleges), but this has declined in recent years.⁵⁰

36. Taking the issue further, the Managing Editor of FE Week, Nick Linford, asserted “the main inefficiencies [...] come from a very extended supply chain in terms of delivery”⁵¹ and that merging NAS and the SFA would go some way to solving this problem:

Let us start by appreciating that the National Apprenticeship Service say that they have end-to-end responsibility for apprenticeships, and yet they have no responsibility for the funding and compliance. [...] I would have single responsibility, absolute clarity about who is responsible, but not leave the independent role to monitor quality with the body that deals with compliance and funding. That has to be more independent. How can the funding body be responsible for saying whether they spent the money well or not? That has to be done independently.⁵²

48 National Audit Office, *Adult Apprenticeships*, 1 February 2012, para 1.6

49 The diagram on page 6 of this Report summarises the key organisations involved in the apprenticeship programme

50 Ev w133

51 Q 526

52 Q 524

37. When we discussed this with the Minister, he agreed that the funding structure was not perfect but was keen to highlight recent improvements. He told us that progress had been made, particularly for large employers:

I have set about that by simplifying the system and by producing a toolkit for employers to guide them through the system. We are piloting, for large employers, a much simpler funding regime so they do not have to deal with weekly or monthly funding; big employers do not want to have to do that. So we are setting about making the system more navigable, less burdensome, and less bureaucratic at the same time as we are engaged in this passionate evangelism.⁵³

38. People 1st warned that the current structure deterred the employment of some apprentices. However, it welcomed the SFA's objective of simplification:

Unless the system and funding criteria becomes less confusing employers are unlikely to take up this incentive. However, the SFA work with larger employers on the Simplification Pilot will hopefully reduce unnecessary bureaucracy for larger national employers.⁵⁴

The Chief Executive of the Association of Employment and Learning Providers, Graham Hoyle OBE, agreed and expressed optimism for the future. He told us that “funding is complicated, but at the present time we and the Skills Funding Agency are looking at making that much simpler. This follows the expectation of a reduction in bureaucracy and so on, which, of course, we all support”.⁵⁵

39. We discussed these issues with NAS and the SFA, specifically asking whether they should be merged. The Chief Executive of NAS, David Way, told us that the SFA had wider responsibility than just apprenticeships and that it was important that they were kept separate. He argued that NAS was “responsible for performance, the development of programmes and the money”, while the SFA was “responsible for a much wider skills budget”.⁵⁶ The Chief Executive of the SFA, Geoff Russell, however, told us that “the distinction between NAS and the [SFA] is almost one without a difference. It is an external distinction; it is about brand”.⁵⁷ Comparing the SFA to a private company, he went on to explain that the separation was important for accountability and control:

It is important, as in any company that sells different products, to have one division focused on that product and to have the ability to say, “This is the product we want; this is how it should look; this is what we are going to price it at”, without having somebody else from some other part of the organisation saying, “We don't like that”.⁵⁸

53 Q 713

54 Ev w242

55 Q 19

56 Q 586

57 Q 593

58 Q 593

40. The Minister conceded that more needed to be done. He told us that:

We also need to make the system more navigable for employers, less burdensome, less bureaucratic, and less irksome, particularly for the SMEs.⁵⁹

In supplementary evidence, the Department set out the progress made in reducing bureaucracy for businesses:

We are reducing bureaucracy, and streamlining and speeding up processes, with significant progress made already. For large employers (5,000+ employees) that directly contract with the Skills Funding Agency; the latter is currently running an Employer Outcome Payment Pilot. This will test a new approach to making payments based on Apprenticeship framework completions enabling a significant reduction in the paperwork and reporting requirements. We are also introducing more proportionate audit, inspection and monitoring arrangements and a single certification service.⁶⁰

It also told us of its plans to reduce bureaucracy for smaller businesses:

To address the concerns of small employers, we are working to streamline processes so that it takes just a month for an employer to advertise for an apprentice, through from first enquiry to agreeing a training package. The Skills Funding Agency has removed health and safety requirements on providers and, where relevant, employers, that go beyond regulatory requirements. We are working with training providers to develop new service standards for supporting SMEs to be included in all new contracts for Apprenticeships delivery.⁶¹

41. While we welcome recent efforts to improve the administrative processes for apprenticeship training for employers, we are concerned that the funding chain remains unnecessarily complex. The sheer number of organisations involved works against the efficient allocation of funds. We therefore recommend that the Department provides a simpler and more efficient delivery system.

The effect of varying funding by age of apprentice

Introduction

42. The NAS website summarised the funding structure for employers:

If the apprentice is aged 16–18 years old, you will receive 100 per cent of the cost of the training;

If they are 19–24 years old, you will receive up to 50 per cent; and

59 Q 713

60 Ev 138

61 Ev 138

If they are 25 years old or over you may only get a contribution depending on the sector and area in which you operate.⁶²

43. The rationale behind this funding structure is twofold. First, it reflects the Government's commitment to free education for all individuals under the age of 19 and second, the potentially higher cost to an employer of taking on a younger (and relatively less experienced) apprentice. The Department confirmed that:

The 100% funding available for the training element of Apprenticeships for 16–18 year olds is founded on the principle that Government should fully support the education and training for those yet to reach adulthood. This is consistent too with the position that those under 19 cannot legally be charged fees for their learning in schools and colleges.

For employers, the policy reflects the relative labour market inexperience, greater learning needs and initially lower productivity of the youngest apprentices at the outset of their careers and entering the workplace for the first time.⁶³

We received a significant volume of evidence on this subject which raised four main issues: cost, inequality, progression and supporting our youth.

Cost

44. The Engineering Construction Industry Training Board told us that this funding structure was distorting the recruitment practices of employers:

Obviously employers will look to the 16–18 age group first. This leaves the 19+ young people, who may have been out of work for some time, or have just left school with A levels and do not want to go to university, with reduced opportunities.⁶⁴

The Open University agreed, telling us that:

After the age of 19 the funding goes down considerably and with it, goes the incentive for employers and learning providers to engage with older apprentices.⁶⁵

The training provider NCG took this notion further, telling us that it was especially pertinent when businesses were sensitive to cost because of the wider economy:

In the current economic climate, businesses are discouraged from taking on 19–24 year olds due to the expected fee level.⁶⁶

45. Many industry representatives told us that not only was the funding structure distorting recruitment, but that it was based on a false premise. For example, the Royal Aeronautical Society summarised that “there is no difference in cost if an apprentice is 16,

62 National Apprenticeship Website, *The Basics—Apprenticeships* [accessed 5 July 2012]

63 Ev 144

64 Ev w117

65 Ev w235

66 Ev 212

18, 25 or 32—the training, materials etc. they receive are the same”.⁶⁷ Learndirect explained that the learning needs of 19–24 year-olds had been underestimated, particularly when many 19–24 year olds apprentices come from non-employment, education or training (NEET) backgrounds:

The current split by age group alone is too simplistic. In our experience 19–24 NEET apprentices can be as resource-intensive as 16–18 apprentices for the following reasons:

They have been out of the working environment for some time and therefore will need a lot of support in the workplace to bring them up to the employer’s expectations. In reality they are starting from scratch in the workplace.

They may be moving into a new sector which means starting again. This requires higher levels of support from the provider and employer to retain them in that role and make them valuable to the business/employer.

They have developed poor working habits from previous, less structured programmes and employers.⁶⁸

British Gas agreed, telling us that “the investment British Gas makes in individuals is consistent irrespective of their age”.⁶⁹

46. Other contributors to our inquiry were more pragmatic about the idea of two-tiered funding. For example Gateshead Council told us that 19–24 year olds were easier to train, but argued that 50 per cent funding was too low and did not account for experience:

To many employers, a 19–24 year old is a more valuable employee because they are more mature. However, they still require time, and training because they have limited practical experience and skills.⁷⁰

Equity

47. Several witnesses expressed concern with the current funding structure from a diversity and fairness perspective. For example the National Skills Academy for Nuclear told us that apprenticeships should be focussed on getting the right person into the right place, not dependant on their age:

Expanding the ability of the funding to offer apprenticeship places to the right person, irrespective of age, should be a focus for the government and UK plc. The current funding discrimination is placing a barrier to diversity for Employers and Providers who recruit on behalf of Employers to get the right people for the right jobs.⁷¹

67 Ev w253

68 Ev w187

69 Ev w46

70 Ev w139

71 Ev w221

Sheffield City Council told us that “the current funding model acts as a financial disincentive to employers in employing/investing in the skills of the 19 plus workforce”.⁷²

48. The evidence also highlighted specific sectors, whose representatives told us that they considered themselves to have been discriminated against. The Financial Skills Partnership argued that the Financial Services sector was disadvantaged because it did not tend to recruit below the age of 19. They told us that “some apprentices do not come to the decision to train in a particular career, such as accountancy, until 19 or over”.⁷³ This was echoed by the Association of Licensed Multiple Retailers⁷⁴ and UCATT (the union for construction workers).⁷⁵ The National Specialist Contractors’ Council highlighted that the specialist sector had all but been excluded from the apprenticeship scheme because of the two-tiered funding structure:

Many specialist apprentices are mature workers because the nature of specialist trades often requires more experience and maturity. [...] Under the current system, employers of apprentices aged over 18 years are financially penalised for being more mature and the SFA will not provide enhanced funding for those apprentices who have had previous employment.⁷⁶

Progression

49. We have also heard that the current funding structure prevents employers supporting their apprentices to progress in their training. This view was prominent in evidence received from the construction and contracting sectors. The Federation of Master Builders explained the problem:

The current age-dependent funding rules for apprenticeships (100% for 16–18 year old and only 50% for 19+ year olds) limits a firm’s ability to progress their apprentice onto Level 3 programmes which is our industry standard for a craftsman. Most apprentices are likely to be 19+ before progressing onto Level 3 courses and therefore a flexible delivery contract covering full funding for both Level 2 and Level 3 is required.⁷⁷

This sentiment was echoed by the UK Contractors Group who told us that this was an issue specific to the construction industry:

The nature of the construction industry means that the reduction in apprentice funding post-19 has a particularly strong impact on the numbers starting Level 3 apprenticeships compared to other industries.⁷⁸

72 Ev w267

73 Ev w130

74 Ev w25

75 Ev w282

76 Ev w224

77 Ev w153

78 Ev w298

The Federation of Master Builders agreed that an apprentice over the age of 19 was more attractive as a resource for an employer, but agreed that the structure was preventing the appropriate training of this group of apprentices:

Employers are often motivated by the benefits of hiring apprentices over the age of 18, which can include a better level of maturity, previous work experience and fewer problems with insurance. [...] The current system limits the rate of progression to advanced apprenticeships, and thus has a negative impact on the industry's ability to meet its skills needs.⁷⁹

Youth

50. We also heard evidence supporting the current funding structure. For example BAE systems told us that in a tough funding climate the “Government need[ed] to prioritise its investment”. It went on to say that it was “vital that Government investment should continue to be at the 100% level for 16–18 year olds”.⁸⁰ Similarly McDonald's agreed that the current apprenticeship funding arrangement of 100% for 16–18 year olds and 50 per cent for 19–24 year olds was “appropriate” but told us that it could be improved by “weighting their support towards younger people and those not in education, employment or training (NEETs)”.⁸¹ Other witnesses agreed with the principle of 100 per cent funding for 16–18 year olds, but argued for more flexibility within the funding arrangements for older apprentices. The West Midlands Training Provider Network summarised this argument by telling us that the Government should take more factors than age into account:

Apprenticeship funding must recognise the true costs of successfully delivering such a complex programme, often uniquely tailored to meet the needs of both the employer and of the apprentice and make available appropriate levels of funding based on those individual needs. Age and experience will, of course, be factors that would need to be taken into account. We do believe, however, that those learners who are 19–24 who do not have a Level 2 qualification or who had been unemployed at the start of the programme should have full funding and not reduced, as currently happens, by 50%.⁸²

51. When considering the evidence submitted to us on this topic, we were keen to combine the opinion of experts and stakeholders with the evidence of what was actually occurring in the economy. Despite the evidence received, it is worth repeating the analysis of the official growth in apprenticeship starts, which saw the age group which received the least amount of Government subsidy (those over the age of 25) tripling in size between 2009–10 and 2010–11.⁸³ When we asked the Department whether or not it had conducted any assessment or analysis of the current funding policy on employer demand, apprenticeship

79 Ev w125

80 Ev w35

81 Ev w201

82 Ev w244

83 Table 2

take-up or resulting socio-economic consequences, it confirmed that no such analysis had taken place.⁸⁴

52. We note the concerns that the funding structure (of 100 per cent public funding for 16–18 year olds and 50 per cent for 19–24 year olds) may bias firms towards employing younger apprentices and unfairly disadvantage older applicants. However, there is a lack of empirical evidence and analysis to substantiate these concerns and it is disturbing that the Minister does not have this evidence to hand. We therefore recommend that the Department provides a detailed assessment of the impact that the funding structure has had on the take up of apprenticeships by age group. That assessment should specifically address the following four issues:

- **The actual cost to businesses of employing apprenticeships of differing ages and experience;**
- **Inequality perpetuated by the funding;**
- **Barriers to progression through the scheme; and**
- **Disproportionate impact on specific sectors.**

Perception of apprenticeships

53. Alongside the recent expansion of the apprenticeship scheme has come an increase in public awareness and engagement around the programme. This is not coincidental, as the National Apprenticeship Service told us of its recent efforts to promote the apprenticeship brand, specifically citing the recent ‘apprenticeship week’:

The National Apprenticeship Service have been working closely with BIS and the Cabinet Office on a new marketing and communications campaign that launched during National Apprenticeship Week on 9 February 2012 to promote Apprenticeships to employers, young people and parents. The campaign creatives lead with the strapline ‘Apprenticeships deliver’ designed to be inspirational and to showcase young talent in Apprenticeships. Direct mail, public relations and advertising will focus on themes that define ‘a new era for Apprenticeships’—quality, growth, pride and value.⁸⁵

54. When we asked the Chief Executive of NAS, David Way, how important he considered the apprenticeship brand to be, he confirmed that NAS was actively looking at ways to enhance it, saying, “I think the brand of apprenticeships is hugely important in this area, because we have a rich heritage on which we rely heavily. [...] We are always looking at branding, not least to keep it modern and relevant to those mostly young people who come into apprenticeships”.⁸⁶ The Shropshire Training Provider Network largely agreed, saying “NAS has provided a national profile of the apprenticeship brand which has been successful”.⁸⁷

84 For example Ev 218

85 Ev 199

86 Q 562

87 Ev w256

55. However, despite the value that NAS claims to place on the apprenticeship brand, we have also heard that the pursuit of its other objectives may have worked against that end. Several witnesses and written submissions told us that the focus on apprenticeship numbers had undermined industry confidence in the scheme. For example, CITB-ConstructionSkills told us that “NAS had promoted apprenticeship volumes, irrespective of age and length, but this could potentially damage the apprenticeship brand in the long term”.⁸⁸ We received evidence to this effect from different stakeholders. The Electrical Contractors’ Association told us that NAS was perceived to be entirely focussed on numbers which created a perception that the quality of the apprenticeship scheme had suffered and was seen as secondary. It summarised that “a focus on quantity continues to dilute the apprenticeship ‘brand’”.⁸⁹ The Greater Manchester Learning Provider Network also argued that the pursuit of numbers had incentivised NAS to focus on ‘easy wins’ and that this had a negative effect on public perception:

NAS is fixed upon chasing and reaching the target numbers that it has been set. In our opinion this is leading NAS to focus more on the larger employers and in many cases using tax-payer money to subsidise the training programmes of the very large employers, thus de-valuing the Apprenticeship Brand.⁹⁰

56. The Minister told us that NAS had a responsibility to enhance the apprenticeship brand. He told us that one of the fundamental reasons he made apprenticeships “the pivot of our skills strategy” was because of the already strong brand:⁹¹

I said to them [NAS] when I became the Minister, “You are a sales and marketing organisation. You have to go out and sell this to businesses and you have to sell this to providers.” The brand “apprenticeships” is bigger than ever. We are filling a bigger space than we ever have, but you are quite right: there is much more to do.⁹²

57. While we appreciate that one role of NAS is to ‘sell’ the benefits of apprenticeships to employers, we consider that an unfocussed and indiscriminate sales pitch may produce numbers but is unlikely to address skill-needs. This is likely to have unintended consequences on the brand. As well as the ongoing perceived conflict between the NAS’s objectives and the public perception of quality, we were made aware of several high-profile cases recently reported in the media. These seemed to culminate in April 2012 with a *BBC Panorama* programme which “investigate[d] a story of poor quality training, of disappointed young people, and highlight[ed] the example of some training companies who are making a killing out of public funds”.⁹³ There can be no doubt that the reporting and handling of these issues had an effect on the public’s perception of apprenticeships. Responding to these reports, Geoff Russell, the Chief Executive of the SFA, argued that this was not a widespread problem and explained:

88 Ev w70

89 Ev w108

90 Ev w143

91 Q 705

92 Q 707

93 BBC website, *BBC One—Panorama, The Great Apprentice Scandal* [accessed 3 July 2012]

There are various forces, but at the end of the day, we have to balance the bureaucracy issue. I can double the number of people I have and the amount of effort I make to peer over the shoulders of the several thousand providers we have in the country. That would cost money and generate much more bureaucracy, and I am not sure it would be a good return on investment given that the number of providers who are bad apples is, happily, relatively low, although the *Panorama* experience illustrates one of them.⁹⁴

58. We are sympathetic to the desire not to over-burden providers and to avoid the excessive use of public money to regulate a few ‘bad apples’. However, we do not believe that historically the balance has been right. Neither NAS nor the SFA has given adequate weight to the negative public perception associated with doing nothing. The Director of Unionlearn, Tom Wilson, told us that this while these bad practices may not have been widespread, it was essential to deal with them swiftly because:

It can very quickly become a major problem. [...] You have to deal with it very quickly and effectively to stop it spreading quickly from the margins and becoming a much bigger threat.⁹⁵

59. Our overall assessment of the objectives and success of public bodies (including NAS) can be found elsewhere in this Report. We cannot ignore, however, the evidence that the perception of quality may have been undermined in recent times. It has been argued that the priorities of NAS have been misaligned, which has led to the perception of NAS as an organisation blind in its pursuit of sales. Whether or not this is the case is not the issue. There can be no doubt that the apprenticeship brand has been damaged as a result of this perception. Secondly, recent high-profile issues have damaged the public’s confidence in apprenticeship quality and value-for-money. We acknowledge that many of these issues have now been dealt with, but future examples of poor performance will need to be addressed quickly and efficiently to prevent further damage.

60. While we welcome the efforts of NAS to strengthen the apprenticeship ‘brand’, we cannot ignore the evidence that the perception of quality may have been damaged in some sectors, which has in turn undermined those efforts. NAS must not trade off between numbers, quality and brand. We therefore recommend that NAS produces a longer-term strategy outlining how it intends to maintain and improve the apprenticeship brand in tandem with its other objectives.

94 Q 568

95 Q 568

4 Engaging apprentices—Preparing for apprenticeships

Preparing for work—Vocational training or academic learning?

61. A recurring theme of our inquiry has been how to strike the balance between academic and vocational training in the advice given to students at schools and colleges. We were told that there could be a stigma attached to a student actively choosing vocational training (such as an apprenticeship). One apprentice from Sheffield, Luke Shaw, told us that:

I went to a sixth form to do my A-Levels, and the minute I said, “I want to do an apprenticeship,” they turned their nose up. I didn’t even get invited to the awards ceremony.⁹⁶

Another apprentice, Chris Parkin, told us that, in his experience, colleges did not have the knowledge or resources to properly advise any student who did not want to go to university:

I found that when I approached my college when I did my A-Levels and said, “I want to do something else other than university,” the amount of literature and help available was limited.⁹⁷

62. Visa Europe agreed, and told us that teachers were too focused on the Universities and Colleges Admissions Service (UCAS). It recommended that equal emphasis be placed on vocational and academic ‘admissions’:

A more prominent service, which forms as much a part of the school year as UCAS entries, would encourage teachers to give equal consideration to vocational and higher education, and by raising the profile of apprenticeships help businesses to access pupils who might otherwise never consider a vocational path.⁹⁸

63. We heard similar evidence from industry representatives. For example the Strategic Adviser to the Advanced Manufacturing Research Centre (AMRC), Rt.Hon. Richard Caborn, warned us of the elitism which existed among those advocating different career routes:

There are those who believe that entrance into the world of higher education ought to be by academic qualifications, not by going through an apprenticeship. Does that devalue the degree or the chartered engineer? I do not think it does. If you are talking about engineers being elitist, you ought to talk to some of them in higher education. You will find there is a lot more elitism there than down here on the shop floor.⁹⁹

96 Q191

97 Q 192

98 Ev w305

99 Q 105

City and Guilds also argued that careers advice within schools and colleges needed to be improved:

We accept that teachers cannot be expected to be experts in all areas of the curriculum and that the notion of ‘impartial’ careers advice and guidance may be difficult to achieve. To add balance, we need to ensure that there are a coherent set of guidelines and trained advisors are available to provide the support young people and their teachers require so that there are fewer ‘dead-ends’ and resources are more efficiently distributed across different pathways.¹⁰⁰

64. We were encouraged, therefore, when the Headmaster of Northampton School for Boys, Mike Griffiths, told us that at his school all routes to employment were celebrated.¹⁰¹ Even he believed, however, that there was a wider problem of perception and attitude when it came to advising on vocational or academic training:

As a country where we fall down is that there is not parity of esteem. As long as we think of these things as layers rather than as parallel routes through, we are always going to have this problem. I get really annoyed when the basic underlying assumption is that you do vocational training or a vocational course if you are incapable of doing an academic one.¹⁰²

65. The Minister agreed that the perception of apprenticeships was that they were somehow inferior to academic education, despite the importance of vocational training to our economy:

There is a cultural misassumption [...] the idea that only through academic accomplishment can people gain prowess is entirely specious. It is absolutely the case that the economy needs practical, vocational, technical skills, and that many people’s aptitudes lie in that direction and they can achieve fulfilment through the acquisition of those skills, but we are challenging a prevailing cultural assumption that I think has been around for most of the post-war years.¹⁰³

The Minister told us that he had addressed this by making it law for apprenticeships to be a specifically mentioned in careers advice. He explained that in the Education Act 2011:

The responsible authorities, by which we mean schools and colleges, must secure careers guidance in an impartial manner, which includes—and I quote—“information and options available in respect of 16–18 education or training, including apprenticeships”. We have put in law that those who provide careers advice and guidance must include apprenticeships in the options which they offer to people.¹⁰⁴

100 Ev w82

101 Q 254

102 Q 254

103 Q 707

104 Q 706

66. However, a cultural problem such as this cannot be solved through legislation alone. The Association of Colleges (AoC) told us that, despite the Education Act 2011, vocational training awareness was disturbingly low:

As a flagship Government policy, apprenticeships must be effectively promoted as a good route for young people. The general lack of awareness and understanding of apprenticeships is a serious issue. A recent AoC survey found that only 7% of pupils are able to name apprenticeships as a post-GCSE option compared with 63% of young people who are able to name A-Levels. We fear that changes in school-level careers advice, included in the Education Act 2011, will do little to improve this situation.¹⁰⁵

67. A change in social attitudes, not just law, is required. We are concerned that tomorrow's workforce are at best under-informed, and at worst being misled in the advice they receive about future career development. We were shocked to hear that a very successful apprentice was apparently ostracised by his college because he was told "it looked bad" on the college's statistics.¹⁰⁶

68. **During our inquiry we saw a number of excellent apprenticeships schemes run by business. However, despite the fact that many apprenticeships lead on to degree courses, they are not always promoted in schools as an equally viable route to a career as 'A' levels and university. Furthermore, these routes are often intertwined with students moving between the two. This may be because schools are measured, primarily, by 'A' level attainment and the number of university places gained by each academic year which forces teachers to concentrate on the academic route. This needs to be changed. We therefore recommend that alongside the number of university places gained in an academic year, schools should also be required to publish the number of apprenticeship starts.**

69. **We acknowledge that the inclusion of apprenticeships in careers advice is legislated for in the Education Act 2011, but we have found that awareness and resources in schools and colleges remains lacking. We recommend that the Department for Education does more to assist schools in the promotion of vocational training in the curriculum (for example by providing literature, training to teachers and information for careers advisors). It should also ensure that any changes to the secondary curriculum will put proper emphasis and value on pupils taking a vocational route in their careers. The time and resources that institutions dedicate to 'UCAS applications' compared to preparing students for vocational training illustrates the scale of the problem. Success will be measured when schools and colleges place vocational and academic progression on an equal standing in terms of the both the level and quality of resources.**

105 Ev 169

106 Q 191

Pre-apprenticeships—NAS and schools

70. NAS is tasked with “responsibility for promoting Apprenticeships and their value to employers, learners and the country as a whole”.¹⁰⁷ We supposed, therefore, that it would have allocated considerable resources towards raising learner awareness in schools and colleges. However, we heard that this has not been the case and that NAS had failed to exploit the opportunity to work more closely with schools. For example, the National Union of Students (NUS) told us:

NUS was hopeful that the creation of the National Apprenticeship Service would give rise to parity of experience for apprentices. We are concerned however that the levels of learner engagement within this service are inadequate.

NUS believes that the National Apprenticeship Service should adopt a more systematised approach towards learner and stakeholder engagement.¹⁰⁸

71. The Association of Employment and Learning Providers (AELP) agreed that NAS should increase learner engagement by working more in schools:

NAS can play a particularly valuable role in schools, explaining to young people, their teachers and parents that Apprenticeships offer a high quality vocational training that will suit many young people better than the traditional academic route after the age of 16. This is particularly important at a time when careers guidance is being dismantled and there is a real fear amongst providers that schools will not be able to fulfil their duty to make pupils aware of all the options available, including Apprenticeships, except in a very superficial way.¹⁰⁹

72. When we raised this with the Chief executive of NAS, David Way, he told us that “the statutory responsibility rests with school heads”.¹¹⁰ While this may be a correct reading of the law, it further strengthens our earlier conclusion that this problem cannot be solved through legislation alone. When we asked Mr Way what resources NAS had dedicated to learner engagement, he responded:

It is relatively small in relation to, say, the work we do with employers. The primary responsibility for this rests with the schools themselves, so we try to be responsive to schools rather than go into schools.¹¹¹

He summarised that “it is a support rather than lead role, but it is very important”.¹¹²

73. NAS subsequently submitted further information on work that their Central Division (East Midlands, West Midlands and Central Eastern areas) had undertaken to support schools:

107 National Apprenticeship Service website, *History of Apprenticeships* [accessed 1 July 2012]

108 Ev w228

109 Ev 157

110 Q 583

111 Q 584

112 Q 585

The Ambassador Networks believed that the lack of access to good quality information, advice and guidance was the key barrier to the effective growth of Apprenticeships and considered that young people were being poorly served in this regard.

Early feedback from schools and employers alike was that using employers and their apprentices (preferably ex-pupils of the school) was one of the best ways to inspire school students to consider post 16 or 18 options including, considering new sectors for employment. In response to this feedback we are in the process of creating and populating a sustainable database with every secondary school in the area linked to a provider (Further Education or Work Based Learning) and an Apprentice Ambassador/former Apprentice.

Work has already started in a number of schools with Ambassadors supporting open evenings, careers events and classroom presentations; this has been particularly welcomed in promoting some sectors including Science, Technology, Engineering and Mathematics (STEM) subject areas where young people can sometimes fail to understand how such subjects can be extremely valuable to local employers especially in the advanced manufacturing sector.¹¹³

74. Given the widely held view that NAS should have more involvement with learners through schools, we were disappointed by the Chief Executive's apparent lack of enthusiasm, citing the Education Act 2011 and telling us that NAS was not statutorily responsible. The National Apprenticeship Service should be a familiar name, known to all students and teachers as an authoritative source of information about apprenticeships. We recommend that NAS is given statutory responsibility for raising awareness of apprenticeships for students within schools. This should include some quantifiable measure of success with which to gauge the student awareness of apprenticeships.

Equality, diversity and accessibility

75. During the course of this inquiry we were presented with evidence that the apprenticeship scheme may be perpetuating some inequalities seen in the wider economy. The Trades Union Congress told us of some specific diversity failings in the apprenticeship scheme:

Gender segregation remains a huge problem with only 3 per cent of engineering apprentices accounted for by female participants compared to 92 per cent of hairdressing apprentices. This is one of the reasons for an overall gender pay gap of 21 per cent, but even within the same sector women are being paid less: for example 61 per cent of apprentices in the retail sector are female but they are paid 16 per cent less than male retail apprentices.

Black and minority ethnic (BME) communities also face huge barriers. For example, while 18–24 year-olds from BME communities account for 14 per cent of this age

group in the overall population, they account for less than 8 per cent of apprenticeship places.

Disabled people face similar barriers, with trends suggesting a worsening of the situation. Access to apprenticeships for people declaring a learning difficulty and/or disability has fallen from 11.5 per cent in 2005/06 to 8.2 per cent in 2010/11.¹¹⁴

76. Such inequality, especially in a publically funded scheme is not acceptable and combating barriers to entry should be a key priority. It is no less important that the scheme considers the wider socioeconomic and political concerns of the country (for example youth unemployment). We have heard from some witnesses, for example Centrepoint, who told us that the apprenticeship scheme is at risk of excluding certain members of society not typically considered to be under-represented:

While improving quality is rightly a central aspiration for the government, this should not come at the expense of accessibility. Particularly in light of the crisis of youth unemployment, and the raising of the participation age, apprenticeship provision must become a viable option for young people who are NEET, or at risk of becoming NEET and studying at a low level.¹¹⁵

77. We were encouraged when the Department confirmed that NAS is currently conducting research into this topic, and already considered raising diversity as a priority. The Department told us that:

The National Apprenticeship Service has responsibility for delivering the Apprenticeships programme, and increasing the numbers and diversity of Apprenticeship applicants is a priority.¹¹⁶

We remain concerned that “numbers and diversity” are two different (and potentially competing) issues. The Department went on to confirm that NAS “is currently exploring new ways to promote access and success for under-represented groups”.¹¹⁷

78. It would seem that these explorations have had some effect on public opinion. The Times newspaper reported on this issue, giving the example of a “pilot scheme, co-funded by the National Apprenticeship Service and the Skills Funding Agency to attract more men into the care sector”. The apprenticeship programme should be a beacon of best practice for the industry. Having said that, recent statistics demonstrate that there is more to be done. The same article concluded that “as a result [of the lack of diversity], businesses are missing out on a huge pool of talented, hard-working people”.¹¹⁸

79. The apprenticeship scheme has been reported to contain inequalities, specifically around sex, ethnicity and disability. These issues are not necessarily specific to the apprenticeship scheme. More analysis is needed to fully understand the impact of the

114 Ev 210

115 Ev w61

116 Ev 146

117 Ev 146

118 The Times, Apprenticeship special, *Under-represented groups are a loss to employers*, 16 May 2012

perceived lack of diversity within the apprenticeship scheme and its relationship with inequalities in the wider economy. We will maintain in our programme of work our commitment to tackling these issues as our inquiries uncover them.

80. While we were encouraged to hear that the National Apprenticeship Service does take diversity into account, the statistics show that it remains a significant problem. We welcome the work conducted by NAS into diversity, and recommend that it is given specific responsibility and accountability to raise awareness of apprenticeships among under-represented groups. This should include a responsibility to promote the advantages of diversity directly to employers. We believe that the apprenticeship programme should be an inspiration and beacon of best practice to the wider economy, demonstrating the advantages of greater diversity at all levels of industry.

5 Engaging employers—Barriers and solutions

Engagement with large businesses

81. The National Apprenticeship Service told us about its efforts to engage with large businesses:

The National Apprenticeship Service has a dedicated field force that is critical in stimulating and growing Apprenticeship demand among employers. Having Employer Account Managers allows NAS to develop relationships directly with employers who are not already using Apprenticeships, to engage with them in understanding their needs and advise them on how to go about implementing an Apprenticeship programme.

An external review of employer take up of Apprenticeships identified clear market failure in the 250 to very large size employer market. It was evident that engagement was far stronger with the SME market and that providers continued to serve this market well.

In August 2010 NAS refined its employer strategy and focused more on achieving higher engagement with 250+ employers and set itself an overall ambition of achieving 42,000 Apprenticeship Starts in this area.¹¹⁹

82. The Co-operative explained that it was often perceived that large employers did not need support. It outlined why this was not the case:

To provide an Apprenticeship that gives the learner a complete package of training and development, together with extensive off and on the job training, then the “contribution” from employers of any size is already vast. This needs to be acknowledged in the level of funding offered to each apprenticeship, rather than a one size fits all funding mechanism and an assumption that Large Employers do not need financial assistance when paying for an Apprenticeship.¹²⁰

83. We have heard that large employers may be able to offer wider employment opportunities to their apprentices because they can involve a wide range of suppliers. The UK Contractors Group highlighted the example of Carillion and agreed that large firms needed specific support:

There is good practice on which to build—for example Carillion recruits and trains around 1,000 apprentices every year, a large number of whom are placed within the supply chain. However the additional costs taken-on by larger firms needs to be recognised, and they need to be able to access further support.¹²¹

119 Ev 193

120 Ev w87

121 Ev w299

The Director of Unionlearn (part of the Trades Union Congress), Tom Wilson, agreed:

Our view is that a very important route to encouraging SMEs to provide good quality apprenticeships is to use a supply chain model, engage the mother companies at the top of the supply chain, get clear agreements with them.¹²²

The Minister elaborated on how large businesses should engage with the apprenticeship scheme. He cited Jaguar Land Rover as another example of good practice that demonstrated why the Government should support larger employers:

I think also around the partnerships, the collaborations between businesses, and [...] large companies and their supply and distribution chains. This is something, again, other countries do rather better. The automotive sector is a perfect example. Jaguar Land Rover [...] has a wonderful apprenticeship programme. [...] Like all automotive companies, with a very complex supply chain, one of the things they want to do is to look at how they can seed skills in their supply chain and increase resilience amongst those suppliers on whom they are absolutely dependent.¹²³

84. The Chief Executive of the Association of Colleges commended NAS's recent efforts to engage larger employers:

I particularly salute their [NAS's] efforts at promoting and marketing apprenticeships, perhaps most effectively to large employers and at the national level.¹²⁴

The Financial Skills Partnership agreed:

The National Apprenticeship Service (NAS) has been successful in working with large employers in the sector we represent, particular in terms of engaging them in the apprenticeship programme.¹²⁵

This was echoed by the Greater Manchester Local Enterprise Partnership who told us that "NAS has succeeded in bringing real energy to drive apprenticeships among larger employers, which is to be commended".¹²⁶ However, it did go on to suggest that this support must not come at the expense of support for smaller businesses.

85. Others, however, have argued that the focus on larger employers may have been misplaced. The Manufacturing Technologies Association told us that it was not necessary because "larger companies which have a long tradition of apprenticeships feel relatively little need of direct contact with NAS".¹²⁷ Skills for Care & Development elaborated on this point, suggesting that NAS may have targeted large employers simply in order to meet its targets and that the support for larger employers may have come at the expense of supporting smaller companies:

122 Q 504

123 Q 725

124 Q 462

125 Ev w129

126 Ev w145

127 Ev w206

Employers still feel as if there is a lot they have to do in terms of finding appropriate training providers and this has been compounded recently as NAS is now only looking at supporting large employers.

This may indicate that the service is seeking to achieve easy wins through large employers many of whom have their own Apprenticeship contracts and are generally already working closely and effectively with their relevant SSC/B's [Sector Skill councils/Boards]. There are gaps for smaller employers that are currently being taken up by SSCs, training providers etc. This gap in support for smaller employers is perhaps as a result of recent cuts to the service (NAS).¹²⁸

This view was repeated by several witnesses. For example Improve Ltd and the National Skills Academy expressed “concern over the implications of focusing on a volume target from the perspective of neglecting SME’s”.¹²⁹ While we support the commitment from NAS to support large employers, it must not come at the expense of the support offered to SMEs.

86. We were encouraged to hear about the high level of support that the National Apprenticeship Service offers large businesses and the apparent success it has had in this area. We recommend that NAS continues to support large employers to engage with the apprenticeship programme, and in particular to use their positions to support local schemes and encourage connected smaller businesses (for example those in their supply chains) to become involved in the programme. We also recommend that the Government actively highlights and celebrates examples of good quality apprenticeships taking place in large businesses to extol the benefits to other employers.

Engagement with small and medium sized businesses

87. According to the Geoff Russell, the Chief Executive of the Skills Funding Agency, “80 per cent of all the apprentices out there are in SMEs”.¹³⁰ However, despite this figure, the Department acknowledged that SMEs found it harder to engage with the apprenticeship programme. In evidence, it offered the following reasons:

They may not have a dedicated HR department to manage the process, or support learning and development;

It may be more difficult for staff to dedicate time to training and supporting an apprentice;

It can be harder to release someone for training off the job when there are fewer remaining staff to cover; or

128 Ev w257

129 Ev w156

130 Q 599

Small businesses may have more cash flow constraints and be less prepared to risk an initial investment to achieve long-term productivity gains.¹³¹

Direct engagement with SMEs

88. David Way, the Chief Executive of the National Apprenticeship Service, believed that the most effective way for NAS to engage with SMES was indirectly through training companies and colleges, rather than direct support:

The service we are providing to SMEs is very strong. We need to keep working at information, but I honestly believe that the best way of supporting SMEs is through people locally on the ground in training companies and colleges, not through some sort of centre.¹³²

89. Various industry representatives agreed. For example the Institution of Engineering and Technology told us that:

We support the service that NAS provides for large employers but we feel that NAS involvement with small and medium employers (SME's) and individual learners has been of questionable value. [...] The role of NAS would be most effective in supporting training providers who have a wealth of experience and have built trusted relationships engaging with appropriate employers.¹³³

This sentiment was echoed by Avanta:

As a national body the NAS will inevitably be less well-equipped to engage with SME and major local employers, many of which do not advertise apprenticeship opportunities through regular channels. Avanta believes that most established skills and employability providers are experienced in forming these kinds of links with business.¹³⁴

90. The Forum of Private Business summarised that many businesses choose not to use NAS, they told us that “government apprenticeships are [...] used by fewer than half of respondents. Some businesses prefer local training schemes, while others run their own apprenticeships, which can be tailored more to the needs of the business”.¹³⁵ The Food and Drink Federation told us that NAS’s focus on larger businesses was a misplaced priority and that the Government should support employers, regardless of size:

We are concerned over the implications of focusing on a volume target from the perspective of SMEs. It appears that the focus of NAS is firmly on large organisations having 250 employees or above. However we believe that a government funded organisation should provide a support service to all organisations and in particular address areas of market failure. We believe NAS should be tasked with raising

131 Ev 139

132 Q 602

133 Ev w162

134 Ev w33

135 Ev 177

participation with SMEs as a first priority rather than with volumes of apprenticeships from large companies.¹³⁶

91. Despite David Way's statement that NAS's support for SMES was "very strong", of its 310 employees, only 50 were allocated to supporting small employers (and the Apprenticeship Vacancy service).¹³⁷ Several industry representatives lamented this apparent the lack of direct government support for SMEs, including Improve Ltd and the National Skills Academy:¹³⁸

We have a concern over the implications of focusing on a volume target from the perspective of Neglecting SME's

[...] It appears that the focus of NAS is firmly on large organisations having 250 employees or above. However, it is our opinion that a government funded organisation should provide a support service to all organisations and not focus on the 'big volume' employers.

SME's in comparison generally require much greater in depth support and this is generally considered to be an area of market failure as SME's undertake less training and find it harder to access provision & support.¹³⁹

The Chief Economic Development Officers Society and the Association of Directors of Environment, Economy, Planning & Transport told us that SMEs required more than just financial assistance:

In addition to financial help, SMEs often require additional support to employ an apprentice such as advice on specialist employment legislation and HR issues and by streamlining processes regarding the amount of paperwork and documentation that needs to be completed.¹⁴⁰

92. While it may be true that smaller businesses already have strong links with their training providers, we do not think that this should replace the role of NAS as the principal provider of impartial support and information for employers. There is a risk, if NAS takes a passive role with SMEs, that businesses would place too much reliance on their training providers (who are not accountable to Government or Parliament). In early 2012, the Government commissioned Jason Holt (CEO of Holts Group of Companies) to advise on "what further measures can be taken to give SME employers more control in the system and make it more responsive to SME needs".¹⁴¹ The final report of this review recommended that the Government "establish the NAS role as the lead of all communication relating to apprenticeships".¹⁴²

136 Ev w131

137 Ev 194–195

138 Q 602

139 Ev w156

140 Ev w66

141 Jason Holt, *Making apprenticeships more accessible to small and medium-sized enterprises*, May 2012, page 4

142 Jason Holt, *Making apprenticeships more accessible to small and medium-sized enterprises*, May 2012, page 6

93. While 80% of apprentices are employed in the SME sector, the major growth in apprentices is in the retail sector. The SME sector in the UK represents a huge untapped potential market for apprenticeships but unlocking it requires far greater focus and resources. Whilst there are already strong links between training providers and SMEs it does not go far enough, and does not engage SMEs which are harder to reach. We therefore recommend that NAS engages local bodies such as LEPs and local Chambers of Commerce to target those companies. Equally, the Department must recognise that NAS will require some additional funding for this to be successful. We will monitor this area of activity closely and will expect NAS to publish quarterly reports on the number of new SMEs it has brought into the apprenticeship programme.

Reducing bureaucracy

94. Industry representatives told us that bureaucracy prevented many SMEs from considering hiring an apprentice in the first place. For example the Herefordshire, Worcestershire and Shropshire Training Providers Association told us that firms responded to “tax incentives or reduced bureaucracy to convince SMEs to take on apprentices”.¹⁴³

This problem was recognised by the Department which outlined its recent efforts to reduce the bureaucracy facing potential and current employers:

We are reducing bureaucracy, and streamlining and speeding up processes, with significant progress made already. For large employers (5,000+ employees) that directly contract with the Skills Funding Agency; the latter is currently running an Employer Outcome Payment Pilot. This will test a new approach to making payments based on Apprenticeship framework completions enabling a significant reduction in the paperwork and reporting requirements. We are also introducing more proportionate audit, inspection and monitoring arrangements and a single certification service.

To address the concerns of small employers, we are working to streamline processes so that it takes just a month for an employer to advertise for an apprentice, through from first enquiry to agreeing a training package. The Skills Funding Agency has removed health and safety requirements on providers and, where relevant, employers, that go beyond regulatory requirements. We are working with training providers to develop new service standards for supporting SMEs to be included in all new contracts for Apprenticeships delivery.¹⁴⁴

95. The Forum of Private Businesses supported these recent announcements by the Department:

[The announcements] are welcome and may encourage more businesses to use the service. In particular, the commitment to advertise a vacancy within a month and to remove any health and safety requirements that go beyond national standards are

143 Ev w152

144 Ev 138

welcome steps and will help small businesses who often need vacancies filled quickly with minimal disruption to the business.¹⁴⁵

96. The British Retail Consortium (BRC), however, told us that more needed to be done:

Although the BRC welcomes recent activity to identify ways in which red tape and bureaucracy can be removed from the system, changes must be delivered quickly and more work must be done to ensure employers' concerns are addressed.¹⁴⁶

97. Others told us that bureaucracy had not been reduced for employers or training providers but had simply been displaced. JTL Training argued that NAS's matching service had actually increased the bureaucratic burden which, it said, had:

Forced additional bureaucracy onto training providers who have also had to cope with both the simultaneous pressures of their income being cut, via funding reductions and of reduced Apprenticeship demand.¹⁴⁷

The National Institute of Adult Continuing Education pointed out that "most employers do not take on apprentices and claim to be put-off by perceived levels of bureaucracy and regulation".¹⁴⁸

98. The Department has recently announced changes to make the process of hiring and training an apprentice easier. When we asked the Chief Executive of NAS, David Way, what the principle barriers were against hiring apprenticeships he told us that "bureaucracy is in the first five"¹⁴⁹ and assured us that NAS and the SFA were "both committed to reducing bureaucracy wherever we find it".¹⁵⁰

99. We note the recent announcements by the Department of measures to reduce bureaucracy, particularly for large businesses. However, we have heard that this has not been matched with action. Businesses still consider bureaucracy and the perception of 'red-tape' to be a major barrier to employing an apprentice. We recommend that more work is done. Specifically, we recommend that the attitudes and perception of employers, in terms of bureaucracy, are closely monitored by the Department. NAS must engage with businesses of all sizes specifically to hear how they could more easily engage with the scheme. It should report its findings as a matter of urgency.

Alternative models to support SMEs

100. In this inquiry we have had a particular interest in alternative models of delivery, specifically designed to address the needs of smaller employers. We took evidence from representatives of Group Training Associations (GTAs) and Apprenticeship Training

145 Ev 177

146 Ev w47

147 Ev 181

148 Ev w219

149 Q 555

150 Q 555

Agencies (ATAs), both of which are aimed at improving the engagement of small and medium sized employers:

Group Training Associations (GTAs)

Group Training Associations were originally set up in the 1960s to train on behalf of groups of employers, using funds contributed by them through a statutory training levy and with assistance from the relevant Industry Training Boards (ITBs) to purchase capital and equipment.

Apprenticeship Training Agencies (ATAs)

The apprentices are employed by the Training Association and “hired out” as a flexible workforce to other employers, known as “host companies” for the work-based element of their apprenticeship. Host companies pay the Training Association a fee for the hire of the apprentice, which comprises their salary plus a service charge which covers the management costs of employing and supporting the apprentice.

The Training Agency takes on most of the administration, dealing with the payroll, support and supervision of the apprentice and being their legal employer.¹⁵¹

Group Training Associations (GTAs)

101. Neil Bates, the Chief Executive of Prospects Learning Foundation (a GTA), told us:

The GTA model is a demand-led model, because it is about employers determining what the skills requirements are for their businesses, and then the GTA providing that provision to meet the skills needs.¹⁵²

The Federation of Small Businesses agreed with this description and argued that the GTA model helped smaller businesses to engage with the programme:

GTAs provide an effective route for small employers to work collectively on training apprentices and existing staff. These systems allow for the sharing some of the burden and responsibility while benefitting from the advantages of working on a larger scale.¹⁵³

102. The Trades Union Congress (TUC) supported the GTA model and argued that it allowed businesses to pool resources and collaborate on training apprentices:

The TUC recognises that many small and medium-enterprises (SMEs) feel they lack the capacity to take on apprentices. The TUC believes that a potential answer to this is through collaboration and the Group Training Association (GTA) model. In this model the employer directly employs the apprentice but the training is pooled within the GTA. The GTA model offers a good vehicle for supporting groups of employers

151 National Apprenticeship Service, *Testing Alternative Delivery Models: Group training Associations and Apprenticeship Training Agencies*, 2009 [extract]

152 Q 695

153 Ev w129

to come together, often with union support, to develop high-quality apprenticeships.¹⁵⁴

103. The overwhelming majority of evidence received supported the principle of GTAs, but Pearson International offered a differing view. It argued that that GTAs were, in fact, run by larger employers and did not necessarily meet the needs of SMEs:

It should also be noted that GTAs tend to be led by the largest employers and therefore may not adequately meet all the needs of small or medium sized businesses.¹⁵⁵

104. The Department left no room for doubt that it supported the GTA model and would continue to do so in the future:

Employer-led Group Training Agencies (GTAs) can play a pivotal role in meeting the particular training requirements of SME apprentices and supporting their employers' participation in the programme. We strongly support this model and have encouraged the expansion of the GTA network via the National Apprenticeship Service funding of GTA England and its activity in this area.¹⁵⁶

105. The Edge Foundation told us that GTAs provided opportunities and should be supported, but cautioned that funding remained a problem:

Previous attempts to develop GTAs in other sectors of industry have failed because financial support for running costs has been withdrawn too soon. GTAs take a long time to get going and need much more support than they have been offered in the past.¹⁵⁷

Apprenticeship Training Agencies (ATAs)

106. The Apprenticeship Training Agency (ATA) model has a different approach, but also aims to improve the engagement of small and medium sized employers. The Federation of Small Businesses told us that the main advantage of the ATA model was that it removed the risk of recruiting an employee:

The ability of ATAs to employ the apprentice and deal with administrative and insurance issues and take some risk away from the employer would be a significant attraction to many smaller firms.¹⁵⁸

107. The Chief Executive of the Association of Colleges, Martin Doel, agreed and told us that he supported the use of ATAs to improve SME engagement:

I think ATAs have a strong role to play with SMEs. [...] You had a number of people that would be interested in taking on apprentices, but not wanting to take that risk,

154 Ev 209

155 Ev w239

156 Ev 139

157 Ev w101

158 Ev w129

so there was an element of de-risking the process. There was also [...] the issue about the bureaucracy attending an apprenticeship, necessary reporting, and all the back-office functions that a college or another provider could meet.¹⁵⁹

The Edge Foundation pointed out that the ATA model not only reduced the risk to employers, but also provided the new apprentice with some assurance that the full apprenticeship framework would be delivered. It essentially reduced the risk to the apprentice of being employed by a smaller business:

In this model, the ATA acts as the apprentice's employer and places them with a host employer, in return for a fee. This provides extra flexibility for apprentices and employers alike. If an apprenticeship cannot be delivered entirely by one employer, the ATA makes sure the apprentice gets experience with another. This helps increase the availability of apprenticeships in sectors dominated by small businesses.¹⁶⁰

108. However, several witnesses cautioned that the ATA model did not encourage genuine employment. The Director of Unionlearn (part of the Trades Union Congress), Tom Wilson, summarised the 'employment' argument against ATAs:

Fundamentally [...] it is not a genuine employment relationship. It is a device that is being used to create the impression of an employment relationship. That is, frankly, in our view, something that is antithetical to the fundamental idea of what an apprenticeship is all about, which is that you work for an employer, not a group of employers or people getting together, and that that employer, when you have completed the apprenticeship ideally takes you on, and gives you a full-time job.¹⁶¹

The TUC also expressed concerns over quality of the ATAs:

Increasingly ATAs are running low-paid, poor-quality schemes with little progression or career development.¹⁶²

109. Professor Alison Fuller and Professor Lorna Unwin agreed that those employed by ATAs had limited options at the end of their training:

An increasing number of 16–24 year old apprentices are now employed by an Apprentice Training Agency (ATA), which hires them out to local "host" employers for a minimum of 16 hours per week [...] and with limited prospects of a job at the end of the programme.¹⁶³

The National Union of Rail, Maritime and Transport Workers agreed that the employment status and prospects for apprentices employed by an ATA was questionable:

The major risk for people who take apprenticeships is that there is no job at the end of it. We believe that the government needs to ensure that schemes provided through

159 Q 503

160 Ev w101

161 Q 499

162 Ev 209

163 Ev w134

the Apprenticeship Training Association (ATA) are not employing apprentices through an employment agency. The RMT believes apprentices should be employed by the employer, in all cases.¹⁶⁴

110. We asked the Chief Executive of an ATA (Logistics Apprenticeship Training Academy), Paul Coxhead, whether apprentices were able to build a long term relationship with their employer under the ATA model. He told us that, in his experience, it gave apprentices the opportunity to excel and be noticed by employers. He told us that, of the 20–30 people employed by an employer through an agency:

They will generally, from that group, take the ones who excel in what they are doing and look to recruit them into their main work force anyway. What we are trying to do is get them to replace that with the apprentices. It is changing hearts and minds.¹⁶⁵

111. NAS described the main benefits of the ATA model as being:

[To] offer a unique approach to the recruitment of apprentices. They are specifically designed to support small and medium sized employers who wish to take on an apprentice but are unable to take the risk in the current economic climate. They support the sharing of employees among employers, whilst ensuring the quality of the Apprenticeships experience.¹⁶⁶

NAS specifically addressed the arguments that ATAs did not represent genuine employment. It drew our attention to the new ‘ATA Framework’ which it intended to use to ensure consistency and quality training for apprentices:

The ATA is not a ‘temporary work’ business but rather a means to manage and give real flexibility to the delivery of a high quality Apprenticeship. This flexibility also applies where employers may not be able to offer all aspects of a framework but linking them with other host employers allows the full range to be covered.

As the government body with responsibility for Apprenticeships in England the National Apprenticeship Service (NAS) is keen to ensure that all Apprenticeship Training Agencies) ATAs deliver high quality Apprenticeship programmes and operate in accordance with the ATA Framework. Apprentices and stakeholders need to feel both confident and assured that the service they receive from ATAs is first class.¹⁶⁷

112. NAS went on to tell us that any ATA must now fulfil four headline features to be recognised under the new framework by the Service:

An ATA is a business whose core function is the employment and development of apprentices. Under the model the apprentice will be hired out to host employers who provide employment key to the Apprenticeship. Training will be delivered by a Skills Funding Agency (the Agency) contracted training provider.

164 Ev w226

165 Q 683

166 Ev 198

167 Ev 219

An ATA will always aim to contribute to a high quality Apprenticeship experience. To ensure this they will make the quality of apprentices' working and learning experience central to all they do.

An ATA will focus on the creation of the new Apprenticeship opportunities with employers who wish to benefit from using the ATA model to engage an apprentice(s). They should complement not displace directly employed Apprenticeships.

An ATA will agree clear terms with all the employers, providers and apprentices that they work with. These terms should reflect best practice in the delivery of an Apprenticeship.¹⁶⁸

113. Finally we heard that, while the ATA and GTA models are fundamentally different, they are not mutually exclusive. The Group Chief Executive of a GTA (Prospects Learning Foundation), Neil Bates, agreed that GTAs do not address the issue of employment risk to companies as directly as ATAs. He told us how the models could be combined, while warning against using ATAs to simply supply labour:

That is actually why some GTAs, my own included, have an ATA within our structure. GTAs do some of the features of an ATA model, and I am not critical of an ATA model. I think it has a place, provided it does not fall into becoming a labour supply agency. I think they are an important part of the framework. So, yes, in circumstances where, for example, in the construction sector there are breaks in employment, because apprentices are with a company that loses a contract or has not got work, we will take the apprentice back and employ them for a period of time until we can re-place them into another employment, which is a feature of an ATA model.¹⁶⁹

114. The Office of the Mayor of London warned us that NAS needed to monitor the quality of both ATAs and GTAs:

Employers indicate that the quality, breadth and expertise of ATA/GTA models are mixed. NAS should work to ensure that provision meets minimum standards and seek to promote a more competitive market.¹⁷⁰

115. We have heard that a significant number of small and medium sized employers have struggled to engage with the apprenticeship programme. We are encouraged to hear about innovative delivery models designed to rectify this. We recommend that both Group Training Associations and Apprenticeship Training Agencies continue to be supported by NAS. However, care must be taken to ensure that the quality of learning experience is not jeopardised. We support NAS's recent initiative to set up a Recognition process and National Register for ATAs and recommend that NAS is given formal responsibility for promoting ATAs. It is important that all alternative delivery models are actively monitored and NAS should assess the success of such models not

168 Ev 222

169 Q 699

170 Ev w 205

only by the level of employer engagement but also by the quality of the apprentices' actual learning and the subsequent conversion rate from such apprenticeships to full-time employment.

The Supply Chain Model

116. We heard evidence suggesting that larger employers should take a more active role in engaging smaller businesses with the apprenticeship programme. The UK Contractors Group told us that this was particularly pertinent to the construction sector:

There remains significant untapped potential to increase apprentice provision in the industry, particularly amongst SMEs. Construction is therefore a prime sector for the extension of collaborative apprenticeship models—either through large firms supporting SMEs in their supply chain by training more apprentices than they need; or SMEs accessing training through Apprenticeship Training Agencies or Group Training Associations.¹⁷¹

The Director and General Manager of Carillion Training Services, Ray Wilson, explained how the 'supply chain model' worked in practice:

What we will do is work with Carillion and its full supply chain to place apprentices to give them opportunities. We will rotate them; so they may get a bit of experience, for example if they are a carpenter, in hanging some doors with one organisation, and then they may need some roofing experience, which that organisation may not be doing. So we will rotate them through our supply chain and other organisations with which we work to give them a fully rounded experience. Not only does it give them the technical skills, but experience and exposure to other organisations, and I think, therefore, their apprenticeship is fully rounded.¹⁷²

He went on to tell us that “there are absolutely huge benefits. Primarily this is about us as an organisation supporting young people into training with the relevant skills for the industry. That then supports the supply chain in that industry, which then goes on to support us within Carillion itself”.¹⁷³

117. ADS Group (the trade organisation advancing the UK Aerospace, Defence, Security and Space industries) told us that this model had benefits in other sectors as well:

Major companies in the aerospace industry aim to train apprentices on behalf of their supply chain companies, benefiting smaller companies in a number of ways: firstly they gain from highly skilled apprentices, trained to a high standard on machines that they may not be able to provide themselves; additionally, they benefit from likely future contracts with their customer because the larger company knows that the work produced will be to a high standard, having trained their staff.¹⁷⁴

171 Ev w299

172 Q 335

173 Q 334

174 Ev w9

The UK Commission for Employment and Skills agreed. They told us that firms benefit from this model regardless of sector:

Large companies have an interest in developing the skills of their suppliers. Large and small employers in supply chains could work together to develop Apprenticeship programmes and places.¹⁷⁵

118. We are encouraged to hear that private industry is introducing new models of training. Specifically, we have heard about the practice of large employers utilising and supporting their supply-chain to supplement their apprenticeship programmes. NAS has told us of its support and contact with large businesses and we recommend that, in its dealings with such businesses, it promotes the benefits of this model by encouraging large employers to support SMEs in their supply chain using apprenticeships.

Government initiatives

119. The Government has introduced initiatives to increase employer engagement. While most of these are in their early stages, we have received evidence on the ‘Employer Ownership Pilot’ and ‘SME incentive payments’.

The employer ownership pilot

120. The Employer Ownership Pilot has enabled businesses (as opposed to training providers) to bid directly for public funding. The Department’s website outlined the scheme:

The Employer Ownership pilot offers all employers in England direct access to up to £250 million of public investment over the next two years to design and deliver their own training solutions. The pilot is jointly overseen by the Department for Business, Innovation and Skills, the Department for Education and the UK Commission for Employment and Skills.¹⁷⁶

The pilot is administered through the UK Commission for Employment and Skills, in whose evidence was a summary of the reasoning behind it:

The UK Commission’s view is that employers need the space to take more ownership over Apprenticeships, with government stepping back. We need to create the right conditions for employers to step up, to work with key partners in their sectors, local areas and supply chains to develop the skills they really need. To this end, we value the opportunity to test out new ways of working through the Employer Ownership pilots.¹⁷⁷

121. The pilot was launched in February 2012, and it is too early to judge the success of this scheme. While the bulk of evidence we received supported the principles underlining the scheme, several witnesses sounded a note of caution. For example the Association of

175 Ev w294

176 Department for Business, Innovation and Skills website, *Employer Ownership Pilot* [accessed 6 July 2012]

177 Ev w289

Employment and Learning Providers warned that the pilot could jeopardise the current drive for higher quality apprenticeships:

The “Employer Ownership” proposals must not be allowed to devalue the Apprenticeship brand by providing government funding for employers’ own apprenticeships that do not meet, or exceed, the current requirements of Apprenticeships in England.¹⁷⁸

The Association of Colleges agreed that quality was at stake if the employer ownership was not monitored and that regulators must be closely involved:

The recent plan to give employers more control of Government skills funds may result in money going to organisations without relevant experience in training. We recognise the importance of gaining greater employer ownership of skills, but we believe that the Employer Ownership Pilots should involve partnerships with approved providers, Ofsted must be able to inspect quality and relevant data must be collected to assess performance.¹⁷⁹

122. When we asked the Minister how he would tackle these issues he told us:

There are rigorous value for money criteria in the bid appraisal process which will minimise deadweight. Only the bids showing the best value for the public purse and the highest quality will be supported and robust quality assurance will be built into the monitoring and management of those bids that are successful. We are developing a comprehensive evaluation process, with short, medium and longer-term measures of success, to assess value for money. All successful bids will undergo due diligence checks before projects begin.¹⁸⁰

SME incentive payments

123. The Department has introduced the SME incentive payment to help small businesses to overcome the initial costs of supporting an apprentice:

In November 2011, we announced 40,000 incentive payments of £1,500 to encourage small businesses not currently engaged in the Apprenticeship programme to offer more opportunities for young people aged 16–24. [...]

Targeting such employers with this new incentive will maximise the impact of the additional funding and further grow the Apprenticeship brand. In promoting the scheme, the National Apprenticeship Service will also seek the greatest value for the taxpayer by concentrating on the occupational sectors which generate the greatest levels of return. [...]

The first £750 instalment of the incentive payment equates to two months wages at the Apprenticeship rate of the National Minimum Wage, helping small businesses to

178 Ev 156

179 Ev 169

180 Ev 217

overcome the initial costs of supporting an apprentice while they settle in and start becoming productive.¹⁸¹

124. Most witnesses supported the principle of incentivising SMEs to take on apprentices. Among others, the West Berkshire Training Consortium¹⁸², Mimosa Healthcare Group¹⁸³, Learndirect¹⁸⁴ and the Construction Skills Certification Scheme (CSCS)¹⁸⁵ made the point that SMEs struggled with the cost of hiring and training apprentices.

125. That said, a number of submissions argued that a single cash payment might not be the most efficient way to engage SMEs. For example, People 1st told us that financial incentives should be coupled with more support and guidance:

This fund could be used to provide one to one support for small businesses and simplify the system to make apprenticeships more accessible. This could also be used to provide peer to peer advice and guidance from employers already successfully implementing apprenticeships throughout their business.¹⁸⁶

Aspire Achieve Advance Ltd argued that “apprenticeship bonuses may encourage the involvement of small and medium sized businesses but clearly the process needs to be bureaucracy light and achieve the desired outcomes”.¹⁸⁷

126. We have also heard that the level of the bonus (£1,500) may not be appropriate. The National Skills Academy for Nuclear told us that “this is insufficient”, but went on to say that applying the bonus to Skills Academies to work more closely with employers would be more effective in engaging SMEs.¹⁸⁸ The Federation of Master Builders (FMB) supported the scheme but agreed that the level was not sufficient to alter employers’ recruitment plans:

The FMB welcomes the Government’s proposal of an incentive payment of £1,500, payable in two stages, to help businesses employ a new apprentice. When asked what would make them more likely to hire an apprentice, FMB members ranked an incentive payment at the top of a list of possible incentives.

However, in the same survey only 18% of firms suggested that the Government’s £1,500 Apprenticeship Grant would make them reconsider hiring a new apprentice. 30% of the firms that felt £1,500 wasn’t sufficient said an incentive payment of £3,000–£4,999 would be enough to change their mind.¹⁸⁹

181 Ev 139

182 Ev w307

183 Ev w209

184 Ev w185

185 Ev w57

186 Ev w243

187 Ev w23

188 Ev w221

189 Ev w125

127. We also heard that the method of delivering this bonus had affected the behaviour of the employer. Skills for Justice explained that there was a risk that the Government would be subsidising short-term jobs with no long-term employment:

We would urge caution when considering whether to introduce a bonus scheme. It is imperative that Apprenticeships provide real opportunities to obtain employment if they are to be seen as credible. Bonuses may encourage organisations to offer Apprenticeships where there is little or no chance of a job at the end.¹⁹⁰

Microsoft UK agreed, and suggested that incentive payments should only be paid at the end of the apprenticeship:

It would be important to ensure that any apprenticeship bonus scheme only rewarded those businesses that saw the programme through. This could be achieved through the inclusion of a terminal bonus.¹⁹¹

We note this concern but are mindful that the purpose of this scheme was to encourage SMEs to recruit by assisting with the cost of recruitment, this could be undermined if firms do not benefit from the payment until at least 12 months after the initial cost.

128. We discussed the SME incentive scheme with the Minister. He told us that, while it was too early to judge success, he was optimistic:

We took the view that in addition to making the system simpler we should incentivise small businesses with a £1,500 bonus. It is early days, as you know; it is just at the beginning of the process. But yes, we are making progress. [...] I am confident that we will reach our target.¹⁹²

The Minister went on to tell us that he had designed the scheme deliberately to increase the number of young apprentices in work:

It is something I have long believed in, the apprenticeship bonus concept, for those SMEs that are currently not apprenticeship providers. [...] I have said it has got to be a young apprentice and an employer that has not had an apprentice previously. We are cutting new ground. This is not about existing people or existing businesses. This is about new businesses and new apprenticeships.¹⁹³

129. We support recent efforts by the Government to increase employer engagement through the ‘Employer Ownership Pilot’ and the ‘SME Incentive Bonus’. These initiatives are in their infancy and we do not wish to tinker with the content of either policy at this stage. However, over time they will need to prove higher levels of employer engagement and value-for-money. We recommend that clear criteria for success are published so that they may be objectively scrutinised and that full value-for-money reviews are conducted into both of these schemes after 18 months.

190 Ev w273

191 Ev 186

192 Q 728

193 Q 728

Public procurement practices

130. We have heard that the Government could have done more to encourage SME engagement with the apprenticeship scheme through its own procurement practices. When JTL outlined its proposal to use public procurement obligations, it said that such a scheme would be as effective as SME incentive bonuses:

What is more likely to assist small and medium sized businesses involvement in Apprenticeships is via a legal obligation to do so within the awarding of public sector procurement contracts. These should specify a specific number of intermediate and advanced apprentices, each contributing at least 35 hours per week, to the delivery of that contract, irrespective of whether or not they are employed by the main contractor or a subcontractor.

Further, employers who do not have apprentices should be excluded from public sector procurement. This would have just as much effect as apprenticeship bonuses, whilst also supporting the employers who train only to have their skilled staff “poached” for their efforts.¹⁹⁴

Several witnesses agreed. The Chief Executive of the West Northamptonshire Development Corporation, Peter Mawson, told us that this would work across many sectors:

Of course it does not have to be construction-related. It could be the procurement of an ICT contract or social care or whatever it may be. Wherever the public sector is procuring, there could be an embedded policy to require the provision of apprenticeships within that particular programme.¹⁹⁵

131. The Trades Union Congress also made a specific suggestion for the delivery of this scheme. It told us that this had already happened in some parts of the construction sector and told us that it should be extended to a wider number of sectors:

Even during a time of government spending cuts, the public sector spends a colossal amount of money procuring goods and services. [...] For example, in parts of the construction sector where procurement is being used in this way, there is a rule of thumb that one apprentice should be employed for every £1 million of contract value. This approach should be embedded and extended to other sectors.¹⁹⁶

132. When we raised this with the Minister he was supportive of the principle, but appeared hesitant to implement such a scheme because of competition law concerns:

I am a great enthusiast for using public procurement. There are issues around competition law, including law from the European Union, but I think we can, within those constraints, be more creative about the use of procurement.¹⁹⁷

194 Ev 183

195 Q 295

196 Ev 209

197 Q 726

He did, however, tell us that he was “determined to push this as far as we can go within the constraints within which we are working”.¹⁹⁸

133. We recommend that the Government encourages the employment of apprentices in its procurement contracts. While we concede that some flexibility is required (for example around the sector and nature of the work contracted), we recommend that Central Government, Local Government and other publicly funded bodies should seek to achieve at least one additional apprenticeship for every £1m awarded through public procurement as a benchmark. We have been told by the TUC that this is current policy in some construction procurement arrangements. Furthermore, we recommend that the current recruitment practices of prospective contractors (in terms of apprentices) is a factor which is taken in to positive consideration when the Government is considering bids for any public contract.

134. In terms of using public procurement to incentivise apprenticeships, the Minister told us that he was determined to push this as far as possible “within the constraints of the law”. We recommend that in its response the Department sets out how it proposes to resolve any legal issues preventing the Government from attaching requirements for apprentices in major public procurement projects commissioned by itself, local government and publicly-funded bodies.

6 Quality

Introduction

135. We received evidence expressing concern that the UK was falling behind its international competitors, in terms of the skill of its workforce, and that this was being perpetuated by the quality of the apprenticeship programme. For example, in the following comments from Professor Lord Richard Layard and Dr. Hilary Steedman of the Centre for Economic Performance at the London School of Economics and Political Science:

England is the only country where apprenticeships at Level 2 far outnumber those offered at Level 3. In Australia most apprenticeships are at Certificate 3 level and in France just under half are at Level 2. In the dual system countries, Austria, Germany and Switzerland, and in Ireland, almost all apprenticeships are at Level 3. [...]

Level 3 should be the minimum level aimed for in apprenticeship but apprentices would need at least two and probably three years to reach this level, as is the case in other European countries.¹⁹⁹

This generally accords with the NAO's report, which stated that "most apprenticeships in England are at a lower level than those in other countries. Only 33 per cent of apprenticeships are at advanced level, compared with 60 per cent in France, for example".²⁰⁰

136. The Minister left little room for doubt that he had international comparisons in mind, and two specific economies "in his sights":²⁰¹

I expect us to overtake France. When I was in Germany recently I told them I eventually expected to overtake Germany too. I will make our system the best in the world.²⁰²

Speaking more generally, he went on to say that "there is always a tension between quantity and quality, which is why I am so determined to place this unprecedented emphasis on quality in the apprenticeship programme".²⁰³ NAS also assured us that "quality and ensuring that everybody can have confidence in apprenticeships is the top priority for us at the moment".²⁰⁴ To that end, the Department submitted a list of measures that had recently been announced, which aimed to improve the quality of the programme. These improvements, and also those received from witnesses, broadly fell into six categories; employment, statutory standards, skills, training providers, duration of frameworks and progression. In this chapter we summarise these announcements and examine the evidence and discussion around them.

199 Ev w179

200 National Audit Office, *Adult Apprenticeships*, 1 February 2012, para 6

201 Q 747

202 Q 747

203 Q 768

204 Q 540

Employment

137. The Department has announced that an apprenticeship should only be recognised if it involves genuine employment:

Apprenticeships must be real jobs and, as such, the nature of the training they include has to be tied to real opportunities and be led by employer demand. Quality is paramount—an Apprenticeship should represent a significant learning experience for an individual, with clear progression routes into higher learning and more rewarding work, and offering a genuine productivity gain for the employer.²⁰⁵

138. This announcement sits well with the bulk of our evidence. We have already discussed the importance of genuine employment within the definition of an apprenticeship programme. Much of the evidence we have received on this topic agreed with the Government that employment is key to quality and perception of the apprenticeship scheme. Furthermore, such an arrangement does not only benefit the apprentice. The Heating and Ventilating Contractors' Association reminded us that “apprentices are employed and make a valued contribution to that employer for the duration of their apprenticeship which is on average a minimum of four years”.²⁰⁶

139. There were some, however, who argued that this requirement added to the cost of hiring an apprentice. For example the Chief Engineer at Doosan Power Systems Ltd told us through the Engineering Construction Industry Training Board that:

The insistence on apprentices now being employed status and paid a minimum wage significantly increases the employer cost burden in taking apprentices, and further magnifies the funding gap between 16–18 and 19–24 groups.²⁰⁷

140. The burden on employers must always be a consideration when imposing such regulation on the industry. Overall, however, we agree with the bulk of evidence, that the balance between industrial burden and apprenticeship quality in relation to employment criteria has been found successfully by the Government.

Specification of Apprenticeship Standards

141. In January 2011, the Government proposed a set of standards underpinning the apprenticeship programme. The Department explained that:

The *Specification of Apprenticeship Standards for England* (SASE) sets out the standards that all Apprenticeship frameworks in England must meet. SASE is designed to ensure the consistency of Apprenticeships and that all frameworks offer substantial on and off the job guided learning leading to the achievement of recognised high-quality qualifications and an Apprenticeship Completion Certificate.²⁰⁸

205 Ev 141

206 Ev w154

207 Ev w120

208 Ev 141

The National Apprenticeship Service confirmed to us that these requirements had been successfully rolled out:

All Apprenticeship frameworks in England have been reviewed by the issuing authority to ensure the framework is SASE compliant. NAS has worked with the UKCES and supported the Sector Skills Councils/Bodies in this process to ensure quality and authorise funding for the Frameworks.

The introduction of SASE has helped ensure that there is minimum on and off the job training time and that there is greater clarity about job roles, NAS has been pivotal in ensuring that providers understand how their delivery models need to be adapted to comply with the new SASE quality standards.²⁰⁹

142. Several witnesses supported the introduction of SASE. The Trades Union Congress told us that their introduction “was a welcome development, given that there was previously no national minimum standard for apprenticeship frameworks”.²¹⁰ The 157 group also welcomed the introduction of consistent standards, but warned that these needed to be monitored:

The introduction of SASE is welcomed and will help ensure that all providers are delivering qualifications within the framework that add value. [...] There are no guidelines currently as to who will carry that role out, and this could once again jeopardise the Apprenticeship reputation.²¹¹

143. Others, however, including Energy & Utility Skills Limited²¹², Engineering Construction Industry Training Board²¹³ and People 1st²¹⁴ raised concerns that the introduction of consistent standards did not allow for necessary flexibility, particularly in some sectors. Asset skills summarised this point:

The Specification of Standards for Apprenticeships in England (SASE) and Wales (SASW) do not accommodate the specific requirements and contexts of different sectors. They impose a standard model which results in employers finding the model constraining which remains a powerful disincentive to their engagement. If apprenticeships are to become the flagship and mainstream vehicle for skills development then SASE and SASW must become more responsive frameworks and allow for sectoral differences.

144. We support the introduction of statutory standards (SASE) and the improvement to quality that they appear to have brought to apprenticeships. However, 18 months after their introduction, it would be appropriate to properly examine their impact. We therefore recommend that NAS reviews the impact of the implementation of the standards on training quality, regulatory burden and framework availability. We

209 Ev 190

210 Ev 208

211 Ev w2

212 Ev w111

213 Ev w115

214 Ev w240

further recommend that it consults across sectors to assess the regulatory burden and suitability of the regime across the economy.

English, maths and functional skills

145. The Government decided:

To replace Key Skills in English and maths with Functional Skills, ensuring apprentices were supported to attain more stretching and transferable qualifications in these skills which are so vital for progression. We are now working to help training providers introduce the new qualifications.²¹⁵

These Functional Skills were introduced into SASE and Apprenticeship frameworks in April 2011.²¹⁶ In addition, the Department committed to:

Requiring every provider to support their apprentices in progressing towards the achievement of Level 2 in English and maths. From Academic Year 12/13 all Apprenticeship providers will be required to provide opportunities to support Apprentices in progressing towards achievement of Level 2 functional skills or GCSE qualifications and will be measured on their success in ensuring that Apprentices who have not already achieved this standard are able to complete it as part of their Apprenticeship programme.²¹⁷

146. The introduction of functional skills appeared to have been largely accepted by training providers. For example, the Principal of Northampton College, Len Closs, told us that these skills were fundamental to what he considered to be an apprenticeship:

From our point of view as a training provider, an apprenticeship is a package of learning and skills development, combined with elements of functional skills in mathematics, English and information technology and a number of soft skills as well, in line with the Specification of Apprenticeship Standards.²¹⁸

The Royal Aeronautical Society expressed hope that the consistent and statutory introduction of such skills would solve its “fundamental concern regards the basic English and Maths skills of candidates”.²¹⁹

147. Other witnesses, however, expressed concerns that the introduction of classroom-based skills learning would put off apprentices who had decided to take up vocational training to get away from such learning. As the Director and General Manager of Carillion Training Services, Ray Wilson, explained:

I am very concerned by the introduction of Functional Skills, particularly in the construction sector, where we have seen a commensurate fall in those able to achieve

215 Ev 141

216 Ev 190

217 Ev 141

218 Q 245

219 Ev w252

those levels on leaving school. That will lead to a decline, I think, in success rate, which makes that very difficult contractually. I would call for the Government to re-look at Functional Skills very carefully in terms of its demanding requirements but also its very much classroom-based nature, which many young people entering this sector—the construction sector—will find extremely difficult.²²⁰

The UK Contractors Group agreed, and cited the construction industry as being unfairly affected. It told us that, because of the typically low levels of functional skills in their apprentices, this would significantly affect completion rates:

There are concerns that [...] a minimum of Level 2 in English and maths, alongside the introduction of Functional Skills into apprenticeship frameworks [...] will make it more difficult for many construction apprentices to complete their frameworks.

In particular the standards within functional skills programmes at all levels are generally considered to be more difficult than the current key skills framework which they will replace.²²¹

It went on to argue that:

We are aware that other sectors have raised similar concerns about the difficulty of functional skills for some apprentices, and the more classroom based methods of assessment which can be a ‘turn-off’ for some young people, particularly those who performed less well at school.²²²

148. The Association of Employment and Learning Providers accepted the importance of English, Maths and functional skills in principle, but expressed concern that they would impose an additional cost burden on employers. It told us that this additional cost should be met by the Government:

We are concerned, however, that funding rates for Apprenticeships have reduced substantially over the last few years and we believe that additional financial support is required for the delivery of Functional Skills at levels 1 and 2 to meet the challenge set by the Government to improve English and maths.²²³

Skillsmart Retail Limited agreed and recommended that the Government should consult with employers about the additional burden that this put on industry:

The potential impacts of delivering Functional Skills as part of the Apprenticeship framework should be explored through consultation with employers and learning providers via SSCs [Sector Skill Councils] to establish if working hours or delivery costs are negatively affected.²²⁴

220 Q 348

221 Ev w299

222 Ev w299

223 Ev 157

224 Ev w263

It concluded that “currently it is felt that additional funding would be required to support the resources needed to deliver this”.²²⁵

149. It is important that employees have functional skill levels of literacy and numeracy to match those of our international competitors. However, this should not disadvantage the ability of specific groups to access training and accreditation. To that end, we endorse the principle that transferrable and core skills should be part of apprenticeship framework. However, we recommend that the ‘functional skills’ regime be reviewed by the Department twelve months after their introduction. The Department should consult with industry to review the recruitment of apprentices and we recommend that it reports on whether the introduction of ‘functional skills’ has unfairly discriminated against any group of apprentices (for example those in a specific sector) from completing a framework. If it is proved to be so, we recommend that the Department works with industry to develop alternative models of providing such training. The development of functional skills should be a feature of, not a bar to, apprenticeships.

Training providers

150. The Department is also committed to:

More robust and timely action to crack down on poor provision that does not meet standards that learners and employers demand—withdrawing funding where quality does not improve quickly.²²⁶

This was combined with a commitment to increase transparency about training providers, enabling employers and apprentices to have better information on provider performance:

Driving quality through consumer empowerment and transparency by improving employer and apprentice access to objective and comparable information on providers. Giving employers and learners better information about provider performance and about the level of government investment in their training will better enable them to act as informed purchasers of training, and be a critical tool in driving up quality and rooting out poor provision.²²⁷

151. Currently the main source of evidence on provider quality is the independent regulator, the Office for Standards in Education, Children’s Services and Skills (Ofsted). The majority of those who submitted evidence on this topic supported recent changes to improve provider quality. For example Liverpool City Council attributed the recent rise in quality to the tackling of poor providers (as well as the introduction of SASE):

The improvements in quality have been driven by the work undertaken by providers and funding bodies to improve the quality of apprenticeships. This has included the introduction of Minimum Levels of Performance and the withdrawal of funding of

225 Ev w264

226 Ev 141

227 Ev 141

poor provision and this has been a welcome development and should continue to be used to drive up standards and outcomes.²²⁸

152. Driving out poor providers may be assisted by greater transparency. The Manufacturing Technologies Association told us that placing more power with the employers would tackle poor provision and argued that if employers controlled funding, it would prevent funds going to poor providers:²²⁹

In a truly demand led system, in which employers carried the funding, wasteful or just downright poor providers would be squeezed out as employers opted for the best and most appropriate.²³⁰

The Director of the TUC's Unionlearn, Tom Wilson, told us that, while transparency should be applauded, it was not possible to measure and rate all elements of a learner's experience:

Quality [...] is something that is not measured well enough. The evidence on it—the data—is still rather poor. We have proxies in the form of duration, or completion rates, or possibly progression.

It is as much about their employment education experience as their classroom education experience. Measuring all of that, and improving understanding and transparency around that, is very important to raising quality in a much deeper sense.²³¹

153. We have been cautioned that the learner experience is complex and hard to quantify. The Government has promised to improve access to objective and comparable information relating to training providers. We recommend the Department sets out its timetable for delivering this information.

Duration of frameworks

154. The Department and National Apprenticeship Service set out the most recent developments regarding the length of apprenticeship frameworks:

The duration of the Apprenticeship is expected to reflect that set out by employers in the relevant Apprenticeship framework document, but at the very least must meet the minimum duration requirement announced by NAS. Apprenticeships for apprentices aged 16–18 must last at least 12 months. For those Apprentices aged 19 or over the Apprenticeship should also last at least 12 months unless relevant prior learning is recorded. Where this is the case the Apprenticeship will not be less than 6 months. Apprenticeship delivery must be planned to make full and effective use of

228 Ev w190

229 Discussed in more detail in paragraph 120 of this Report

230 Ev w207

231 Q 491

the duration, including the opportunity for apprentices to embed and extend their learning through repeated workplace practice.²³²

This announcement is likely to have been a reaction to high profile reports in the media around ‘short courses’. In 2011 and earlier this year, it was widely reported that some apprenticeship courses were being delivered in as few as 12 weeks. At the time there was no official maximum or minimum guidance over the duration of apprenticeships but only the “expectation” that a level two apprenticeship would last for around a year.²³³ The value of these ‘short courses’ was questioned in terms of skills and employment, as shown by headlines such as:

“Concern at 12 week apprenticeships”—FE Week²³⁴

“The great apprentice racket”—This is Money²³⁵

“Length matters as apprenticeships face extension”—The Times (TES)²³⁶

“These empty apprenticeship schemes are failing our young”—The Guardian²³⁷

“The great apprentice scandal”—BBC Panorama²³⁸

“No benefit to short apprenticeships”—The Independent²³⁹

155. The Government has addressed these reports by imposing a minimum duration of 12 months for all apprenticeships (unless the apprentice is aged over 19 and has prior recorded learning). Several witnesses, however, warned us against focussing too exclusively on the length of training. For example the Chief Executive of the Association of Colleges, Martin Doel, agreed that 12 months was a good starting point but not the only measure of quality:

We are also comfortable with a presumed 12-month period for all other apprenticeships, and only by special exceptions that it will not be the case. Twelve months seems to me to be a reasonable period to alight upon, but it should not [...] be an absolute proxy for quality, because it is more subtle than that.²⁴⁰

The Minister seemed to agree, saying that “I do not say [...] that there is an absolute correlation between length and quality, but there is certainly a proxy relationship”.²⁴¹

232 National Apprenticeship Service, *Statement on Apprenticeship Quality*, May 2012

233 FE Week, *Concern at 12 week apprenticeships*, 9 June 2011

234 FE Week, *Concern at 12 week apprenticeships*, 9 June 2011

235 Thisismoney.co.uk, *The great apprentice racket*, 2 October 2011

236 Times Educational Supplement, *Length matters as apprenticeships face extension*, 13 January 2012

237 The Guardian, *These empty apprenticeship schemes are failing our young*, 9 February 2012

238 BBC Panorama, *The Great Apprentice Scandal* [last shown 8 April 2012]

239 The Independent, *No benefit to short apprenticeships*, 17 May 2012

240 Q 494

241 Q 718

156. Not all evidence that we received on this topic supported the change. We heard concerns that the imposition of minimum durations removed flexibility and potentially damaged the appeal of the scheme for learners. For example the training provider, JHP Group, told us that:

One of the qualities of vocational training compared to traditional academic routes is the greater flexibility to commence, progress and complete programmes at the pace that suits, and is right for, the individual. Learners' (or indeed employers') motivation and participation on programme should not be mitigated by forcing a one-size fits all duration.²⁴²

Creative and Cultural Skills agreed that, while 12 months should be the norm, gifted learners should have the ability to progress faster (if both the employer and training provider agreed).²⁴³ City Gateway also argued that the policy of minimum durations was a disincentive for the more talented learner and could hold them back:

Not every learner takes 12 months to complete an Apprenticeship, and in a number of cases this holds them back from progressing to an Advanced Level 3 Apprenticeship, and therefore better jobs in the future.²⁴⁴

157. Others argued that the lack of flexibility would be unable to accommodate the varying requirements of different sectors. For example the Food and Drink Federation told us of its concerns that employers lacked flexibility to apply training to specific job roles:

We are concerned that employers' requirement for flexibility will be compromised following recent announcements about 'minimum duration' of apprenticeships to be set at 12 months. New Apprenticeship Frameworks [...] are designed to put the learner at the heart of learning according to their specific needs and the specific detail of their job role—not to impose a rigid timescale on delivery.²⁴⁵

The Chairman of the Northamptonshire Enterprise Partnership, Paul Southworth, used the example of Church & Co Footwear to demonstrate that firms needed frameworks to be flexible to their needs. He told us how Church & Co had set up its own apprenticeship to achieve the flexibility it required:

I think the quality of apprenticeships is going to relate to the sectors themselves and, therefore, what we saw as an example in Church's this morning is that they have had to go it alone because they have developed their own apprenticeships.²⁴⁶

158. Despite this, some witnesses argued for more demanding standards arguing that one year was still not long enough. The Heating and Ventilating Contractors' Association told us that current apprenticeships in its sector lasted much longer than a year:

242 Ev w167

243 Ev w94

244 Ev w75

245 Ev w131

246 Q 310

Apprentices are trained to a minimum of Level Three and shown a variety of pathways to further develop their skills to a higher level. Apprentices are employed and make a valued contribution to that employer for the duration of their apprenticeship which is on average a minimum of four years.²⁴⁷

UCATT (the union for construction workers) told us that one year was not enough time to train an apprentice with the wide range of skills needed on top of technical competence:

Employers want to be sure that new staff have the skills required to work efficiently and safely. For an apprenticeship in construction to be of value to young people and their current and future employers, it needs to be a work based learning package supplemented by college education. It is not possible to equip apprentices with the necessary technical competence, key skills and health and safety knowledge in one year.²⁴⁸

FE Loans

159. For some potential apprentices, the introduction of minimum durations may have extended the amount of time that they expected to have been in training. This should be seen in the context of the Government moving away from grants for some learners, and replacing them with student loans, to be paid back once the student earns over £21,000. This expansion of student loans will affect all learners (including apprentices) aged over 24 who are training for a Level 3 qualification or above (see Box 1).

Box 1: FE Loans²⁴⁹

The government is introducing student loans for learners aged 24 and above in further education and training studying at Level 3 and above, including Advanced and Higher Apprenticeships. They will be called 24+ Advanced Learning Loans and will apply to those starting their course or apprenticeship on or after 1 August 2013.

24+ Advanced Learning Loans will replace government grants for this group, who represent around 10% of learners. Younger learners and those seeking to gain basic qualifications at Level 2 and below will continue to be funded by the grants they don't have to pay back.

24+ Advanced Learning Loans will cover the cost of tuition, so learners do not have to pay upfront. They will be available from the Student Loans Company, like other student loans. Repayments are a fixed proportion of income, start once the borrower earns over £21,000, and are set at 9% of income over that threshold.

If learners take out a loan for an access course and subsequently go on to higher education, their loans are rolled into one and only one monthly repayment is made. Interest on the loans will be lower than anything available on the high street and linked to inflation. Any balance outstanding is written off after 30 years.

By introducing loans, the government is maintaining access to learning in the context of

247 Ev w154

248 Ev w284

249 Department for Business, Innovation and Skills website, 24+ Advanced Learning Loans [accessed 12 July 2012]

lower public expenditure. Government grant funding will focus on young people, those without basic skills and those seeking work.

24+ Advanced Learning Loans will enable thousands of people to benefit from life changing opportunities. Evidence shows that people with qualifications at higher levels get greater benefit in the job market and it is fair for them to make a proportionate contribution to the cost of their training.

BIS asked a representative sample of learners what they thought. 74% said they would consider doing a course following the introduction of loans. And overall, people were positive about the terms and conditions.

A full programme of information events for colleges and training organisations is underway, and from September we'll be making comprehensive information about loans available for people considering learning. We are working closely with the Student Loans Company to ensure learners will be able to apply for their loans from April 2013.

160. The Department confirmed that FE Loans will be introduced in 2013. It told us:

The Government remains committed to introducing FE loans for those 24+ at Level 3 from AY2013-14, which will affect those taking Apprenticeships at this level. The introduction of loans is expected to provide further stimulus to quality improvement across the FE sector, as learners become more demanding and make more informed decisions about their investments. The case for loans is supported by the evidence cited above of higher returns for Apprenticeships at the advanced level, with payback starting only after completion of the course and rising incrementally after an income of at least £21,000 has been achieved.

The Government has consulted extensively with employers in developing our approach to introducing FE loans, and will continue to work closely with employer bodies to ensure that the system is effective and continues to support high levels of participation.²⁵⁰

This led us to question how the combination of mandatory longer courses and obligation for older apprentices to pay for their training would affect take-up as learners seek more efficiency. There is a risk that those affected may be put off going into Level 3 training, which would not only be a longer time commitment (often on a lower apprenticeship wage), but might also have a lower perceived benefit as apprentices are expected to repay such loans themselves in the future.

161. While a minimum duration is not a substitution for a quality framework, we support the Department's recent announcements of a minimum 12 month duration for all apprenticeships frameworks. However, we are concerned that this policy may have unintended consequences. We therefore recommend that the Government closely monitors this requirement and the impact on take-up of more talented apprentices

(who may feel held back by the policy) and older learners (who may be dissuaded from training).

Progression

162. The Department told us how it supported apprentices progressing through the scheme to higher levels:

In focusing resources on supporting employers who want to recruit 16–24 year olds, we will prioritise especially those who are offering opportunities at Advanced Level and above. The National Apprenticeship Service are promoting the opportunities and benefits of progression to this level and beyond to employers, young people and their parents and will support employers to offer progression opportunities to young people who achieve their Intermediate Level Apprenticeship.²⁵¹

This was also a key priority for NAS:

The clear expectation of NAS arising from Leitch and continuing with the Coalition Government was to increase the number of Apprenticeships especially Advanced and Higher Apprenticeships.²⁵²

The Trades Union Congress told us that progression was fundamental to learning at work. They recommended that apprentices should be able to force employers to progress training and that there should be a “right to progress”:

Progression goes to the heart of the union view on learning at work and the need for individuals to have the opportunity to continue to develop their skills, knowledge and understanding to support career progression and improve their quality of life.

The Coalition government has made a welcome commitment to tackling barriers to progression and to increase opportunities for people to achieve a level 3 apprenticeship and to progress to higher education. However, the question remains as to what degree this policy objective can be achieved through exhortation and funding incentives, or whether some form of regulation needs to be invoked to empower apprentices to have some form of ‘right to progress’. The TUC believes that all apprentices who have the aptitude and desire to progress should be given opportunities to do so.²⁵³

163. However, concerns were raised about the emphasis on encouraging progression to Higher and Advanced apprenticeships across the board on two principle grounds: First, the requirements of job roles and frameworks vary across sectors and Higher and Advanced level apprenticeships are simply inappropriate as the benchmark standard for some sectors. The National Specialist Contractors’ Council (NSCC) used the construction sector as an example where intermediate (Level 2) apprenticeships were often sufficient for employers needs:

251 Ev 145

252 Ev 192

253 Ev 209

It is essential that there is flexibility and choice available to both the employer and the apprentice regarding the level of training they choose to undertake. Level 2 apprenticeships are of sufficient quality for many individuals and occupations within construction. NSCC would support individuals being encouraged to progress to a Level 3 apprenticeship where appropriate; however, it needs to be recognised that many trades do not have access to a Level 3 apprenticeship and that this is entirely appropriate for that specific trade.

The decision as to what level of apprenticeship is appropriate for any individual sector should be made by that sector as they are the experts in the particular trade.²⁵⁴

The British Retail Consortium agreed that encouraging progression to Higher or Advanced level apprenticeships across all sectors was not appropriate:

The decision about whether to increase the number of Level 3 apprenticeships, should be based on the needs of individual sectors. In the retail sector, for example, the majority of employees will benefit from a Level 2 apprenticeship. It is not yet clear that there is a proven case for greater numbers of Level 3 apprenticeships—further evidence around this would therefore be welcome.²⁵⁵

164. The Chief Executive of the Association of Colleges, Martin Doel, summarised the issue from his point of view:

The other thing about Level 2 to Level 3 is that our evidence says not all sectors value or need a Level 3 qualified work force. Therefore, getting a student to the end of Level 2 and implying that they must go on to Level 3 when there are no jobs requiring those uprated skills is an open question.²⁵⁶

165. While the apprenticeship programme should be, primarily, an employer-led programme, there is a risk that apprentices and students may become demotivated if their ambitions for further advancement are thwarted as a result of the requirements of employers and job roles. The Shropshire Training Provider Network told us that the expectations of learners are often not aligned with those of employers:

There is a mismatch between employer requirements and learner aspirations. We still have a large number of jobs which are at level two or below. The drive for more and more advanced apprenticeships is creating an expectation among young people and parents who then become unwilling to consider the lower levels.²⁵⁷

166. The second ground questioned whether the content of Higher/Advanced courses obstructed progression. The Mimosa Healthcare Group explained that:

Progression from Level 2 to Level 3 apprenticeships is sometimes difficult, dependent on the vocational sector. To expect 17–18 yr olds to progress straight from Level 2 to Level 3 in some sectors is a step too far. Many Level 3 qualifications

254 Ev w223–w224

255 Ev w48

256 Q 492

257 Ev w257

require apprentices to be working in a supervisory capacity, beyond that of their current job roles, and [are] therefore inappropriate until promoted. This is sometimes a few years later, following a break from learning by the individual, and therefore reengagement into learning has to take place, which is not always easy.²⁵⁸

The Herefordshire, Worcestershire and Shropshire Training Providers Association agreed, and told us that this problem was not restricted to the vocational sector, but was common among many Advanced (Level 3) frameworks:

Level 3 apprenticeships often require a job role with some responsibility either for supervision or departmental responsibility—these can sometimes be a barrier for young people. The system would benefit from Level 3 Apprenticeships that are less focussed on management skills and more in line with technical competence.²⁵⁹

167. Green Lantern Training told us that apprentices wanted to be promoted and progress through the scheme, but were frustrated by the admission requirements of Level 3 frameworks:

The number of Level 3 Apprenticeships is immaterial—as long as the frameworks are based on NVQs then candidates will be restricted by their job roles anyway. I have candidates who would love to do a Level 3 but can't because that would mean they would need to find another job (impossible right now) and get promoted (difficult right now as people are staying in their jobs because they can't find another one).²⁶⁰

168. The Minister appeared to be sympathetic and told us that he was aware that apprenticeship training was not as structured as more academic training. He told us that “the vocational pathway has never been as navigable, as progressive or as seductive. We need to make it all of those things. [...] We would expect people to start at the bottom of that ladder and go right through”.²⁶¹

169. The UK’s workforce should be given the opportunity to become as highly skilled as possible and we support the Government’s drive to increase the number of Higher and Advanced apprenticeships. However, the apprenticeship scheme must reflect the demands of sectors in terms of job roles and skills demanded. We recommend that the National Apprenticeship Service works actively to encourage progression with employers. We also recommend that the Government works with Sector Skill Councils to ensure that, while they remain rigorous, Higher and Advanced level apprenticeships are accessible to all those who have the potential to complete them. Frameworks should be sufficiently flexible not to disqualify such apprentices from progressing. Specifically, the Department should review the appropriateness of framework requirements such as, for example, to have had management experience.

258 Ev w210

259 Ev w152

260 Ev w148

261 Q 735

7 Value for money

Additionality and deadweight loss

170. The total value of public funding for apprenticeships is uncertain, not least because it is not always clear what amount of training would have taken place had the funding not been available. This concept is known as additionality or deadweight loss and was described by the Department in the following terms:

In general economic terms, deadweight loss is a reduction in net economic benefits resulting from an inefficient allocation of resources and is a common concept when assessing government interventions and programmes.

In the context of Further Education and Skills, deadweight loss might occur following the introduction of a particular government policy aimed at raising the skills profile of the population, where the intended outcome (i.e. increased training) might have occurred (at least to some extent) in the absence of the government intervention.

Deadweight loss occurs as a result of individuals or employers no longer privately financing their own skills acquisition, or those of their workforce, and substituting publicly financed training in its place. Additionality refers to the concept where the government policy specifically induces the desired outcome that would not have occurred in the absence of such intervention.²⁶²

171. It went on to distinguish between the different elements of deadweight loss:²⁶³

262 Department for Business Innovation and Skills, *BIS Research Paper 71: Assessing the Deadweight Loss Associated with Public Investment in Further Education and Skills*, May 2012, page 9

263 Department for Business Innovation and Skills, *BIS Research Paper 71: Assessing the Deadweight Loss Associated with Public Investment in Further Education and Skills*, May 2012, page 11

	Element	Description	Deadweight Loss	Effect on skills
	Accreditation	Simple Skills accreditation	Pure deadweight Loss	No increase in skills
Quantitative Deadweight Loss	Displacement	The same (or equivalent) training would have occurred anyway in the absence of government funding. The same employees would have been trained	Crowding-out effect, quantitative deadweight loss	Increase in skills occurring but no additionality (equivalent training at firm level would have occurred anyway).
	Substitution	The same (or equivalent) training would have occurred anyway in the absence of government funding, but different employees would have been involved	Crowding-out effect, contributing to quantitative deadweight loss.	Increase in skills occurring but no additionality (equivalent training at firm level would have occurred anyway).
	Qualitative Additionality	The employee receives better quality training compared to what would have happened without government funding	Partial additionality, some training would have happened anyway.	Additional increase in skills is taking place, but that is only partial
	Quantitative Additionality	A higher number/proportion of employees received training thanks to government funding.	the increase in the number/proportion of employees receiving training is pure additionality.	Additional increase in skills is taking place.

172. The Local Government Association told us that “there is a risk that public subsidy lacks additionality and that it funds activity employers would have funded themselves in the absence of subsidy”.²⁶⁴

173. Wm Morrison Supermarkets plc, have been very active in terms of training its staff through apprenticeships. We discuss this in more detail later. However, the supermarket explained to us that while no taxpayers’ money was used to train staff, it was used to accredit the apprenticeship.²⁶⁵ When we asked Norman Pickavance, the Group HR Director of Wm Morrison Supermarkets plc, whether he would have conducted the same level of training if there had been no public funding available, he stated that “we would have done it anyway”.²⁶⁶ This was disturbing, given that £41 million²⁶⁷ of public money was granted to Morrison’s training provider, Elmfield Training last year (50 per cent of which funded the accreditation of Wm Morrison Supermarkets plc’s apprentices).²⁶⁸ Mr Pickavance went on to explain that there was additionality in the accreditation of skills:

What we would not have been able to do is to ensure that people got nationally accredited qualifications as a result of the training that we provided. [...] We use the

264 Ev w195

265 Q 388

266 Q 388

267 Skills Funding Agency Allocations 2010/11

268 Q 435. The case-study of Elmfield Training is discussed in further detail later in this Report.

Government money through a third-party provider, because we are not experts in accrediting people and we are not experts in national standards.²⁶⁹

174. The issue of accreditation was addressed by the Department which stated that:

The accreditation and certification of existing skills can still be economically valuable, even if it does not enhance human capital.²⁷⁰

Accreditation may increase the perception, portability and aspiration of the UK's workforce. However, accreditation and certification is related to, but ultimately separate from funding training and up-skilling the workforce. While we recognise Wm Morrison Supermarkets' commitment to training their staff, from a value-for-money perspective we cannot ignore the fact that the training in this company would have taken place anyway without publicly funded accreditation.

175. Given the size of some of the training contracts for apprenticeships, and that the issue of additionality is directly linked to value-for-money, we were interested in the National Audit Office's conclusion that:

The Department has not yet assessed the level of 'additionality' delivered by the Programme. [...] The Department assumes that, for economic returns to apprenticeships, all public funding achieves additionality, but lacks data to support this; therefore any reduction in additionality would result in an equivalent reduction in the economic returns.²⁷¹

176. It is important to distinguish between qualitative and quantitative additionality when considering the evidence and research conducted in this area. The objectives of the apprenticeship programme cannot be judged by figures alone. In May 2012 the Department published a Research Paper which attempted to assess both the quantitative and qualitative additionality and deadweight loss associated with publicly funded further education and skills. However, this paper acknowledged the lack of quality data available. It described "the quality and extensiveness of the required data" as being one of "the main problems associated with the estimation process",²⁷² as a result of which the researchers were altogether "unable to estimate qualitative deadweight".²⁷³

177. Despite the data issues, the Department's paper concluded that "in the absence of any publicly-funded apprenticeships, 28% of apprentices would have undertaken some training".²⁷⁴ While this finding gives some reassurance about the effectiveness of public funding, it is important to bear in mind that the existence of deadweight loss in itself is not

269 Q 388

270 Department for Business Innovation and Skills, *BIS Research Paper 71: Assessing the Deadweight Loss Associated with Public Investment in Further Education and Skills*, May 2012, page 11

271 National Audit Office, *Adult Apprenticeships*, 1 February 2012, para 9

272 Department for Business Innovation and Skills, *BIS Research Paper 71: Assessing the Deadweight Loss Associated with Public Investment in Further Education and Skills*, May 2012, page 23

273 Department for Business Innovation and Skills, *BIS Research Paper 71: Assessing the Deadweight Loss Associated with Public Investment in Further Education and Skills*, May 2012, page 19

274 Department for Business Innovation and Skills, *BIS Research Paper 71: Assessing the Deadweight Loss Associated with Public Investment in Further Education and Skills*, May 2012, page 22

a sufficient reason to criticise or withdraw support. Most public funding includes an element of deadweight loss. However, the associated wider economic benefits may be sufficient to justify continued funding. Given the difficulty of calculating economic benefits of training, we are not in a position to realistically conclude or recommend on whether the aggregated 28 per cent deadweight loss (or 72 per cent additionality) warrants government intervention into apprenticeships or not.

178. Taking the issue a stage further, the Creative & Cultural Skills Council told us that the issue of additionality was especially pertinent when funding older apprentices:

Care should also be taken not to target funding at areas where training would have taken place anyway, particularly in the case of adult apprenticeships, whose numbers have tripled in 2010/11.²⁷⁵

The Department's report largely supported this by disaggregating the additionality by age of apprentice. It found that:

The results also suggest that the estimate of deadweight loss stands at 16% amongst firms offering training to 16–18 year olds only; approximately 27% amongst firms offering apprenticeships to apprentices aged between 19 and 24 only; and approximately 44% amongst firms offering training to apprentices aged over 25 only.²⁷⁶

179. We accept that there are factors to consider when interpreting these findings (such as the fact that 16–18 year olds are fully-funded). It is also the case that these figures only addressed the issue of quantitative additionality and were unable to account for any qualitative additionality. However, the fact that the additionality associated with public funding of apprenticeships varied so dramatically by age of apprentice (between 84 and 56 per cent) indicated to us the importance of more detailed work in this area.

180. This seemed to chime with the Minister's view, who told us "I think it is absolutely right that apprenticeships, whoever does them, add to skills and that is partly about the rigour of the system".²⁷⁷ Despite the Department's Research Paper's finding on the value of certification, he went on to denounce the practice of accrediting existing skills using publicly funded schemes:

What I think I would say about that is the factor that unites all quality training is: does it add to competence? Does it deliver something extra? I think the risk is actually in accrediting existing skill. People were highly critical, including the NAO, as you know, of the Train to Gain scheme, because they said that is what it did and I think we have to be careful that all schemes add additionality.²⁷⁸

181. The issue of additionality and deadweight loss is key to calculating the value-for-money of any publicly funded project. It is especially pertinent to the funding and

275 Ev w90

276 Department for Business Innovation and Skills, *BIS Research Paper 71: Assessing the Deadweight Loss Associated with Public Investment in Further Education and Skills*, May 2012, page 22

277 Q 715

278 Q 719

provision of apprenticeships. While we were encouraged by the Department's recent Research Paper and the Minister's words on this subject, there is a need for more detailed analysis to be done to better quantify the issue. The Department's own research bemoaned the lack of quality data and it is clear that a significant amount of money is being spent on areas where additionality has not been proved. We therefore recommend that the Government, as a matter of urgency, forms a clear strategy to rectify this through the collection and analysis of the necessary data.

Targeting public money

182. The Department has sought to measure the economic returns associated with investment in the apprenticeship programme. The NAO has conducted an independent examination of the economic returns. The results of both studies are shown below (Table 4).

Table 4: Estimated returns to public spending on adult apprenticeships (economic benefit per pound spent)²⁷⁹

	Department's estimate	NAO estimate
Advanced apprenticeships	£24	£21
Intermediate apprenticeships	£35	£16
Combined return	£28	£18

183. The NAO explained that the differences between its estimates and the Department's arose from differences in the cost-benefit models used. In each case, these estimates assumed that without public funding, none of the apprenticeships would have taken place (i.e. zero per cent deadweight loss). This is plainly an unrealistic assumption and the Department has since published its estimate of additionality (combined additionality of 72 per cent). A combination of the NAO's estimate of economic benefit and the Department's estimate of additionality would lead to an approximate economic return of approximately £13 per pound spent.

184. The Government's priority is to target government investment into those areas where the economic returns are greatest. The Department told us that:

The Government is committed to securing best value for every pound of public money invested, focusing public funding where returns are greatest. [...] The Department has asked the National Apprenticeship Service to target actively, through marketing and other operational levers, those learner groups, qualifications and sectors where Apprenticeships deliver greatest benefits, taking account of economic returns, skills needs and market failures.²⁸⁰

The NAO concluded that this objective had not yet been achieved:

²⁷⁹ National Audit Office, *Adult Apprenticeships*, 1 February 2012, para 2.24

²⁸⁰ Ev 143–144

The Department and the Service have not explicitly targeted those frameworks, levels of qualification and age ranges likely to have most impact on the economy. The Department needs robust evidence to identify which qualifications are having most impact and where the additionality delivered against public funding is greatest. The Department should use this information to decide where to target its resources. It has recently announced its intention to do so, though has yet to publish details.²⁸¹

185. Much of our evidence related to the targeting of public money, and included suggestions as to how the Government should be focussing its resources. Some witnesses suggested that funding should be focussed by size of employer. For example Carillion plc told us that “funding to encourage more SMEs to get involved in training apprentices is important”.²⁸² The sentiment that smaller businesses would benefit most from funding was echoed by many (for example British Constructional Steelwork Association Limited,²⁸³ Learndirect,²⁸⁴ Improve Ltd & National Skills Academy²⁸⁵ and the Association of Licensed Multiple Retailers.²⁸⁶) Others disagreed, however, telling us that large businesses had an equal funding need. For example the Co-operative Group Apprenticeship Academy told us that “large employers are perceived as having the funds to contribute to part or all of the funding for an apprenticeship and it needs to be acknowledged that this is not always the case”.²⁸⁷

186. Other witnesses argued that the Government should be funding apprenticeships based on the characteristics of the apprentice, not the employer. For example the JHP Group told us that “funding would also be valuably directed at increased rates for 19–24 year olds. [...] Similarly, those recently unemployed or with no experience should attract higher rates”.²⁸⁸ This approach was supported by the Shropshire Training Provider Network,²⁸⁹ Gateshead Council,²⁹⁰ Unite the Union²⁹¹ and CITB-ConstructionSkills.²⁹²

187. Finally some witnesses told us that the Government should differentiate funding by sector or level of framework. For example BAE Systems told us that “the engineering and manufacturing sector should be a priority”.²⁹³ However British Gas suggested that the highest returns were found in “advanced engineering [...] [and] renewable technologies”.²⁹⁴ The Greater Manchester Local Enterprise Partnership were broader in their suggestion that

281 National Audit Office, *Adult Apprenticeships*, 1 February 2012, para 18

282 Ev 171

283 Ev w44

284 Ev w185

285 Ev w155

286 Ev w25

287 Ev w87

288 Ev w166

289 Ev w255

290 Ev w137

291 Ev w300

292 Ev w70

293 Ev w35

294 Ev w45

“funding should be deployed in closer alignment to the needs of local economies”.²⁹⁵ It expanded on this point saying that funding should “reflect the importance of place and labour market geography, creating an efficient infrastructure to foster a stronger market for apprenticeships based on the requirements of the local economy”.²⁹⁶ The Financial Skills Partnership told us that “funding for apprenticeships is necessary to develop new higher level apprenticeship frameworks”.²⁹⁷

188. We asked the Minister how he expected NAS to be able to focus its funding in practice with so many competing arguments. He told us that he assessed benefit at the apprentice level, arguing that NAS should focus on age and sector:

In terms of the most difference to the individual, apprenticeships targeted at young people are of greatest value in the sense that you are shaping someone’s future career in a pretty definitive way if you train them between 16 and 24. In terms of sectors, this is a much more difficult thing to determine. [...] Apprenticeships have to reflect the real economy, because that is where people are being employed.²⁹⁸

189. The Department provided more specific criteria for funding by age, level and sector:

[1] Government focuses the highest levels of public investment in Apprenticeships on supporting younger learners [aged 16–24].²⁹⁹

[2] In focusing resources [...] we will prioritise especially those who are offering opportunities at Advanced Level and above.³⁰⁰

[3] We will seek both to maximise Apprenticeship opportunities in key growth sectors and to explore how quality and returns can be further strengthened across the programme.³⁰¹

190. We asked the Chief Executive of the National Apprenticeship Service, David Way, how he had put the Minister’s direction into practice:

We have targeted NAS resources, in particular sales resources, on the 16 to 24 age group. We are also targeting new employers who are likely to employ apprentices rather than convert their existing work force. We have also been working with BIS on their growth sectors to try to ensure we have got strategies to develop apprenticeships in each of those sectors.³⁰²

295 Ev w147

296 Ev w145

297 Ev w129

298 Q 723

299 Ev 144

300 Ev 145

301 Ev 145

302 Q 663

We asked Mr Way if a future budget profile would therefore demonstrate a higher investment in those growth areas compared to others. He agreed: “certainly, that is the intention”.³⁰³

191. With so many competing proposals, the Department is in the unenviable position of having to prioritise qualifications from an economic benefit perspective. However, we agree with the NAO that the Department “should use this information to decide where to target its resources”.³⁰⁴ We heard from the Minister that progress was being made, particularly on funding 16–24 year olds and those taking advanced level apprenticeships and above.

192. The Department was less clear about which sectors provided the highest economic returns and conceded that more work was needed to explore how quality and returns can be further strengthened. In September 2012, the Department published its *Industrial Strategy*, which set out which sectors “could make the greater contribution to future economic growth and employment in the UK”.³⁰⁵ However, the strategy did not significantly narrow the field, recommending three broad industry groups; “advanced manufacturing”, “knowledge intensive traded services” and “enabling industries”.³⁰⁶ It made no specific recommendations as to which sectors or industries NAS or the SFA should focus its resources upon.

193. While we were encouraged by the progress made since the NAO’s recommendation to improve the targeting of public funding, it is clear that more work needs to be done. Transparency is key in the allocation of investment, particularly if some are to be given preference over others. It is especially important that fixed criteria for preferential funding are published and adhered to so that businesses and individuals have no doubt that the funding is fair, evidence based and attainable. The Minister and Department have been unambiguous that funding should be focussed on 16–24 year old apprentices and advanced (and above) frameworks. We welcome this clarity and, despite the recent *Industrial Strategy*, recommend that the Department now identifies which ‘growth sectors’ will benefit from focussed funding at a much more specific level. We further recommend that these sectors are reviewed annually to ensure that public funding is consistently being allocated to those areas where economic benefits are greatest.

Employer contributions

194. Under the current system adult apprenticeships are only 50 per cent funded by the Government. The employer is expected to provide the remainder. However, employers are allowed to make their contribution ‘in-kind’. For example they can provide training equipment, study-time and resources to the apprentice. This is intended to offer employers and training providers some flexibility in the practical arrangements for training an apprentice.

303 Q 664

304 National Audit Office, *Adult Apprenticeships*, 1 February 2012, para 18b

305 Department for Business, Innovation and Skills, *Industrial Strategy: UK Sector Analysis*, September 2012, page 3

306 Department for Business, Innovation and Skills, *Industrial Strategy: UK Sector Analysis*, September 2012, pages 34–35

195. We were concerned, however, to learn that there has not been any audit of employer contributions. When we asked the Chief Executive of the National Apprenticeship Service, David Way, about this he told us that NAS was “interested primarily in the success of the outcome”.³⁰⁷ While we agree that a successful apprenticeship programme is a key priority for the National Apprenticeship Service, it is not one that should be pursued at any cost. In fact, this subject has been highlighted to us on several occasions as a potential area of abuse to the system. The Chief Executive of the SFA, Goeff Russell, was certainly aware that training providers were using the ‘in-kind’ contribution to actively encourage employers not to make any significant payment so that the training provider could secure more contracts and public funding. They could do this safe in the knowledge that no audit was conducted of such in-kind payments. He told us that this had a direct impact on the public purse:

It is important to recognise that, even though the provider said it was free, it is not free; we pay for it. It was free to the employer, although the employer was meant to make a contribution. That was really what the provider was saying, “You don’t need to make a contribution”.³⁰⁸

196. This is not a new issue. In its report into value for money, the NAO cited three previous studies:

A 2009 survey of providers found that while 57 per cent of providers collected fees from employers, in half of these cases (47 per cent) this funding made up only between 1 and 25 per cent of their apprenticeship funding.

Research in 2009 suggested that the majority of providers did not charge fees to employers for adult apprentices. It also found little evidence of providers seeking in-kind contributions.

In 2010, the Banks Review of Fees and Co-Funding concluded that the current system of co-funding in further education was failing to make sure that the expected contributions were being made. It recommended introducing a matched-funding approach, where public funding would be paid only where fee income had been collected. The Department has not taken up this recommendation.³⁰⁹

197. The NAO report was unambiguous, reporting that “employers pay apprentices’ wages and deliver on-the-job training, but some are not paying the expected contributions towards training providers’ costs”.³¹⁰ We have heard evidence to the same effect. The Chief Executive of the Association of Colleges, Martin Doel told us that the practice leads to training providers engaging in ‘price wars’ which may damage the quality of provision:

There is a tendency for providers to be led into a process of undercutting each other below that presumed 50% contribution from employers, and I am aware that a

307 Q 620

308 Q 575

309 National Audit Office, *Adult Apprenticeships*, 1 February 2012, para 3.21

310 National Audit Office, *Adult Apprenticeships*, 1 February 2012, para 3.21

number of providers [...] are providing it at no contribution from the employer, i.e. a 0% investment from the employer. That must be an incipient threat to quality.³¹¹

198. The Managing Editor of FE Week, Nick Linford agreed. He argued that training providers could not offer top quality training without taking employer contributions:

That is the point: high quality training costs money. Where the Government are paying reduced rates on the basis that the employer is contributing it seems implausible that high quality can be delivered without charging the employer.³¹²

However, when we challenged the Chief Executive of the National Apprenticeship Service, Mr Way, about whether quality was at risk because of this issue, his response was hesitant and anecdotal:

This particular employer was telling me that one of the training providers came along and basically said, “You could have this training for free.” This employer sent them packing and said, “I can’t possibly conceive of a useful training apprenticeship programme in which I do not have to invest my time, money and effort. I want value for money, but I don’t buy the idea that you will come along and give me something for free”.³¹³

199. When we asked the Minister to update us he cited new research³¹⁴ which “suggests that employers contribute a minimum of £3,000 and, in some cases, according to the framework and employer, up to more than £30,000 in kind for each apprenticeship”.³¹⁵ This may be so, but it does not address the evidence that we have heard that some training providers are offering to supply training for a much smaller proportion of funding from employers.³¹⁶ Jason Holt, in his Government-commissioned review, recommended the “Government to require providers to set out for client employers the amount of money it is contributing towards the cost of training their apprentices in a simple, consistent and transparent way”.³¹⁷ We agree that more transparency is needed and that the quality of apprenticeship training is likely to have suffered as a result of this practice.

200. We have heard that, despite fairly high levels of media scrutiny on the topic, some training providers continue to offer their services to employers without seeking employer contribution of any kind. This practice suggests either that the quality of training is being compromised in order to reduce costs or that too much public money is being spent on training that the employer should be funding. This practice poses a substantial risk both to the quality of training and the apprenticeship brand with apprentices and employers being the ultimate victims. We recommend that the

311 Q 474

312 Q 534

313 Q 570

314 Department for Business Innovation and Skills, *BIS Research Paper 67: Employer Investment in Apprenticeships and Workplace Learning: The Fifth Net Benefits of Training to Employers Study*, May 2012

315 Q 755

316 For example, employers are expected to pay 50 per cent of adult apprenticeship training costs. Furthermore if the business is a large business, public funding is reduced by a further 50 per cent.

317 Jason Holt, *Making apprenticeships more accessible to small and medium-sized enterprises*, May 2012, page 7

National Apprenticeship Service, as a priority, produces a robust methodology for valuing employers' in-kind contributions in the future.

201. We further recommend both that employers be required to publish an annual statement of their contribution to the training provider, and that training providers be obliged to report a statement of contributions and costs to the SFA. This statement must include an account of the value of any in-kind contribution using the methodology proposed above. In addition, we recommend that an annual audit is conducted of a representative sample of employers and training providers to assess the scale of the problem.

Case study—Wm Morrison Supermarkets and Elmfield Training Limited

202. Throughout the inquiry we have heard about specific examples of best practices which should be celebrated and replicated, but we have also been made aware of some specific concerns of commentators and stakeholders, where lessons may be learned. This section examines a specific example which illustrates both sentiments.

203. The case study of Wm Morrison Supermarkets and their training provider Elmfield Training has been brought to our attention on several occasions. Wm Morrison Supermarkets told us that it supported the Government's drive to increase the number of Apprenticeships:

We support the increased emphasis and funding that the Government is putting behind apprenticeships. This must be part of a powerful and joined-up youth agenda, rather than the somewhat fragmented approach we have at present. Apprenticeships help young people often from challenging backgrounds progress from exclusion to inclusion, unqualified to qualified, dependent to independent. At Morrisons they can go all the way from shop floor to top floor.³¹⁸

We welcome Wm Morrison Supermarkets' commitment to training and the up-skilling of its workforce through a significant programme of apprenticeships.

204. Wm Morrison Supermarkets has worked closely with the training provider Elmfield Training, who reported that since October 2009:

Over 12,500 [people] have completed an Apprenticeship [and] over 20,000 [people] are currently on an Apprenticeship [at Wm Morrison Supermarkets].³¹⁹

Wm Morrison Supermarkets set out the three types of apprenticeships that it offered:

Technical—for example technical apprenticeships in engineering. These require a high level of specialist skill, provide training to do a technical type of role and are often completed over a longer timeframe.

318 Ev 187

319 Ev 173

Specialist—for example a craft apprenticeship in butchery. These are aimed at people who want to build on their knowledge of working in a sector by developing the skills to perform a specialist role.

Generalist—for example an entry level or ‘frontline’ apprenticeship in customer service. These are aimed at people who need basic training in the skills needed to perform the role.³²⁰

205. The Group HR Director of Wm Morrison Supermarkets, Norman Pickavance, explained that Wm Morrison Supermarkets conducted all of the training at its own expense and that the only public money being spent went to the training provider for accreditation:

What we would not have been able to do is to ensure that people got nationally accredited qualifications as a result of the training that we provided. We do not receive any money from the Government purse for the training that we provide. All the training that we deliver is at Morrisons’ cost, and so it should be. We use the Government money through a third-party provider, because we are not experts in accrediting people and we are not experts in national standards.³²¹

This case study highlights three areas where lessons might be learned going forward; value for money, linking reward to performance and tackling conflicts of interest.

Value for money

206. We have already discussed the issue of accreditation and the potential economic benefits that may arise through such recognised qualifications (such a job portability and workforce aspiration). These economic benefits are notoriously hard to measure. In 2010–11 Elmfield Training received £41 million from the Skills Funding Agency.³²² The Chief Executive of Elmfield Training told us that approximately half of that was a result of the Wm Morrison Supermarkets contract.³²³ By any standard, this was a significant contract. In fact Elmfield Training received the second largest amount of money from the SFA of all training providers in that year. The Chief Executive of the Skills Funding Agency had no reservations about whether or not this represented value for money.³²⁴ He explained that training providers receive less money if they are only accrediting (as opposed to training) apprenticeships:

We pay far less for that sort of service than we do for the full training of a young apprentice coming in for the first time.³²⁵

207. In the financial year ending 2010, Elmfield Training declared pre-tax profits of £12 million. As the Chief Executive, Ged Syddall, told us, all of this was “government

320 Ev 188

321 Q 388

322 Skills Funding Agency Allocations 2010/11

323 Q 399

324 Q 608

325 Q 609

money”.³²⁶ The Minister responded to our concerns that such profit levels might indicate a squandering of public funds:

I think that if Government took the view that none of the organisations with which it deals or collaborates to deliver public programmes should make profits [...] we would have to close down a great deal of what Government [...] has ever done.³²⁷

208. However, when we asked the Chief Executive of Elmfield Training if he felt he was “overpaid”, he responded that “the state was paying too much money”.³²⁸ Mr Syddall elaborated that value for money was not achieved “because it [the Government] did not recognise that there were efficiencies in this kind of delivery model”.³²⁹ While we have heard some evidence of improvement in this area,³³⁰ the Chief Executive of the Skills Funding Agency, Geoff Russell, told us unequivocally that the SFA “do[es] not do a value-for-money assessment as part of our day-to-day business of awarding money. We make an assumption about the product we are funding”.³³¹ While we understand that private companies must have some incentive to go into partnership with the Government, on this occasion we do feel that the training provider understood our concerns better than the Funding Agency or the Minister of State.

209. We are deeply concerned that both the Minister and the Skills funding Agency have adopted a hands-off approach in respect of the profit levels and value for money of training providers. We were particularly troubled that the Minister appeared unconcerned about value for money given the 36 per cent level of pre-tax profits achieved by Elmfield Training and the statement by the Chief Executive of Elmfield Training that the Government paid out too much money. We are encouraged that the Government is now more aware of these issues and has reviewed the rates to take account of efficiencies and economies of scale that allowed training providers to make substantial savings, and therefore excessive profits, from receiving a flat rate of public funding. We recommend that the Government takes a more active approach in the future and constantly reviews the profit levels of training providers as an indicator of potential risks to efficiency.

Linking reward to performance

210. Every training provider is subject to independent evaluation by the Office for Standards in Education, Children’s Services and Skills (Ofsted). The Managing Editor of FE Week, Nick Linford told us that “the first time they [Elmfield Training] were visited by Ofsted they were already on a £40 million contract that had been doubled”.³³² This was because the structure of the SFA contract was such that Elmfield Training secured an original contract of “£20 million, which was doubled during the year”. We were surprised

326 Q 400

327 Q 761

328 Q 413

329 Q 413

330 Q 533

331 Q 650

332 Q 530

that the SFA had awarded its second biggest contract of the year to an un-tested company which had never had an Ofsted inspection.

211. Ofsted assess companies on a scale of four classifications: ‘inadequate’, ‘satisfactory’, ‘good’ and ‘outstanding’.³³³ When Elmfield Training was assessed by Ofsted they received an overall score of only ‘satisfactory’. We note that as of September 2012 the ‘satisfactory’ rating was renamed to ‘requires improvement’.³³⁴ The Skills Funding Agency expressed some frustration that it could not incentivise training providers to aspire to be better. The Chief Executive, Geoff Russell told us that:

We [the SFA] set a standard and they met it, so it is rather difficult for us to change the rules for one particular provider. They are satisfactory. Would we like them to be better than satisfactory? Of course, but that is the standard we set.³³⁵

212. Mr Russell went on to say that “the key quality control from my point of view is the employer”. He went on to explain that “if Morrisons did not think Elmfield was doing a good job there is no particular reason for them to stay with Elmfield”.³³⁶ We have already discussed the multitude of incentives facing employers when selecting a training provider and concluded that the Government must avoid such naive assumptions. We repeat that it is unrealistic to assume that all employers will reject training providers who may be of lesser quality and will actively seek out more expensive ones. This is particularly relevant given the recent (and ongoing) wider economic position in which many employers find themselves.

213. We are surprised that the Government, through the Skills Funding Agency, paid £40m for what was essentially an untested product. The quality of training providers is assessed by Ofsted and we recommend that such assessments be a pre-requisite for every provider who is bidding for more than £6 million of Skills Funding Agency money (which would have covered the top thirty contracts last year). Training providers must be incentivised to aspire to provide the best quality training. To that end, we recommend that quality training providers (i.e. those who receive grade 1 or 2 from Ofsted) must be first in line when it comes to allocation (and subsequent reallocation) of public money.

Conflicts of interest

214. Elmfield Training uses the awarding body Skillsfirst Awards Limited to accredit its training. In fact 69 per cent of Elmfield Training’s activity was with this awarding body in the 12 months to March 2012. This was of interest because the two companies are owned by the same individual. We were concerned that this represented a potential conflict of interest.

215. We asked both the Chief Executive of the National Apprenticeship Service and Skills Funding Agency, David Way and Geoff Russell whether they were concerned about the

333 Ofsted website, *After an inspection* [accessed 18 October 2012]

334 Ofsted, *Elmfield Training Limited Inspection Report*, 29 July 2011

335 Q 653

336 Q 642

significance of having both organisations owned by the same person. Mr Russell said that they were both aware of the problem, but relied on the regulator (Ofqual) to monitor it:

Ofqual, which regulates the awarding organisations, is in the midst of a market health review. One of the things it is focusing on is that very question. As David [Way] says, there is definitely potential for a conflict of interest. [...] My view is that there have to be some very strong firewalls to prevent conflict of interest. Ofqual already has a rule which says there should be a firewall, but I am not sure how strong it is. It needs to be very strong; otherwise, the risks are obvious.^{337 338}

216. We followed this up and were encouraged to learn that the Ofqual review will cover “the issues and potential problems associated with conflicts of interest in the qualifications sector”.³³⁹ However, Ged Syddall, Chief Executive of Elmfield Training, assured us that the regulation was already tight when it came to conflicts of interest. He told us that the Government had actively encouraged him to “bring more competition to the market”³⁴⁰ so he set up Skillsfirst Awards Limited:

I set Skillsfirst up because I thought there was a gap in the market for a good, customer-centric, employee-focused awarding body. As a result, that is now a very successful awarding body. It deals with 30 organisations, including us, so it is a competitive, out-in-the-market business.³⁴¹

Mr Syddall went on to tell us that he had breached no regulations and was careful to stay within conflict of interest guidelines. He told us that “there are no rules from Ofqual to say you cannot do it [own both a training provider and awarding body]. There are very robust and rigorous conflict of interest policies that we adhere to”.³⁴² He finished by telling us that this was common practice in the industry:

It is no different, for instance, from City & Guilds and City & Guilds for Business, who deliver Asda. It is no different from Edexcel and Pearson in Practice. It is no different from Walsall College, who I believe have an awarding body, and Norwich College, who have an awarding body, and there are other organisations.³⁴³

217. The Chief Executive of the National Apprenticeship Service, David Way agreed that “of course, that is not a practice only with Elmfield; there are others that do that”.³⁴⁴

218. While the practice appears to be widespread, we do not believe that it is desirable for training providers and awarding bodies to be owned by the same group or individuals. The Government should look critically upon this serious issue. To that

337 Q 640

338 More information on the Ofqual review may be found at: <http://www.ofqual.gov.uk/news-and-announcements/128/807> [accessed 19 July 2012]

339 Letter from Glenys Stacey, Chief Executive of Ofqual to Rt Hon Nick Gibb MP and Rt Hon John Hayes MP, 28 November 2011

340 Q 419

341 Q 419

342 Q 419

343 Q 418

344 Q 639

end, we are encouraged that the regulator Ofqual is conducting a wide market review, which the Skills Funding Agency expects to include an assessment of the issues surrounding combined ownership of training providers and awarding bodies. We look to the National Apprenticeship Service and the Skills Funding Agency to work with Ofqual to ensure that this review is successful and comprehensively deals with this specific issue. We accept that the practice of joint ownership is not unusual but learner experience is key and should not be put in jeopardy by conflicts of interest. Robust mechanisms must be put in place to prevent any conflict of interest impacting the learning experience of the workforce. We recommend that, if the Ofqual review does not cover this, the SFA conducts a more focussed review on the impact of competing incentives, the risk to quality and brand perception arising from this practice.

Conclusions and recommendations

Government policy

1. The Committee welcomes the Government's commitment to raising skills in the workplace through the apprenticeship programme. (Paragraph 25)
2. Our evidence suggests that the apprenticeship scheme continues to lack clarity and purpose in the longer term. Employers, apprentices and other stakeholders remain confused about the overarching objective of the scheme. We therefore recommend that the Government defines an overarching strategy and clear purpose for the apprenticeship programme. Only then can the public and Parliament effectively monitor progress against the outcomes the scheme is intended to achieve. (Paragraph 26)
3. The National Apprenticeship Service has accepted that its priority in the past has been increasing the number of apprentices and the number of employers taking on apprentices. However, many of our witnesses have argued that the success of the apprenticeship scheme cannot and should not be measured by numbers alone. We are encouraged that NAS is now putting greater emphasis on quality, but are concerned that three of its five priorities for 2011–12 remain focussed on increasing the number of apprenticeship starts. We recommend an urgent review of the objectives and priorities of NAS with a view to justify a focus on achieving quality outcomes in both the objectives and culture of NAS. There must be appropriate measures of output for each objective. Therefore we further recommend that qualitative information (such as quality perception, apprentice satisfaction, public awareness and employer support) also be collected and published alongside more traditional statistics. We discuss and recommend further on this later in the report. (Paragraph 27)

Defining an apprenticeship

4. It is generally agreed that a single definition is needed to clarify the apprenticeship brand and enable effective regulation. For that reason, we recommend that the Department formulates a formal definition of an 'apprenticeship'. It is important that employers, apprentices, regulators and the Government have a common understanding of what is meant by an apprenticeship, and what is not. While we understand the need for flexibility (for example in the area of duration and past experience), an 'umbrella' definition should include the following elements:
 - Full-time employment;
 - Accreditation and a measure of educational gain;
 - Independently accredited work based learning;
 - Independently accredited off the job training;
 - Competence based skill development programme;

- An employer led design;
- Opportunities for progression; and
- A minimum duration agreed by industry sectors.

Furthermore, any definition should state clearly that apprenticeships are for developing skills not simply for the validation or consolidation of existing skills. (Paragraph 33)

Delivery and funding

5. While we welcome recent efforts to improve the administrative processes for apprenticeship training for employers, we are concerned that the funding chain remains unnecessarily complex. The sheer number of organisations involved works against the efficient allocation of funds. We therefore recommend that the Department provides a simpler and more efficient delivery system. (Paragraph 41)
6. We note the concerns that the funding structure (of 100 per cent public funding for 16–18 year olds and 50 per cent for 19–24 year olds) may bias firms towards employing younger apprentices and unfairly disadvantage older applicants. However, there is a lack of empirical evidence and analysis to substantiate these concerns and it is disturbing that the Minister does not have this evidence to hand. We therefore recommend that the Department provides a detailed assessment of the impact that the funding structure has had on the take up of apprenticeships by age group. That assessment should specifically address the following four issues:
 - The actual cost to businesses of employing apprenticeships of differing ages and experience;
 - Inequality perpetuated by the funding;
 - Barriers to progression through the scheme; and
 - Disproportionate impact on specific sectors. (Paragraph 52)

Perception of apprenticeships

7. While we welcome the efforts of NAS to strengthen the apprenticeship ‘brand’, we cannot ignore the evidence that the perception of quality may have been damaged in some sectors, which has in turn undermined those efforts. NAS must not trade off between numbers, quality and brand. We therefore recommend that NAS produces a longer-term strategy outlining how it intends to maintain and improve the apprenticeship brand in tandem with its other objectives. (Paragraph 60)

Engaging apprentices-Preparing for apprenticeships

8. During our inquiry we saw a number of excellent apprenticeships schemes run by business. However, despite the fact that many apprenticeships lead on to degree courses, they are not always promoted in schools as an equally viable route to a career as ‘A’ levels and university. Furthermore, these routes are often intertwined

with students moving between the two. This may be because schools are measured, primarily, by 'A' level attainment and the number of university places gained by each academic year which forces teachers to concentrate on the academic route. This needs to be changed. We therefore recommend that alongside the number of university places gained in an academic year, schools should also be required to publish the number of apprenticeship starts. (Paragraph 68)

9. We acknowledge that the inclusion of apprenticeships in careers advice is legislated for in the Education Act 2011, but we have found that awareness and resources in schools and colleges remains lacking. We recommend that the Department for Education does more to assist schools in the promotion of vocational training in the curriculum (for example by providing literature, training to teachers and information for careers advisors). It should also ensure that any changes to the secondary curriculum will put proper emphasis and value on pupils taking a vocational route in their careers. The time and resources that institutions dedicate to 'UCAS applications' compared to preparing students for vocational training illustrates the scale of the problem. Success will be measured when schools and colleges place vocational and academic progression on an equal standing in terms of the both the level and quality of resources. (Paragraph 69)
10. Given the widely held view that NAS should have more involvement with learners through schools, we were disappointed by the Chief Executive's apparent lack of enthusiasm, citing the Education Act 2011 and telling us that NAS was not statutorily responsible. The National Apprenticeship Service should be a familiar name, known to all students and teachers as an authoritative source of information about apprenticeships. We recommend that NAS is given statutory responsibility for raising awareness of apprenticeships for students within schools. This should include some quantifiable measure of success with which to gauge the student awareness of apprenticeships. (Paragraph 74)

Equality, diversity and accessibility

11. While we were encouraged to hear that the National Apprenticeship Service does take diversity into account, the statistics show that it remains a significant problem. We welcome the work conducted by NAS into diversity, and recommend that it is given specific responsibility and accountability to raise awareness of apprenticeships among under-represented groups. This should include a responsibility to promote the advantages of diversity directly to employers. We believe that the apprenticeship programme should be an inspiration and beacon of best practice to the wider economy, demonstrating the advantages of greater diversity at all levels of industry. (Paragraph 80)

Engagement with large businesses

12. We were encouraged to hear about the high level of support that the National Apprenticeship Service offers large businesses and the apparent success it has had in this area. We recommend that NAS continues to support large employers to engage with the apprenticeship programme, and in particular to use their positions to support local schemes and encourage connected smaller businesses (for example

those in their supply chains) to become involved in the programme. We also recommend that the Government actively highlights and celebrates examples of good quality apprenticeships taking place in large businesses to extol the benefits to other employers. (Paragraph 86)

Engagement with small and medium sized businesses

13. While 80% of apprentices are employed in the SME sector, the major growth in apprentices is in the retail sector. The SME sector in the UK represents a huge untapped potential market for apprenticeships but unlocking it requires far greater focus and resources. Whilst there are already strong links between training providers and SMEs it does not go far enough, and does not engage SMEs which are harder to reach. We therefore recommend that NAS engages local bodies such as LEPs and local Chambers of Commerce to target those companies. Equally, the Department must recognise that NAS will require some additional funding for this to be successful. We will monitor this area of activity closely and will expect NAS to publish quarterly reports on the number of new SMEs it has brought into the apprenticeship programme. (Paragraph 93)

Reducing bureaucracy

14. We note the recent announcements by the Department of measures to reduce bureaucracy, particularly for large businesses. However, we have heard that this has not been matched with action. Businesses still consider bureaucracy and the perception of 'red-tape' to be a major barrier to employing an apprentice. We recommend that more work is done. Specifically, we recommend that the attitudes and perception of employers, in terms of bureaucracy, are closely monitored by the Department. NAS must engage with businesses of all sizes specifically to hear how they could more easily engage with the scheme. It should report its findings as a matter of urgency. (Paragraph 99)

Alternative models to support SMEs

15. We have heard that a significant number of small and medium sized employers have struggled to engage with the apprenticeship programme. We are encouraged to hear about innovative delivery models designed to rectify this. We recommend that both Group Training Associations and Apprenticeship Training Agencies continue to be supported by NAS. However, care must be taken to ensure that the quality of learning experience is not jeopardised. We support NAS's recent initiative to set up a Recognition process and National Register for ATAs and recommend that NAS is given formal responsibility for promoting ATAs. It is important that all alternative delivery models are actively monitored and NAS should assess the success of such models not only by the level of employer engagement but also by the quality of the apprentices' actual learning and the subsequent conversion rate from such apprenticeships to full-time employment. (Paragraph 115)
16. We are encouraged to hear that private industry is introducing new models of training. Specifically, we have heard about the practice of large employers utilising

and supporting their supply-chain to supplement their apprenticeship programmes. NAS has told us of its support and contact with large businesses and we recommend that, in its dealings with such businesses, it promotes the benefits of this model by encouraging large employers to support SMEs in their supply chain using apprenticeships. (Paragraph 118)

Government initiatives

17. We support recent efforts by the Government to increase employer engagement through the ‘Employer Ownership Pilot’ and the ‘SME Incentive Bonus’. These initiatives are in their infancy and we do not wish to tinker with the content of either policy at this stage. However, over time they will need to prove higher levels of employer engagement and value-for-money. We recommend that clear criteria for success are published so that they may be objectively scrutinised and that full value-for-money reviews are conducted into both of these schemes after 18 months. (Paragraph 129)
18. We recommend that the Government encourages the employment of apprentices in its procurement contracts. While we concede that some flexibility is required (for example around the sector and nature of the work contracted), we recommend that Central Government, Local Government and other publicly funded bodies should seek to achieve at least one additional apprenticeship for every £1m awarded through public procurement as a benchmark. We have been told by the TUC that this is current policy in some construction procurement arrangements. Furthermore, we recommend that the current recruitment practices of prospective contractors (in terms of apprentices) is a factor which is taken in to positive consideration when the Government is considering bids for any public contract. (Paragraph 133)
19. In terms of using public procurement to incentivise apprenticeships, the Minister told us that he was determined to push this as far as possible “within the constraints of the law”. We recommend that in its response the Department sets out how it proposes to resolve any legal issues preventing the Government from attaching requirements for apprentices in major public procurement projects commissioned by itself, local government and publicly-funded bodies. (Paragraph 134)

Quality

20. The burden on employers must always be a consideration when imposing such regulation on the industry. Overall, however, we agree with the bulk of evidence, that the balance between industrial burden and apprenticeship quality in relation to employment criteria has been found successfully by the Government. (Paragraph 140)
21. We support the introduction of statutory standards (SASE) and the improvement to quality that they appear to have brought to apprenticeships. However, 18 months after their introduction, it would be appropriate to properly examine their impact. We therefore recommend that NAS reviews the impact of the implementation of the standards on training quality, regulatory burden and framework availability. We

further recommend that it consults across sectors to assess the regulatory burden and suitability of the regime across the economy. (Paragraph 144)

22. It is important that employees have functional skill levels of literacy and numeracy to match those of our international competitors. However, this should not disadvantage the ability of specific groups to access training and accreditation. To that end, we endorse the principle that transferrable and core skills should be part of apprenticeship framework. However, we recommend that the ‘functional skills’ regime be reviewed by the Department twelve months after their introduction. The Department should consult with industry to review the recruitment of apprentices and we recommend that it reports on whether the introduction of ‘functional skills’ has unfairly discriminated against any group of apprentices (for example those in a specific sector) from completing a framework. If it is proved to be so, we recommend that the Department works with industry to develop alternative models of providing such training. The development of functional skills should be a feature of, not a bar to, apprenticeships. (Paragraph 149)
23. We have been cautioned that the learner experience is complex and hard to quantify. The Government has promised to improve access to objective and comparable information relating to training providers. We recommend the Department sets out its timetable for delivering this information. (Paragraph 153)
24. While a minimum duration is not a substitution for a quality framework, we support the Department’s recent announcements of a minimum 12 month duration for all apprenticeships frameworks. However, we are concerned that this policy may have unintended consequences. We therefore recommend that the Government closely monitors this requirement and the impact on take-up of more talented apprentices (who may feel held back by the policy) and older learners (who may be dissuaded from training). (Paragraph 162)
25. The UK’s workforce should be given the opportunity to become as highly skilled as possible and we support the Government’s drive to increase the number of Higher and Advanced apprenticeships. However, the apprenticeship scheme must reflect the demands of sectors in terms of job roles and skills demanded. We recommend that the National Apprenticeship Service works actively to encourage progression with employers. We also recommend that the Government works with Sector Skill Councils to ensure that, while they remain rigorous, Higher and Advanced level apprenticeships are accessible to all those who have the potential to complete them. Frameworks should be sufficiently flexible not to disqualify such apprentices from progressing. Specifically, the Department should review the appropriateness of framework requirements such as, for example, to have had management experience. (Paragraph 169)

Value for money

26. The issue of additionality and deadweight loss is key to calculating the value-for-money of any publicly funded project. It is especially pertinent to the funding and provision of apprenticeships. While we were encouraged by the Department’s recent Research Paper and the Minister’s words on this subject, there is a need for more

detailed analysis to be done to better quantify the issue. The Department's own research bemoaned the lack of quality data and it is clear that a significant amount of money is being spent on areas where additionality has not been proved. We therefore recommend that the Government, as a matter of urgency, forms a clear strategy to rectify this through the collection and analysis of the necessary data. (Paragraph 181)

27. While we were encouraged by the progress made since the NAO's recommendation to improve the targeting of public funding, it is clear that more work needs to be done. Transparency is key in the allocation of investment, particularly if some are to be given preference over others. It is especially important that fixed criteria for preferential funding are published and adhered to so that businesses and individuals have no doubt that the funding is fair, evidence based and attainable. The Minister and Department have been unambiguous that funding should be focussed on 16–24 year old apprentices and advanced (and above) frameworks. We welcome this clarity and, despite the recent Industrial Strategy, recommend that the Department now identifies which 'growth sectors' will benefit from focussed funding at a much more specific level. We further recommend that these sectors are reviewed annually to ensure that public funding is consistently being allocated to those areas where economic benefits are greatest. (Paragraph 193)
28. We have heard that, despite fairly high levels of media scrutiny on the topic, some training providers continue to offer their services to employers without seeking employer contribution of any kind. This practice suggests either that the quality of training is being compromised in order to reduce costs or that too much public money is being spent on training that the employer should be funding. This practice poses a substantial risk both to the quality of training and the apprenticeship brand with apprentices and employers being the ultimate victims. We recommend that the National Apprenticeship Service, as a priority, produces a robust methodology for valuing employers' in-kind contributions in the future. (Paragraph 200)
29. We further recommend both that employers be required to publish an annual statement of their contribution to the training provider, and that training providers be obliged to report a statement of contributions and costs to the SFA. This statement must include an account of the value of any in-kind contribution using the methodology proposed above. In addition, we recommend that an annual audit is conducted of a representative sample of employers and training providers to assess the scale of the problem. (Paragraph 201)
30. We are deeply concerned that both the Minister and the Skills funding Agency have adopted a hands-off approach in respect of the profit levels and value for money of training providers. We were particularly troubled that the Minister appeared unconcerned about value for money given the 36 per cent level of pre-tax profits achieved by Elmfield Training and the statement by the Chief Executive of Elmfield Training that the Government paid out too much money. We are encouraged that the Government is now more aware of these issues and has reviewed the rates to take account of efficiencies and economies of scale that allowed training providers to make substantial savings, and therefore excessive profits, from receiving a flat rate of public funding. We recommend that the Government takes a more active approach

in the future and constantly reviews the profit levels of training providers as an indicator of potential risks to efficiency. (Paragraph 209)

31. We are surprised that the Government, through the Skills Funding Agency, paid £40m for what was essentially an untested product. The quality of training providers is assessed by Ofsted and we recommend that such assessments be a pre-requisite for every provider who is bidding for more than £6 million of Skills Funding Agency money (which would have covered the top thirty contracts last year). Training providers must be incentivised to aspire to provide the best quality training. To that end, we recommend that quality training providers (i.e. those who receive grade 1 or 2 from Ofsted) must be first in line when it comes to allocation (and subsequent reallocation) of public money. (Paragraph 213)
32. While the practice appears to be widespread, we do not believe that it is desirable for training providers and awarding bodies to be owned by the same group or individuals. The Government should look critically upon this serious issue. To that end, we are encouraged that the regulator Ofqual is conducting a wide market review, which the Skills Funding Agency expects to include an assessment of the issues surrounding combined ownership of training providers and awarding bodies. We look to the National Apprenticeship Service and the Skills Funding Agency to work with Ofqual to ensure that this review is successful and comprehensively deals with this specific issue. We accept that the practice of joint ownership is not unusual but learner experience is key and should not be put in jeopardy by conflicts of interest. Robust mechanisms must be put in place to prevent any conflict of interest impacting the learning experience of the workforce. We recommend that, if the Ofqual review does not cover this, the SFA conducts a more focussed review on the impact of competing incentives, the risk to quality and brand perception arising from this practice. (Paragraph 218)

Formal Minutes

Tuesday 30 October 2012

Members present:

Mr Adrian Bailey, in the Chair

Mr Brian Binley	Julie Elliott
Paul Blomfield	Ann McKechin
Katy Clark	Nadhim Zahawi
Mike Crockart	

Draft Report (*Apprenticeships*), proposed by the Chair, brought up and read.

Ordered, That the draft Report be read a second time, paragraph by paragraph.

Paragraphs 1 to 218 read and agreed to.

Summary agreed to.

Resolved, That the Report be the Fifth Report of the Committee to the House.

Ordered, That the Chair make the Report to the House.

Ordered, That embargoed copies of the Report be made available, in accordance with the provisions of Standing Order No. 134.

Written evidence was ordered to be reported to the House for printing with the Report in addition to that ordered to be reported for publishing on 21 February, 27 March, 22 May, 12 June and 10 July 2012.

[Adjourned till Tuesday 20 November at 9.00 am.]

Witnesses

Thursday 1 March 2012

Page

Denis Hird, Chief Executive, JTL Training, **Alex Jackman**, Senior Policy Adviser, Forum of Private Business, and **Graham Hoyle OBE**, Chief Executive, Association of Employment and Learning Providers Ev 1

Tuesday 6 March 2012

Professor Keith Ridgway CBE, Research Director, Advanced Manufacturing Research Centre, **John Baragwanath OBE**, Projects Director, AMRC, and **Rt Hon Richard Caborn**, Adviser, AMRC Ev 19

Sharon Ward, Group HR Manager, Sheffield Forgemasters International Ltd, **Alison Bettac**, Group HR Director, Firth Rixson Ltd, and **Richard Cook**, Production and Personnel Director, AESSEAL plc Ev 25

Peter Flinn, Specialist in high value manufacturing, Technology Strategy Board Ev 31

Kyle Johnson, **Chris Parkin**, **Lewis Nicholson**, **Luke Shaw** and **Chloe Jones**, apprentices Ev 33

Tuesday 13 March 2012

Professor Nick Petford, Vice Chancellor, University of Northampton, **Len Closs**, Principal, Northampton College, **Mike Griffiths**, Headmaster, Northampton School for Boys, **Dr Ann Limb OBE DL**, Chair, South East Midlands Local Enterprise Partnership, **Councillor David Mackintosh**, Leader of Northampton Borough Council, and Councillor **Jim Harker**, Leader of Northamptonshire County Council Ev 39

Peter Mawson, Chief Executive, West Northamptonshire Development Corporation, **Paul Southworth**, Chairman, Northamptonshire Enterprise Partnership, **David Rolton**, Chairman, Rolton Group, **Milan Shah**, Chair of the Governing Council for the University of Northampton, **Alan Ainsworth**, Head of Public and Community Affairs, Barclaycard, and **John Harley**, Director, ACS Office Solutions, and Board Member, Brackmills Industrial Estate Business Improvement District Ev 46

Tuesday 27 March 2012

Stephen Uden, Head of Skills and Economic Affairs, Microsoft UK, **Ray Wilson**, Director and General Manager, Carillion Training Services, **Justin Owens**, Human Resources Manager, Robinson Brothers Ltd, and **Alex Khan**, Managing Director, Education and Training, Babcock International Group Ev 56

Norman Pickavance, Group HR Director, Wm Morrison Supermarkets plc, and **Ged Syddall**, Founder and Chief Executive Officer, Elmfield Training Ltd Ev 66

Tuesday 17 April 2012

Martin Doel, Chief Executive, Association of Colleges, and **Tom Wilson**, Director, Unionlearn, TUC Ev 76

Nick Linford, Author and Managing Editor of *FE Week* Ev 88

Thursday 26 April 2012

David Way, Interim Chief Executive, National Apprenticeship Service, and **Geoff Russell**, Chief Executive, Skills Funding Agency Ev 97

Wednesday 16 May 2012

Paul Coxhead, Chief Executive, Logistics Apprenticeship Training Academy and **Neil Bates**, Group Chief Executive, Prospects Learning Foundation Ev 118

John Hayes MP, Minister of State for Further Education, Skills and Lifelong Learning, and **Gila Sacks**, Deputy Director of the Apprenticeships Unit (BIS/DfE) Ev 124

List of printed written evidence

(published in Volume II: Oral and written evidence)

Department for Business, Innovation and Skills	Ev 137: Ev 152: Ev 216
Association of Employment and Learning Providers	Ev 156
Association of Colleges	Ev 166
Carillion plc	Ev 170
Elmfield Training Ltd	Ev 172: Ev 175
Forum of Private Business	Ev 176
JTL	Ev 181
Microsoft	Ev 183
Wm Morrison Supermarkets plc	Ev 186: Ev 188
National Apprenticeship Service (NAS)	Ev 188: Ev 203: Ev 219: Ev 224
TUC	Ev 207
West Northamptonshire Development Corporation	Ev 213
BIS/DfE Apprenticeship Unit	Ev 218

List of additional written evidence

(published in Volume III on the Committee's website www.parliament.uk/bis)

157 Group	Ev w1
A4e Ltd	Ev w3
AAT	Ev w7
ADS Group Limited	Ev w8
Active Technologies Limited	Ev w10
Alliance Sector Skills	Ev w12
Apprenticeship Ambassadors Network	Ev w15
Aspire Achieve Advance Ltd	Ev w21
Asset Skills	Ev w23
Association of Licensed Multiple Retailers (ALMR)	Ev w25
Association of Teachers and Lecturers (ATL)	Ev w32
Avanta Enterprise Ltd	Ev w33
BAE Systems	Ev w34
Barrow Training Partnership	Ev w36
Bentley Motors Ltd	Ev w36
Eleanor Moore, Workforce Development Co-ordinator within the Museums Development Unit, Bristol's Museums, Galleries and Archives, and Hala Osman, Performance and Evaluation Officer, Bristol's Museums, Galleries and Archives	Ev w39
British Chambers of Commerce	Ev w40
British Constructional Steelwork Association Limited (BCSA)	Ev w44
British Gas	Ev w45
British Retail Consortium (BRC)	Ev w47
Professor Jill Brunt FRSA	Ev w49
CFA	Ev w50
CSCS	Ev w57
Centrepont	Ev w58
Certified Computing Personnel (CCP)	Ev w61
Chief Economic Development Officers Society (CEDOS) & the Association of Directors of Environment, Economy, Planning & Transport (ADEPT)	Ev w63
Chris Berridge, Stonemason, Sam Fairgrieve, Bricklayer, Hayley Wright, Beauty Therapist, Ben Eaton, F1 Car Painter, Richard Sagar, Electrician and Business Owner, Linzi Weare, Hairdresser, Keith Chapman, Landscape Gardener and Business Owner, Joe Price, Carpenter	Ev w66
Circle Housing Group	Ev w68
CITB-ConstructionSkills	Ev w70
City Gateway	Ev w73
City & Guilds	Ev w78: Ev w85
Cogent Sector Skills	Ev w86
co-operative Group Apprenticeship Academy	Ev w87
Crafts Council	Ev w88
Creative & Cultural Skills	Ev w90

DCS Europe plc	Ev w96
EEF	Ev w97
Edge Foundation	Ev w100
Electrical Contractors' Association (ECA)	Ev w108
Energy & Utility Skills Limited	Ev w111
Engineering Construction Industry Training Board	Ev w115
Federation of Master Builders (FMB)	Ev w122
Federation of Small Businesses	Ev w127
Financial Skills Partnership (FSP)	Ev w129
Food and Drink Federation	Ev w130
Professor Alison Fuller and Professor Lorna Unwin	Ev w132
Fusion21	Ev w135
Gateshead Council	Ev w137
Gatsby Charitable Foundation	Ev w140
Greater Manchester Learning Provider Network	Ev w143
Greater Manchester Local Enterprise Partnership	Ev w144
Green Lantern Training	Ev w147
HP Consultancy and Training	Ev w149
Herefordshire, Worcestershire and Shropshire Training Providers Association	Ev w151
Heating and Ventilating Contractors' Association (HVCA)	Ev w152
Improve Ltd and the National Skills Academy	Ev w155
Institute for Learning	Ev w158
Institute of the Motor Industry	Ev w160
Institution of Engineering and Technology (IET)	Ev w162
Ixion	Ev w164
JHP Group	Ev w165
Richard Jenking	Ev w168
KM Training Ltd	Ev w171
Professor Ewart Keep, Cardiff University	Ev w172
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Professor Lord Richard Layard and Dr. Hilary Steedman, Centre for Economic Performance, London School of Economics and Political Science	Ev w179
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Learning and Skills Improvement Service (LSIS)	Ev w187
Liebherr-Great Britain Ltd	Ev w188
Liverpool City Council	Ev w189
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McDonald's	Ev w198
Mayor of London	Ev w202
Manufacturing Technologies Association	Ev w206
Metaswitch Networks	Ev w208
Mimosa Healthcare Group	Ev w209
NCG	Ev w211
National Childminding Association	Ev w212

National Grid	Ev w216
National Institute of Adult Continuing Education	Ev w218
National Skills Academy for Nuclear	Ev w220
National Specialist Contractors' Council (NSCC)	Ev w222
National Union of Rail, Maritime and Transport Workers (RMT)	Ev w225
National Union of Students (NUS)	Ev w228
North West SHA Workforce	Ev w230
North Yorkshire County Council	Ev w231
Ofsted	Ev w231
Open University	Ev w234
Pearson International	Ev w237
People 1st	Ev w240
Recruitment & Employment Confederation	Ev w244
Remit Group	Ev w246
Rolls-Royce	Ev w249
Paul Rowlands, Arenas Rigging	Ev w251
Royal Aeronautical Society	Ev w252
Semta	Ev w253
Shropshire Training Provider Network	Ev w255
Skills for Care & Development Sgiliau Gofal a Datblygu	Ev w257
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Skillsmart Retail Limited	Ev w263
Sheffield City Council	Ev w265
Sheffield Independent Film and Television (SHIFT)	Ev w269
Skills for Justice	Ev w270
Society of Motor Manufacturers and Traders (SMMT)	Ev w276
Specialist Engineering Contractors' Group	Ev w277
Strategic Forum for Construction	Ev w278
SummitSkills	Ev w279
Tradeskills4U Ltd	Ev w281
UCATT	Ev w282
UK Commission for Employment and Skills	Ev w287
UK Contractors Group (UKCG)	Ev w295
Unite the Union	Ev w300
Visa Europe	Ev w304
West Anglia Training Association	Ev w306
West Berkshire Training Consortium (WBTC)	Ev w307
West Lancashire Challenge Project Partners	Ev w308
West Midlands Training Provider Network	Ev w310
Michael Woodgate, Independent Skills Consultant	Ev w311
Worcestershire Health & Care NHS Trust	Ev w319
Working Links	Ev w320

List of Reports from the Committee during the current Parliament

The reference number of the Government's response to each Report is printed in brackets after the HC printing number.

Session 2012–13

First Report	The Hargreaves Review of Intellectual Property: Where Next?	HC 367-I/II (HC 579)
Second Report/First Joint Report	Scrutiny of Arms Export Controls (2012): UK Strategic Export Controls Annual Report 2010, Quarterly Reports for 2010 and January to September 2011, the Government's review of arms exports to the Middle East and North Africa, and wider arms control issues	HC 419
Third Report	Post Office Network Transformation	HC 84
Fourth Report	Overseas Students and Net Migration	HC 425

Session 2010–12

First Report	The New Local Enterprise Partnerships: An Initial Assessment	HC 434 (HC 809)
Second Report	Sheffield Forgemasters	HC 484 (HC 843)
Third Report	Government Assistance to Industry	HC 561
Fourth Report / First Joint Report	Scrutiny of Arms Export Controls (2011): UK Strategic Export Controls Annual Report 2009, Quarterly Reports for 2010, licensing policy and review of export control legislation	HC 686
Fifth Report	Government Assistance to Industry: Government Response to the Committee's Third Report of Session 2010–11	HC 1038
Sixth Report	Is Kraft working for Cadbury?	HC 871
Seventh Report	Rebalancing the Economy: Trade and Investment	HC 735 (HC 1545)
Eighth Report	Trade and Investment: China	HC 1421 (HC 1568)
Ninth Report	Time to bring on the referee? The Government's proposed Adjudicator for the Groceries Code	HC 1224-I
Tenth Report	Pub Companies	HC 1369-I/II (Cm 8222)
Eleventh Report	Time to bring on the referee? The Government's proposed Adjudicator for the Groceries Code: Government Response to the Committee's Ninth Report of Session 201-12	HC 1546
Twelfth Report	Government reform of Higher Education	HC 885-I/II/III (HC 286)
Thirteenth Report	Pre-Appointment Hearing: Appointment of Director of the Office for Fair Access	HC 1811
Fourteenth Report	Debt Management	HC 1649 (HC 301)
Fifteenth Report	Stamp Prices	HC 1841-I/II