



House of Commons  
Business, Energy and Industrial  
Strategy and  
Education Committees  
Sub-Committee on Education,  
Skills and the Economy

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# Apprenticeships

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## **Second Joint Report of the Business, Energy and Industrial Strategy and Education Committees of Session 2016–17**

*Third Report of the Business, Energy and Industrial  
Strategy Committee of Session 2016–17*

*Eighth Report of the Education Committee  
of Session 2016–17*

*Report, together with formal minutes relating to  
the report*

*Ordered by the House of Commons  
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## Business, Energy and Industrial Strategy Committee

The Business, Energy and Industrial Strategy Committee is appointed by the House of Commons to examine the expenditure, and policy of the Department for Business, Energy and Industrial Strategy (BEIS) and its associated public bodies.

On 17 October 2016, during the course of this inquiry, the Business, Innovation and Skills Committee (BIS) was renamed the Business, Energy and Industrial Strategy Committee (BEIS) to reflect the merging of the Department for Business, Innovation and Skills and the Department for Energy and Climate Change.

### Current membership

[Mr Iain Wright MP](#) (*Labour, Hartlepool*) (Chair)

[Richard Fuller MP](#) (*Conservative, Bedford*)

[Peter Kyle MP](#) (*Labour, Hove*)

[Amanda Milling MP](#) (*Conservative, Cannock Chase*)

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[Craig Tracey MP](#) (*Conservative, North Warwickshire*)

[Anna Turley MP](#) (*Labour, Redcar*)

[Chris White MP](#) (*Conservative, Warwick and Leamington*)

The following were also members of the Committee during the inquiry:

[Paul Blomfield MP](#) (*Labour, Sheffield Central*)

[Jonathan Reynolds MP](#) (*Labour (Co-op), Stalybridge and Hyde*)

[Kelly Tolhurst MP](#) (*Conservative, Rochester and Strood*)

## Education Committee

The Education Committee is appointed by the House of Commons to examine the expenditure, administration, and policy of the Department for Education and its associated public bodies.

### Current membership

[Neil Carmichael MP](#) (*Conservative, Stroud*) (Chair)

[Lucy Allan MP](#) (*Conservative, Telford*)

[Ian Austin MP](#) (*Labour, Dudley North*)

[Michelle Donelan MP](#) (*Conservative, Chippenham*)

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[Lucy Frazer MP](#) (*Conservative, South East Cambridgeshire*)

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[Catherine McKinnell MP](#) (*Labour, Newcastle upon Tyne North*)

[Ian Mearns MP](#) (*Labour, Gateshead*)

[William Wragg MP](#) (*Conservatives, Hazel Grove*)

The following were also members of the Education Committee during the inquiry:

[Caroline Nokes MP](#) (*Conservative, Romsey and Southampton North*)

[Rt Hon Stephen Timms MP](#) (*Labour, East Ham*)

## **Sub-Committee on Education, Skills and the Economy**

The Sub-Committee on Education, Skills and the Economy brings together Members from the Education Committee and the Business, Energy and Industrial Strategy Committee to examine issues around education and skills, and how they impact upon business and the economy.

### **Current membership**

The Chairs of the Sub-Committee are Neil Carmichael MP and Mr Iain Wright MP.

The Members of the Sub-Committee are Michelle Donelan MP, Marion Fellows MP, Suella Fernandes MP, Catherine McKinnell MP, Ian Mearns MP, Amanda Milling MP, Michelle Thomson MP and Chris White MP.

Lucy Allan MP, Ian Austin MP, Paul Blomfield MP, Lucy Frazer MP, Jonathan Reynolds MP, Amanda Solloway MP, Stephen Timms MP, Craig Tracey MP and William Wragg MP were also Members of the Sub-Committee during this inquiry.

### **Powers**

The Committees are departmental select committees, the powers of which are set out in House of Commons Standing Orders, principally in Standing Order No 152. The powers of the Committees to work together and agree joint reports are set out in Standing Order No. 137A. These Standing Orders are available on the Internet via [www.parliament.uk](http://www.parliament.uk).

### **Publication**

Committee reports are published on the Committee's website at [www.parliament.uk/education-skills-and-economy](http://www.parliament.uk/education-skills-and-economy) and in print by Order of the House.

Evidence relating to this report is published on the inquiry publications page of the [Committee's website](#).

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# 1 Introduction

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## Background

1. Following the 2015 General Election, the Government set a target of 3 million new apprenticeship starts by 2020 and announced plans for a new Apprenticeship Levy on large employers to begin in April 2017.<sup>1</sup> The Enterprise Act 2016 introduced greater legal protection for the term ‘apprenticeship’ and established the Institute for Apprenticeships (the Institute): an independent employer-led body tasked with administering apprenticeship standards.<sup>2</sup> This followed steps taken by the previous Coalition Government to tighten the definition of apprenticeship and invite groups of employers called Trailblazers to develop new apprenticeship standards to replace the previous system of frameworks.<sup>3</sup>

2. As members of the House of Commons Business, Innovation and Skills and Education Committees, we came together in December 2015 to form the Sub-Committee on Education, Skills and the Economy. Our aim was to bring greater co-ordination to the scrutiny of education and skills policy and its impact on the economy. Following our inquiry into careers education, information, advice and guidance, we chose apprenticeships as the subject of our second inquiry: an area of policy that straddled the Departments of Business, Innovation and Skills and Education.<sup>4</sup> In July 2016, full responsibility for apprenticeships was transferred to the Department for Education after the Department for Business, Innovation and Skills was replaced by the Department for Business, Energy and Industrial Strategy.<sup>5</sup> In a recent consultation document, the Government “emphasised the importance of a new industrial strategy to support and promote UK productivity” and stated that “apprenticeships will be an important part of this”.<sup>6</sup>

3. In June 2016, the United Kingdom voted to leave the European Union.<sup>7</sup> The nature of our country’s future relationship with the EU is unclear, but possible restrictions on the ability of UK employers to recruit skilled employees from its member states may further increase the importance of high quality technical and professional education to the country’s future economic success.

## Our inquiry

4. In March 2017, the Business, Energy and Industrial Strategy Committee considered the Government’s emerging industrial strategy. It found proposals relating to skills

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1 Cabinet Office, [Queen’s Speech 2015: background briefing notes](#), May 2015, HM Treasury, [Summer Budget 2015](#), HC (2015–16) 264, July 2015, para 1.270

2 Enterprise Act 2016, [section 22 and 25](#)

3 Department for Business, Innovation and Skills, [The Future of Apprenticeships in England: Implementation Plan](#), October 2013, Section 3

4 Sub-Committee on Education, Skills and the Economy, First Report of Session 2016–17, [Careers education, information, advice and guidance](#), HC 205

5 HC Deb, 18 July 2016, [col 94WS](#)

6 Department for Education, [Government’s Draft Strategic Guidance to the Institute for Apprenticeships – 2017–18](#), January 2017, para 10

7 Electoral Commission, [“EU referendum results”](#), accessed 22 February 2017

policy to be disappointing.<sup>8</sup> Last year the Business, Innovation and Skills Committee examined apprenticeships during its inquiry into the Government's Productivity Plan. It called on the Government to set out its reasons for setting an apprenticeship target.<sup>9</sup> During the last Parliament both our predecessor committees conducted inquiries into apprenticeships. In its 2012 Report, the previous Business, Innovation and Skills Committee supported the Government's expansion of the apprenticeship programme despite misgivings about the lack of clear overarching strategy.<sup>10</sup> In its 2015 Report, the previous Education Committee welcomed the Government's efforts to increase the number of high quality apprenticeships available to young people but expressed concern that too few 16 to 19 year-olds were taking up these opportunities.<sup>11</sup>

5. Our inquiry was launched on 12 February 2016.<sup>12</sup> We received 184 written submissions and held five oral evidence sessions hearing from seven panels of witnesses, including the Minister for Apprenticeships and Skills, the Rt Hon. Robert Halfon MP.<sup>13</sup> We also held an engagement event with around 30 apprentices employed in different sectors of the economy and pursuing different levels of apprenticeship, and a private meeting with experts and stakeholders.<sup>14</sup> We are grateful to all those who contributed to our inquiry.

6. Skills policy is a devolved matter and unless otherwise stated our Report considers England only. An important exception to this is the Apprenticeship Levy which will be implemented across the United Kingdom.<sup>15</sup>

## Our report

7. Our Report is divided into five main parts:

- Chapter 2 examines the Government's overall apprenticeship strategy and what it should be seeking to achieve.
- Chapter 3 considers the nascent Institute for Apprenticeships.
- Chapter 4 examines new apprenticeship standards and the Trailblazer programme more generally.
- Chapter 5 explores the implications of the new Apprenticeship Levy and wider changes to apprenticeship funding.
- Chapter 6 considers the training and support apprentices receive in and out of the workplace.

<sup>8</sup> Business, Energy and Industrial Strategy Committee, Second Report of Session 2016–17, [Industrial Strategy: First Review](#), HC 616

<sup>9</sup> Business, Innovation and Skills Committee, Second Report of Session 2015–16, [The Government's Productivity Plan](#), HC 466

<sup>10</sup> Business, Innovation and Skills Committee, Fifth Report of Session 2012–13, [Apprenticeships](#), HC 83-I

<sup>11</sup> Education Committee, Sixth Report of Session 2014–15, [Apprenticeships and traineeships for 16 to 19 year-olds](#), HC 597

<sup>12</sup> Sub-Committee on Education, Skills and the Economy, "[Apprenticeships inquiry launched](#)", February 2016

<sup>13</sup> See Witnesses and Published written evidence for further details.

<sup>14</sup> See Annexes 1 and 2.

<sup>15</sup> DfE, "[Apprenticeship funding: how it will work](#)", accessed 22 February 2017

## 2 Strategy

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### Apprenticeships for all?

8. The Government’s vision is for apprenticeships “to be available across all sectors of the economy, in all parts of the country and at all levels”.<sup>16</sup> This is a laudable aim, and we commend the energy and enthusiasm demonstrated by successive Ministers in pursuing it. Stephen Tetlow MBE, Chief Executive of the Institution of Mechanical Engineers, and himself a former apprentice, was one of many witnesses to extol the benefits apprenticeship had brought their industry.<sup>17</sup> To illustrate his point he demonstrated a prosthetic foot, explaining that “you cannot make these unless you have a skilled workforce borne of apprentices”.<sup>18</sup> Such views were particularly common in sectors long associated with apprenticeship such as engineering, manufacturing and construction.

9. Elsewhere views were more varied. The National Farmers Union was one of a number of organisations to suggest health and safety concerns and low staffing numbers made employing an apprentice difficult for the employers they represented.<sup>19</sup> Representatives of the education and life sciences sectors questioned how they would find roles for large numbers of apprentices within their organisations when most of their positions required graduate-level qualifications.<sup>20</sup> Pfizer told us that “for many companies in our sector apprenticeships are unfamiliar [ ... ] Other countries are not running these types of apprenticeships so we are mapping new territory.”<sup>21</sup>

10. We also heard that too strong a focus on apprenticeships could draw attention and resources away from other forms of training. Some witnesses emphasised the importance of employer-funded degrees; others the recent decline in adults skills funding.<sup>22</sup> We have sympathy with the view expressed by Marcus Mason, Head of Business, Education and Skills for the British Chambers of Commerce, that

it sometimes feels like [apprenticeship] is the only game in town for Government, and obviously businesses train and support their staff to increase productivity in a myriad of different ways.<sup>23</sup>

11. The Government has begun to set out wider changes to skills training. Drawing on the work of The Independent Panel on Technical Education, the Post-16 Skills Plan outlined a simplified system of 15 routes intended to be fully operational by September 2022.<sup>24</sup> The recent Budget provided further detail of how this new system of ‘T levels’ will be implemented.<sup>25</sup> In a recent Green Paper, the Government acknowledged a “growing

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16 HM Government, [English Apprenticeships: Our 2020 Vision](#), December 2015, foreword

17 Q80. See also EAL ([APP 88](#)) para 2, Q173

18 Q80

19 NFU ([APP 32](#)) para 2.6. See also British Association of Leisure Parks, Piers and Attractions ([APP 28](#)) para 6

20 The Russell Group ([APP 155](#)) para 2.4

21 Pfizer ([APP 84](#)) paras 10, 18

22 London South Bank University ([APP 48](#)), Executive Summary, The Prince’s Trust ([APP 103](#)) para 9

23 Q165

24 BIS and DfE, [Post-16 Skills Plan](#), July 2016, The Independent Panel on Technical Education, [Report](#), April 2016

25 HM Treasury, [Spring Budget 2017](#), HC 1025, March 2017. The Institute’s [draft operational plan](#) provided further detail about how apprenticeships will be integrated into this system.

challenge” with training for older people, and committed to examining “new approaches to encouraging lifelong learning”.<sup>26</sup> The Minister for Apprenticeships and Skills, Mr Halfon, explained that “it is very important not to see reform to apprenticeships by itself”.<sup>27</sup>

**12. We welcome the Government’s efforts to bring the benefits of apprenticeship to all sectors of the economy. Nevertheless, it must ensure apprenticeships are not seen to be the solution to every skills problem. Recent announcements suggest the Government recognises this.**

## Employers in the driving seat

13. The Minister told us that “the whole purpose of the reforms we are doing is to put the employer in the driving seat”.<sup>28</sup> The Government asserts that by giving employers greater control over the content of their apprentices’ training, and allowing employers to negotiate the cost of this training directly with providers, they will be incentivised not only to train more, but to take a far greater interest in the quality and suitability of this training.<sup>29</sup> The Minister told us that this would help to address skills shortages as employers would create and purchase training that better met their needs.<sup>30</sup> We will examine these changes in greater detail in later chapters, but taken together they can be seen as an attempt to give employers a far stronger voice in the apprenticeship system.

14. Professor Alison Wolf, Professor of Public Sector Management at King’s College London, was supportive of these changes, stating that “good, robust, long-lived apprenticeship systems are run by employers and that when you try to do it differently, as we have just tried, it does not work very well”.<sup>31</sup>

15. Not everything we heard was positive. A number of witnesses questioned whether all employers had the desire or capacity to take control of the apprenticeship system; and if this was not the case, whether the views of those who did could be considered representative.<sup>32</sup> The previous Education Committee warned against the creation of a system dominated by a small number of large employers and we heard some evidence that this warning had not been heeded.<sup>33</sup> Some witnesses drew attention to the declining role afforded to sector bodies, although the Government questioned how well their work had previously met the needs of employers.<sup>34</sup> Dr Lynn Gambin, Senior Research Fellow at the University of Warwick’s Institute for Employment Research, doubted the desire of the majority of employers to offer apprenticeships at all.<sup>35</sup>

16. We also heard wider concerns. Some witnesses stated that too little emphasis was being placed on the role played by apprentices and training providers.<sup>36</sup> Others made the broader point that the Government’s model differed from many of the most successful

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26 HM Government, [Building our Industrial Strategy](#), January 2017, p 39

27 Q255

28 Q254

29 Qq 284, 310, HM Government, [English Apprenticeships: Our 2020 Vision](#), December 2015, Foreword, para 3.2

30 Q255

31 Q28

32 Leeds College of Building (APP 10) para 3, CompTIA (APP 22) para 16–18

33 Education Committee, Sixth Report of Session 2014–15, [Apprenticeships and traineeships for 16 to 19 year-olds](#), HC 597, para 92, Chartered Institute of Building (APP 94) para 2.7, AAT (APP 145) para 8

34 Qq 13 [Professor Keep], 256 [David Hill]

35 Q6

36 NUS, (APP 38) para 9, HIT Training (APP 75) para 1.3

apprenticeship systems around the world: ‘social partnerships’ between all stakeholders with clearly defined roles and responsibilities and a strong sense of mutual interest.<sup>37</sup> NCFE, an awarding organisation, warned that the Government was “in danger of ignoring decades of best practice in the pursuit of a notion of ‘employer ownership’”.<sup>38</sup>

17. Later in our inquiry we heard that the Government had changed tack and other stakeholders were being afforded greater influence.<sup>39</sup> The Institute’s draft operational plan proposes roles

for a range of experts with a broad knowledge of occupations and training [which] could include academics, employers, professional bodies, sector/trade organisations, and National Colleges or other training providers.<sup>40</sup>

Nevertheless this remains far removed from how many other countries have chosen to structure the administration of their apprenticeship programmes and places a great deal of responsibility on employers.

**18. The Government is right to give employers greater influence within the apprenticeship system, but during the early stages of the process this had the effect of drowning out other voices, including those of smaller businesses. We welcome the Government’s recent announcements that suggest it now favours a more balanced approach, but remain concerned that large businesses exercise too much influence, and the views of other stakeholders with less lobbying power are given insufficient weight.**

### Three million target

19. Over the last two decades there has been a large increase in the number of people undertaking apprenticeships. While figures are not directly comparable due to changes in how the term ‘apprenticeship’ is defined, starts rose from 65,000 in 1996/97 to 509,400 in 2015/16.<sup>41</sup> The Government has committed to increasing this further: 3 million starts over the course of the Parliament.<sup>42</sup> Many welcomed the target as a sign of the Government’s commitment to the apprenticeship programme.<sup>43</sup> Despite expressing reservations about its impact, the British Chambers of Commerce described it as a “noble aim”.<sup>44</sup> Yet some employers suggested that setting such a target was inconsistent with the Government’s stated goal of giving them greater control over the system.<sup>45</sup> A more general concern, which we heard over and over again, was that too little attention was being given to other more important measures of success.<sup>46</sup>

20. Some witnesses criticised the target as too simplistic. As the Social Mobility and Child Poverty Commission explained, it does not measure how many apprenticeships

37 Science Industry Partnership ([APP95](#)) para 8.1, Association of Teachers and Lecturers ([APP 152](#)) para 2.10

38 NCFE ([APP 7](#)) para 21

39 Q52 [Mark Dawe]

40 DfE, *Institute for Apprenticeships: Draft operational plan*, January 2017, para 3.1.1. See also Chapter 3

41 HC Deb, 14 Feb 2011 [c560–1W](#), DfE, Further Education and Skills in England, [SFR07/2017](#), February 2017

42 Cabinet Office, [Queen’s Speech 2015: background briefing notes](#), May 2015. There were 509,400 Apprenticeship starts in the 2015/16 academic year.

43 See, for example, Pimlico Plumbers ([APP 77](#)) para 1, University Alliance ([APP 59](#)) para 1

44 BCC ([APP 138](#)) para 3

45 Energy & Utility Skills ([APP 122](#)) para 7

46 ICAEW ([APP 142](#)) para 9

are completed—67% in 2015/16—and can “double- or even triple-count” individuals who start, but do not necessarily complete, multiple programmes during a single year.<sup>47</sup> Others told us that far greater emphasis should be placed on the progression of apprentices to higher level programmes and, crucially, into secure, well-paid employment.<sup>48</sup>

21. We also heard that the target could hamper attempts to raise quality.<sup>49</sup> Professor Ewart Keep, Director of Oxford University’s Centre on Skills, Knowledge & Organisational Performance, spoke of the relative difficulty of measuring and promoting quality improvement, in contrast to the simplicity of a single numerical target, and his “terror” that desire to meet such a target would eventually “override other considerations”.<sup>50</sup> These concerns are particularly relevant as recent efforts to increase apprenticeships numbers have produced uneven results. In a 2015 survey report, Ofsted found “too much weak provision that undermines the value of apprenticeships”.<sup>51</sup> Paul Joyce, Ofsted’s Deputy Director for Further Education and Skills, told us that this had improved over the last year but they had still found 37% of training provision to be less than good.<sup>52</sup> Ofsted’s recent annual report stated that “too few apprenticeships deliver professional, up-to-date knowledge and skills in the sectors that need them most”.<sup>53</sup>

**22. The three million target is a useful symbol of the Government’s commitment to apprenticeships, but it must guard against the perception that it is the only measure of success. Apprenticeship starts are the means to an end, not an end in themselves.**

**23. We recommend that alongside the 3 million starts target, the Government outlines far clearer outcome measures for individual apprentices. These should include programme completion, progression to higher levels and subsequent achievement of secure relevant employment. It should publish an annual survey of performance against these measures.**

## Skills gaps

24. A wider question is whether the growth in starts will take place in sectors of the economy where it will do the most good, and if more should be done to make sure it does. The Government’s vision document stated that we have a

critical need for high numbers of new technical and professional skilled workers [ ... ] and growing skills shortages [in sectors] increasingly critical to the strength and competitiveness of the UK economy.<sup>54</sup>

We heard little to contradict this. The UK Commission for Employment and Skills’ most recent survey found “209,500 reported skill-shortage vacancies [ ... ] an increase of 43 per cent from the 146,000 reported in 2013”.<sup>55</sup> Some witnesses told us of chronic shortages at

47 Social Mobility and Child Poverty Commission ([APP 35](#)) The 3 million target: a note on data in this submission, DfE, Further Education and Skills in England, [SFR07/2017](#), February 2017

48 Q146 [Marcus Mason], NUS, ([APP 38](#)) para 1

49 Q84 [Stephen Tetlow]

50 Q32

51 Ofsted, [Apprenticeships: developing skills for future prosperity](#), November 2015, p 4

52 Q214

53 Ofsted, [Annual Report 2015/16](#), December 2016, p 16

54 HM Government, [English Apprenticeships: Our 2020 Vision](#), December 2015, para 1.10.

55 UKCES, [Employer Skills Survey 2015:UK Results](#), June 2016, p 12

technician level (levels 4 and 5), and in the construction, engineering and manufacturing sectors.<sup>56</sup> Others drew attention to regional shortages, suggesting skills were often poorly distributed around the country.<sup>57</sup>

25. The Government contends that “the expansion of apprenticeships will directly help to address these skills gaps by providing high quality training in exactly the areas that employers require”.<sup>58</sup> Yet the evidence we heard suggested that this would not happen unless there was a major shift in the sectors in which these apprenticeships are undertaken.<sup>59</sup> In 2015/16 more than two thirds of apprenticeships starts were in three sectors: Health, Public Services and Care, Business, Administration and Law and Retail and Commercial Enterprise. In contrast the number of starts in the Construction, Planning and the Built Environment and Engineering and Manufacturing Technologies was much lower, less than a fifth of all starts.<sup>60</sup> Over half were level 2 programmes, a third at level 3.<sup>61</sup> While there has been a dramatic increase in the number of higher level starts over the last five years, this was from a very low base and they remain a fraction of total starts.<sup>62</sup>

26. A consistent feature of the Government’s case for expanding the apprenticeship programme is the wage benefits they produce—a key indicator that skills gained during such programmes are valued in the labour market. Its vision document stated that these “add up to between £48,000 and £74,000 for level 2 apprenticeships; and between £77,000 and £117,000 for level 3 apprenticeships”.<sup>63</sup> However research conducted by the Social Market Foundation suggested these wage gains vary dramatically by sector.<sup>64</sup> It found strong returns in manufacturing at both levels, but a mixed picture for level 2 apprenticeships overall and “no significant wage effect” associated with undertaking an apprenticeship in health and social care at either level. In a recent report, the National Audit Office criticised the Government for not setting out how it

plans to balance the drive for increased numbers with the need to support employers to deliver the apprenticeships that offer most value to the economy. Without this strategic underpinning, there is a clear risk that the drive to deliver greater numbers is delivered at the expense of delivering maximum value.<sup>65</sup>

27. Appearing before the Public Accounts Committee in October 2016, Jonathan Slater, Permanent Secretary at the Department for Education, outlined plans to collect far more data on the “rates of return that are achieved through different apprenticeships at different levels”.<sup>66</sup> He suggested that awareness of this data would incentivise employers to alter their provision to focus on areas with the highest rates of return which would lead them to address skills gaps. The Institute’s draft operational plan includes provisions to allocate

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56 Qq 7–8, 141 [Neil Carberry], Social Market Foundation ([APP 74](#)) para 26

57 Q183 [Councillor Light], Alstom ([APP 125](#)) para 13

58 BIS and DfE ([APP 176](#)) para 1.21

59 Edge Foundation ([APP 5](#)) para b, Professor Alison Fuller and Professor Laura Unwin ([APP 33](#)) para 2.2

60 DfE, [FE data library: apprenticeships](#), January 2017

61 For an explanation of qualification levels see: “[What qualification levels mean](#)”, HM Government, accessed 22 February 2017

62 DfE, [FE data library: apprenticeships](#), January 2017

63 HM Government, [English Apprenticeships: Our 2020 Vision](#), December 2015, para 1.2

64 Social Market Foundation ([APP 74](#)) paras 4, 6, 21

65 NAO, [Delivering value through the apprenticeships programme](#), HC 624, September 2016, p 7

66 [Oral evidence taken before the Public Accounts Committee on 12 October 2016](#), HC 709, Q11

standards to funding bands “in a way that provides the greatest strategic return (either to the learner, employer or wider economy)”.<sup>67</sup> New funding proposals also include significant upward adjustments to the funding bands for some STEM framework pathways.<sup>68</sup>

28. However we remain unconvinced that such measures go far enough. While financially incentivising employers to choose certain apprentices may bring some improvement it seems unlikely that this will shift provision dramatically from one sector to another. If the Government believes that targets are the right approach to increase participation generally, it follows that they could be used to provide greater clarity about where these increases take place. We find much to recommend in the Institution for Mechanical Engineers’ call for “prioritised, funded, sector, specialism and region-specific targets supporting the catch-all number”.<sup>69</sup>

29. Such an approach would require the Government to provide greater clarity about what it wants to achieve and what success would look like. The Institute’s draft operational plan suggests that it may prioritise standards development in “sectors where we have evidence of skills gaps and that are priorities for the industrial strategy”.<sup>70</sup> Yet in a recent Green Paper, the Government lamented that “no organisation has been tasked with identifying persistent or emerging sector specific gaps and proposing action” and indicated that it planned to work towards a “single, authoritative view of the gaps faced by the UK now and in the future”.<sup>71</sup> This is surprising when a list of occupational shortages is already being used to decide who can and cannot immigrate to this country.<sup>72</sup> The Government should use this existing knowledge to target regional and sectional skills shortages allowing the UK to fill these gaps from within rather than relying on workers from overseas.

30. We agree with Councillor Robert Light, Vice Chair of City Regions Board at the Local Government Association, that local and regional bodies should play a greater role in ensuring that available skills training better matches an area’s skills needs.<sup>73</sup> As the Business, Energy and Industrial Strategy Committee said in a recent Report, this could involve greater devolution of responsibility to local authorities and Local Enterprise Partnerships.<sup>74</sup>

**31. The Government has not set out how its increase in apprenticeship numbers will help fill the country’s skills gaps. The current balance of provision is skewed towards sectors with low wage returns and few skills shortages and we are not convinced that tinkering with funding bands will bring about the major changes necessary. The Government already makes immigration decisions on the basis of identified skills shortages; it should make greater use of this existing knowledge.**

***32. We recommend that the Government publishes an annual document setting out skills shortages on a national, regional and sector-specific basis and sets clear targets to ensure apprenticeship uptake in these areas is prioritised.***

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67 DfE, [Institute for Apprenticeships: Draft operational plan](#), January 2017, para 6.1. See also Chapter 3 and 5.

68 DfE, [Apprenticeship funding in England from May 2017](#), October 2016, paras 26–27

69 IMechE ([APP 162](#)) para 1

70 DfE, [Institute for Apprenticeships: Draft operational plan](#), January 2017, Executive Summary

71 HM Government, [Building our Industrial Strategy](#), January 2017, p 45

72 UK Visas and immigration, [Tier 2 Shortage Occupation List](#), November 2016

73 Q183

74 Business, Energy and Industrial Strategy Committee, Second Report of Session 2016–17, [Industrial Strategy: First Review](#), HC 616, para 117

## Public sector target

33. One area in which the Government is introducing an additional target is the public sector.<sup>75</sup> Apprentices must make up 2.3% of the headcount of most public sector bodies with 250 or more employees, averaged over a four year period beginning in April 2017.<sup>76</sup> This is aimed at closing the gap in the percentage of apprentices employed in the public and private sectors. A Government consultation on the initial proposal held last year found wide general support for apprenticeships, but qualified support for targets which were considered potentially useful but only if they are “realistic and achievable”.<sup>77</sup>

34. The evidence we heard was largely negative. NHS Employers identified a lack of higher and degree level standards, business need caused by outsourcing of services and staff to provide support and mentoring as “key barriers”.<sup>78</sup> A number of submissions suggested that setting the target on the basis of headcount rather than Full Time Equivalency would disproportionately affect employers with large numbers of flexible and part-time workers.<sup>79</sup> We are especially concerned that much of the increase in numbers could come from the rebadging of existing programmes. For example, in a recent article, Lucy Hunte, Apprenticeship Lead for Health Education England—North, Central & East London, wrote that

the beauty of many of the new apprenticeship standards is that they do not have a mandatory qualification. This gives trusts the flexibility to work with a training provider to match their existing training programmes to the standards.<sup>80</sup>

If such an approach was repeated on a wider scale it would do little to increase skills levels as the training would have happened already.

**35. The public sector should employ more apprentices, but a blanket target risks incentivising quantity over quality and the rebadging of existing training programmes.**

**36. We recommend that the Government should keep the public sector target under review and enable increased participation in areas of the public sector with clear skills shortages.**

## Widening participation

37. The Minister told us that a key aim of the apprenticeship programme was “helping the socially disadvantaged” and creating a “ladder of opportunity” to help them succeed.<sup>81</sup> We heard that a number of barriers remain, particularly for young people and those without family support.<sup>82</sup> These included expensive or inaccessible public transport (especially in rural areas), the vagaries of the benefits system and the level of the apprentice minimum

75 Enterprise Act 2016, [section 24](#), “Thousands of apprentices set to transform the public sector”, DfE, January 2017

76 DfE, [Public sector apprenticeship target: list of bodies](#), November 2015, DfE, [Apprenticeship Targets for Public Sector Bodies Government consultation response](#), January 2017, para 15

77 DfE, [Apprenticeship Targets for Public Sector Bodies Government consultation response](#), January 2017, para 14

78 NHS Employers ([APP 141](#)) para 1.8

79 See, for example, Public Sector People Managers Association ([APP 1](#)) para 6, Unison ([APP 170](#)) para 2

80 “[How will the NHS spend its apprenticeship levy?](#)”, FE Week, February 2017

81 Q254

82 See, for example, YMCA England ([APP 41](#)) para 3.1, NCFE ([APP 7](#)) para 14, Q52 [Shakira Martin], Education for Engineering ([APP 40](#)) para 9. Additional support is available in some circumstances. See Chapter 5.

wage. Some of the apprentices we spoke to said that they had had difficulty finding appropriate programmes close to home and lacked the means to travel further. A number of witnesses raised concern about the abolition of explicitly age-related apprentice funding, an issue we will consider in more detail in Chapter 5.

38. Despite additional Government support for employers who take disadvantaged young apprentices, research conducted on behalf of Centrepont, a charity dedicated to combatting homelessness, found that the vast majority of employers do not target any of their opportunities at them.<sup>83</sup> In January 2017, the Rt. Hon Alan Milburn, chair of the Social Mobility and Child Poverty Commission, said that more affluent children are twice as likely to start a Level 3 apprenticeship [ ... ] in some parts of the country than the less-off.<sup>84</sup>

39. We also heard that some groups continued to be underrepresented, in certain sectors and more generally. Young Women’s Trust, a charity that supports disadvantaged young women, said that “dramatic occupational segregation by gender persists at the apprenticeship level”, with particularly low levels of female representation in sectors with higher wage returns such as such as construction and engineering.<sup>85</sup> Oxfam told us that those from a black or minority background remain underrepresented.<sup>86</sup> A number of submissions drew attention to the low level of uptake among those with disabilities and the barriers they faced accessing and undertaking training.<sup>87</sup>

40. The Government is seeking to address many of these issues. For example, in February 2017 it launched a new Apprenticeship Diversity Champions Network chaired by Nusrat Ghani MP aimed at promoting diversity among employers and encouraged more people from underrepresented groups to become apprentices.<sup>88</sup> It has also agreed to implement all the recommendations of an independent taskforce led by Paul Maynard MP that sought ways to improve access to apprenticeships for those with learning difficulties, as well as providing additional financial support to providers in such instances.<sup>89</sup> More generally, it has abolished employer national insurance contributions for apprentices under 25 and launched a number of advertising campaigns.<sup>90</sup> The Minister also stressed the importance of traineeships in preparing young people to begin an apprenticeship, a programme which may become more widespread following proposals in the Post-16 Skills Plan for a ‘transition year’.<sup>91</sup>

41. While we accept that apprenticeships are jobs and apprentices are employed, they are also undertaking what is in effect Government-funded training. Additional support is provided to employers and providers to incentivise them to take on younger and disadvantaged apprentices, but there needs to be more support for the apprentices

83 Centrepont (APP 30) para 15 (76% of employers). See also Chapter 5

84 “Government’s £2bn-a-year apprentice scheme is disproportionately used by young people from wealthier families”, Independent, January 2017

85 Young Women’s Trust (APP 82) para 4

86 Oxfam (APP 9) para 10

87 See, for example, United Response (APP 26), The Worshipful Company of Goldsmiths (APP 69)

88 “Halfon launches Apprenticeship Diversity Champions Network”, TES, February 2017

89 BIS & DWP, “Paul Maynard taskforce – BIS and DWP response to recommendations”, July 2016, Q322.

90 DfE, “Employers of young apprentices will no longer pay National Insurance contributions”, April 2016, “Top apprentices to star in government campaign to get young people learning and earning”, DfE, May 2016

91 Q322, BIS & DfE, [Post-16 Skills Plan](#), July 2016, paras 4.14, 4.2, 4.9

themselves. This could include changes to the benefits system (for example to child benefit eligibility rules), more subsidised fares on public transport or even direct financial support from Government such as bursaries.

**42. Apprenticeships offer great opportunities, but they can prove difficult for some people. We welcome the Government’s commitment to widening participation, but there is more the Government can do to make this happen.**

**43. *We recommend that the Government examine further measures to make apprenticeship more accessible to all. This could include changes to benefits rules, subsidised transport or direct financial support.***

44. Many of our witnesses stressed that in order to widen participation in apprenticeship young people must receive good quality careers advice that informs that of all the available options.<sup>92</sup> In our first Report we found that this was not always the case: provision in schools is “patchy and often inadequate”.<sup>93</sup> Many of the apprentices we spoke to told that us that organising their apprenticeship had been a ‘do-it-yourself’ endeavour with teachers and school staff unable or unwilling to provide the support required. Some witnesses suggested that schools were actively preventing other providers from giving their students information about apprenticeships.<sup>94</sup> Others said that the Government should investigate a UCAS style system to simplify the application process. We were pleased to read, in a recent Green Paper, that the Government may investigate such a system for technical education.<sup>95</sup>

45. In our first Report we called for the Government to expedite the publication of its careers strategy, originally planned for Spring 2016.<sup>96</sup> This did not happen. In a recent speech, the Minister said that it would now be published later this year.<sup>97</sup> We also recommended that “a single Minister and a single Department” be put “in charge of co-ordinating careers provision for all ages”.<sup>98</sup> We welcome the Government’s implementation of this recommendation.<sup>99</sup> In January 2016, the Government announced it would be introducing legislation under which schools would

be required by law to collaborate with colleges, university technical colleges and other training providers to ensure that young people are aware of all the routes to higher skills and the workplace, including higher and degree apprenticeships.<sup>100</sup>

92 See, for example, London Assembly ([APP 182](#)) para 6, Federation of Small Businesses ([APP 20](#)) para 27

93 Sub-Committee on Education, Skills and the Economy, First Report of Session 2016–17, [Careers education, information, advice and guidance](#), HC 205, Summary

94 See, for example, Devon and Cornwall Training Provider Network ([APP 15](#)) para 17, Universities UK ([APP 72](#)) para 24

95 See, for example, Balfour Beatty ([APP 167](#)) para 21, Chartered Institute of Building ([APP 94](#)) para 5.7. HM Government, [Building our Industrial Strategy](#), January 2017, p 16

96 DfE ([CAD 139](#)) para 16

97 “[Robert Halfon: careers speech at Westminster Academy](#)”, DfE, January 2017

98 Sub-Committee on Education, Skills and the Economy, First Report of Session 2016–17, [Careers education, information, advice and guidance](#), HC 205, para 44

99 “[Schools careers advice added to skills minister brief](#)”, FE Week, August 2016

100 “[New law will end ‘outdated snobbery’ towards apprenticeships](#)”, DfE, January 2016

No further details of this legislation were announced. However, in February 2017 the Government accepted an amendment to the Technical and Higher Education Bill 2016–17 proposed by Lord Baker of Dorking.<sup>101</sup> This stated that schools

must ensure that there is an opportunity for a range of education and training providers to access registered pupils during the relevant phase of their education for the purpose of informing them about approved technical education qualifications or apprenticeships.<sup>102</sup>

**46. We agree strongly with the Government’s desire to widen participation in apprenticeships, especially among previously underrepresented groups. However barriers remain, not least the inadequate advice many young people receive about the options available to them.**

***47. We recommend that the Government sets out its careers strategy as soon as possible. As we said previously, it is urgently needed and must include immediate steps to ensure all young people have access to high quality careers advice.***

48. The Minister told us that “until we improve the prestige—and have a national conversation about the importance—of apprenticeships, we will not achieve the number of apprenticeships that we want”, and we appreciate the good work done by him and predecessors in this regard.<sup>103</sup> We were deeply impressed by the drive and ambition of the apprentices we met during our inquiry, and in particular the achievements of those who had represented our country at international skills competitions.<sup>104</sup> It is crucial that more people are made aware of what they could achieve through apprenticeship.

49. Unfortunately, poor careers advice is not the only barrier to this being achieved. We heard that many parents were hostile to non-university routes, even when their child was more suited to an apprenticeship.<sup>105</sup> The Challenge, a community charity, stated that its

research suggests that apprenticeship and vocational training schemes suffer from a branding problem, and are viewed by young people as old-fashioned and non-aspirational.<sup>106</sup>

While it would be tempting to dismiss such concerns as prejudice, it must be recognised that, while there have always been excellent apprenticeships available, in previous years many have not been worthy of the name. It will take time to rebuild trust.

**50. We fully support the Government’s attempts to improve the prestige of apprenticeships, but it will take more than words to achieve this aim. If the quality is there the prestige will follow.**

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101 HL Deb, 22 February 2017 cols [91–92GC](#)

102 As above

103 Q254

104 “[Skills Competitions](#)”, WorldSkills UK, accessed 22 February 2017

105 Birmingham and Solihull Work Based Training Provider Network ([APP 70](#)) para 8

106 The Challenge ([APP 29](#)) para 7

## 3 The Institute for Apprenticeships

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### The role of the Institute

51. From April 2017, a new independent and employer-led body, the Institute for Apprenticeships, will take responsibility for the administration of large parts of the apprenticeship programme. Its main responsibilities will be setting quality criteria for apprenticeship standards and assessment plans, accepting or rejecting those submitted for approval, ensuring all end-point assessments are quality assured and advising the Government on the maximum level of funding that should be available for each standard.<sup>107</sup> In July 2016 the Government announced plans to expand the Institute’s remit from April 2018 to cover technical education and rename it the Institute for Apprenticeships and Technical Education.<sup>108</sup>

52. The evidence we heard was generally positive about the creation of the Institute, but many echoed BT’s concerns that “there is little information available as to what this body will comprise, its governing powers or its relationship with employers”.<sup>109</sup> Other witnesses criticised the short period of time the Government had given itself to set up a body that will play such an important role and suggested this could hinder its work, especially during its first months of operation.<sup>110</sup>

53. We heard widespread support for the principle of an employer-led body, but conflicting views on what this should mean in practice. People 1st, a tourism sector body, said that it is “critical that it is truly employer-driven and not merely employer-fronted” with “a mix of skillsets and experience from different levels and areas of businesses”.<sup>111</sup> Some witnesses stressed the importance of involving small-businesses; others said that apprentices would not be adequately represented unless unions were given a larger role.<sup>112</sup> Professor Alison Fuller, Professor of Vocational Education and Work at the University College London Institute of Education, told us that

there should be expertise there from employers, from expert providers, from professional bodies, from people who understand this landscape and are invested and committed.<sup>113</sup>

54. Views were mixed about how wide a remit the new body should be given. The Institute for the Motor Industry said it should “map out a full skills framework [ ... ] to identify both upwards and horizontal progression”.<sup>114</sup> In contrast Tech Partnership, a digital industry trade body, stated that “it should “orchestrate and oversee” with many functions devolved to sector level.<sup>115</sup> Additional responsibilities suggested included monitoring gender balance, increasing completion rates and conducting research.<sup>116</sup>

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107 DfE, [Government’s Draft Strategic Guidance to the Institute for Apprenticeships 2017–18](#), January 2017, paras 6–7

108 BIS and DfE, [Post-16 Skills Plan](#), July 2016, para 8.5

109 BT ([APP 178](#)) para 7

110 Qq 139 [Neil Carberry], 49 [Martin Doel]

111 People 1st ([APP 128](#)) para 15

112 Electrical Contractors’ Association ([APP 120](#)) para , TUC, ([APP 45](#)) para 8

113 Q39

114 Institute for the Motor Industry ([APP 137](#)) para 28

115 Tech Partnership ([APP 150](#)) para 22

116 Young Womens’ Trust ([APP 82](#)) para 15, Balfour Beatty ([APP 167](#)) para 6, AoC ([APP 115](#)) para 14

55. A recurring question was how the Institute would relate to Government. In January 2016, Nick Boles MP, the then Minister for Skills, told us it would be much more arms' length than was the case with other Government agencies.<sup>117</sup> Subsequent evidence confirmed this.<sup>118</sup> Professor Ewart Keep, Director of Oxford University's Centre on Skills, Knowledge & Organisational Performance, told us that it was

important that the Government and the Institute draw up a very clear contract as to who is doing what, how they interact and what powers the Institute have and the degree to which they can and cannot act autonomously.<sup>119</sup>

The British Chamber of Commerce warned that employers would not accept a “rubber-stamping body”.<sup>120</sup> Under the legislation which establishes the Institute, the Secretary of State is able to issue advice and guidance once a year.<sup>121</sup>

56. Some witnesses questioned how the Institute would work with other bodies such as Ofqual and Ofsted. Westinghouse Springfields Fuels Ltd asked “what sanctions might they hold against a detected lack of quality [ ... ] and how does that interact with the presence of Ofsted?”<sup>122</sup> Mark Dawe, Chief Executive of the AELP (Association of Employment and Learning Providers), queried why the Institute rather than Ofqual, the government agency he said had expertise in assessment, will assess the quality of apprenticeship assessment plans.<sup>123</sup>

## How the Institute will operate

57. In March 2016, Rachel Sandby-Thomas, a senior civil servant, was appointed as the organisation's Shadow Chief Executive. Two months later it was announced she would leave her post in September 2017.<sup>124</sup> In September, Peter Lauener, Chief Executive of the SFA (Skills Funding Agency) and EFA (Education Funding Agency), was appointed as Shadow Chief Executive on a part-time basis.<sup>125</sup> The AELP commented that the appointment of Mr Lauener to a third leadership role “raises concern about capacity issues in the DfE and SFA”.<sup>126</sup> Mr Lauener explained that

the job I have been given [ ... ] is the job of setting it up [ ... ] The board is being recruited right now and draft business plans are being discussed.<sup>127</sup>

58. In late 2016 more details emerged of how the Institute would operate. At launch the Institute will have around 60 employees—rising to roughly 90 as it takes on additional responsibilities—and a planned budget of £8 million.<sup>128</sup> An estimated 250 to 300 employers—small, medium and large—will play a role in the standards approval process

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117 [Oral evidence taken on 25 January 2016](#), HC (2015–16) 704, Q46

118 Q213

119 Q40

120 BCC (APP 138) para 10

121 [Government's Draft Strategic Guidance to the Institute for Apprenticeships – 2017–18](#), January 2017, para 2

122 [Westinghouse Springfields Fuels Ltd \(APP 19\)](#) para 10

123 Q63

124 “[Rachel Sandby-Thomas appointed as shadow CEO of the Institute for Apprenticeships](#)”, BIS, March 2016; “[Shock departure for Institute for Apprenticeships' shadow chief executive](#)”, FE Week, May 2016

125 “[Shadow CEO for the Institute for Apprenticeships announced](#)”, DfE, September 2016. Mr Lauener works two days a week as Shadow Chief Executive.

126 “[Concerns raised over Lauener's new IfA post](#)”, FE Week, September 2016

127 Q212

128 HC Deb, 22 November 2016, [col 8](#)

through their membership of route committees.<sup>129</sup> A panel of apprentices from different sectors will report directly to the board.<sup>130</sup> This was welcomed by Shakira Martin, Vice President (Further Education) of the NUS (National Union of Students), who called on the Minister for Apprenticeships and Skills, Mr Halfon, to ensure “the board take the views of the panel seriously”<sup>131</sup>

59. Despite confidence that further details would be announced “before Christmas”, the Government’s Draft Strategic Guidance to the Institute, the first of what will be an annual series of documents issuing advice and guidance, was not published until the beginning of January 2017.<sup>132</sup> A three-week consultation was opened on the proposals, with a deadline set for 31 January 2017. Four days before this deadline, the Institute published its Draft Operational Plan and opened an additional four week consultation on its proposals.<sup>133</sup>

60. The draft strategic guidance and operational plan provided clarification on a number of issues and answered many of the concerns raised by our witnesses. Significant thought appears to have gone into their development and we welcome much of their contents. The Institute will exercise significant control over the standards development process, not simply approving standards but publishing occupational maps and commissioning new standards where gaps are identified.<sup>134</sup> Much of this work will be done by 15 sector orientated route panels with an additional system of peer review for all standards.<sup>135</sup> To aid the work of the Institute there will be a stakeholder group drawn from a “much wider group of sector leaders”.<sup>136</sup> The Institute will also take responsibility for setting quality standards for new SFA-managed registers of training and assessment providers.<sup>137</sup> The Government’s draft guidance recommends that the Institute establish a “Quality Partnership” with key partners such as Ofsted, Ofqual and the SFA in which it would take a leadership role.<sup>138</sup> We will examine the Institute’s role in standards and training in greater detail in chapters 4 and 5.

61. The draft operational plan also provides further detail about how it will prepare to take on responsibly for technical education in April 2018 and how it will fulfil this expanded remit.<sup>139</sup> The full details of the Government’s proposed reforms to technical education are outside the scope of this inquiry, but we do welcome moves towards a more integrated system that will be easier to navigate for learners, apprentices and employers alike. However, we question whether the Institute should be asked to take on so many further responsibilities so soon after its launch. We share the concerns of the AoC (Association of Colleges) that the new body may not have the capacity to fulfil all these obligations.<sup>140</sup>

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129 As above, [col 7 and col 10](#)

130 HC Deb, 29 November 2016, [col 145](#)

131 “[Apprentices get IfA representation – but no place on the board](#)”, FE Week, December 2016

132 HC Deb, 22 November 2016, [cols 7–8](#), DfE, [Government’s Draft Strategic Guidance to the Institute for Apprenticeships – 2017–18](#), January 2017

133 DfE, [Institute for Apprenticeships: Draft operational plan](#), January 2017

134 As above, Executive Summary

135 As above, para 2.1.

136 As above

137 As above, para 4.2

138 DfE, [Government’s Draft Strategic Guidance to the Institute for Apprenticeships – 2017–18](#), January 2017, para 31

139 DfE, [Institute for Apprenticeships: Draft operational plan](#), January 2017, Chapter 5

140 Written evidence submitted to Technical and Further Education Bill Committee by the AoC ([TFEB 12](#)) part 1

62. The identity of the eight members of the Institute’s board were announced alongside the draft operational plan. Antony Jenkins—Shadow Chair since June 2016—was appointed permanent Chair on 27 February.<sup>141</sup> The Board includes representatives of further education colleges, Trailblazer groups drawn from a range of sectors, and two former Commissioners at the UK Commission for Employment and Skills. The lack of representation for independent training providers was criticised by the AELP.<sup>142</sup> It would have been helpful if members had been in place significantly earlier, but we broadly welcome the board’s composition. A permanent Chief Executive will be appointed later in the year, although we would urge that this should take places as soon as possible.<sup>143</sup>

63. While the Institute now looks to have a firm foundation, we remain concerned that important decisions seem to have been taken so late in the process. For example, the Institute’s operational plan states that sector panel members may not be in place until March 2018.<sup>144</sup> A body tasked with so much responsibility should have had permanent management and clear direction long before its launch. The Institute’s task is too important for it not to be running at full capacity from day one.

**64. The creation of the Institute is a welcome step towards building a world class apprenticeship system. It has had a rushed and therefore difficult beginning, and has a daunting array of responsibilities, but we have been reassured by recent announcements that it is now on the right track. It is crucial that it is fully operational as soon as possible and is given the tools to fulfil its promise.**

*65. We recommend that the Government carefully monitor whether the Institute has sufficient resources to fulfil its role and acts quickly to solve any emerging capacity issues.*

*66. We recommend that the Institute appoint a permanent Chief Executive as soon as possible.*

67. The Government’s draft strategic guidance obliges the Institute to “operate within a wider Apprenticeship and Government context”: for example, the “Government’s desire to encourage the transition from the use of frameworks to standards”.<sup>145</sup> This is a somewhat ambiguous direction, and not an uncontroversial one given the ongoing controversy over new funding rates for apprenticeship frameworks, an issue we will consider in more detail in Chapter 5.<sup>146</sup> The guidance also requires the Institute to

make sure that in doing its activities to deliver high quality apprenticeships [to] also support achievement of the Government’s aim to deliver three million apprenticeship starts by 2020.<sup>147</sup>

Following the publication of the draft strategic guidance a Government spokesperson said that this will be “one of the Institute’s main jobs”.<sup>148</sup>

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141 [“Introducing the Institute for Apprenticeships board members”](#), FE Week, January 2017, [“Final building blocks in place for Institute for Apprenticeships”](#), DfE, February 2017

142 As above

143 DfE, [Institute for Apprenticeships: Draft operational plan](#), January 2017, para 2.1

144 As above, para 6.3

145 DfE, [Government’s Draft Strategic Guidance to the Institute for Apprenticeships – 2017–18](#), January 2017, para 8

146 As above, para 25, [“Apprenticeship funding ‘u-turn’ – but how far does it really go?”](#), FE Week, October 2016

147 DfE, [Government’s Draft Strategic Guidance to the Institute for Apprenticeships – 2017–18](#), January 2017, para 8

148 [“Introducing the Institute for Apprenticeships board members”](#), FE Week, January 2017

68. We are concerned that the Institute, a body with a clear mandate to protect the quality of apprenticeship standards and assessments, is also being asked to work towards the Government's three million target. This risks incentivising quantity rather than quality. If the Institute proves successful in raising the quality of apprenticeships, they will sell themselves.

69. *We recommend that the Institute should not be required to work towards the three million target. Its role should be confined to ensuring quality within the system. Its independence should be respected by Government.*

## 4 Standards

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### Trailblazer programme

70. In 2013 the previous Coalition Government announced plans to replace the existing system of frameworks with new apprenticeship standards developed by self-selecting groups of employers called Trailblazers.<sup>149</sup> These groups must comprise a wide range of employers (at least 10), of which in most cases at least two should employ fewer than 50 people. While sector, trade and professional bodies can be involved in the process they are not permitted to lead.<sup>150</sup> Under the outgoing system, sector skills councils—employer-led organisations covering specific industries—were responsible for devolving frameworks and acted as issuing authorities for their sector.

71. The replacement process was originally due to finish in time for the 2017/18 academic year, but this was relaxed in December 2015 to “envison a migration from apprenticeship frameworks to standards over the course of the Parliament, with as much of this to take place by 2017/18 as possible”.<sup>151</sup> Over 1,400 employers had taken part in the programme from across the economy, forming over 215 groups and developing over 490 new standards, with 157 of these now approved for delivery.<sup>152</sup> However, the number of starts on the new standards remains small: 4,300 in 2015/16, up from 400 in 2014/15.<sup>153</sup>

72. We heard from many employers who had taken up the Government’s offer and devoted significant time and effort to developing apprenticeship standards that better met their needs.<sup>154</sup> We were particularly impressed by the greater emphasis many Trailblazer groups have placed on developing higher level standards, a weakness of the previous system.<sup>155</sup>

73. However little of this support was unqualified. As we heard in Chapter 2, small businesses have not always found it easy to engage in the time-consuming process of developing standards, a problem that some suggested had worsened following the withdrawal of Government funding previously available under the Employer Ownership Pilot.<sup>156</sup> The London Borough of Camden said that this lack of input from smaller businesses had “led to a bias towards highly specialised standards for very specific roles”.<sup>157</sup> Other witnesses expressed concern that such standards would not be broad enough to prepare apprentices to work and progress across an entire sector.<sup>158</sup>

74. Professor Alison Fuller, Professor of Vocational Education and Work at the University College London Institute of Education, was one of a number of witnesses to suggest that

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149 BIS, [The Future of Apprenticeships in England: Implementation Plan](#), October 2013, Section 3

150 HM Government, [The Future of Apprenticeships in England: Guidance for Trailblazers](#), December 2015, para 21

151 BIS, [The Future of Apprenticeships in England: Guidance for Developers of Apprenticeship Standards and related Assessment Plans](#), October 2014, para 3, HM Government, [The Future of Apprenticeships in England: Guidance for Trailblazers](#), December 2015, para 175.

152 DfE, [Institute for Apprenticeships: Draft Operational Plan](#), February 2017, Executive Summary

153 DfE, [Further Education and Skills in England](#), February 2017

154 Airbus UK ([APP 65](#)) para 15

155 University Vocational Awards Council ([APP 43](#)) para 3

156 Creative Skillsset ([APP175](#)) paras 40–42

157 London Borough of Camden ([APP 121](#)) para 4.2

158 AoC, ([APP 115](#)) para 31, Unite ([APP 90](#)) para 3

there has been a snowballing of standards [ ... ] that [ ... ] is working against some of the original rationale for bringing them in, which was about trying to associate one standard with one occupation.<sup>159</sup>

It is currently possible to pursue 4,661 Ofqual regulated qualifications in 597 pathways via the outgoing system. This follows the withdrawal of 40% of previously available frameworks.<sup>160</sup> The Minister, Mr Halfon, told us that these had “over the years been like a spaghetti junction for employers” and that the new system would be much easier to navigate.<sup>161</sup> Some witnesses suggested that the proliferation of new standards—there could eventually be up to 1,500—may do little to reduce this confusion for employers and learners.<sup>162</sup>

75. We also heard frustration with the process by which new standards were approved, with witnesses reporting frequent delays and changing guidance from the bodies responsible: the Government’s Apprenticeships Directorate and the SFA.<sup>163</sup> In a recent report, the National Audit Office found that average development time is nearly a year, although we heard that this is decreasing.<sup>164</sup> In January 2017, in response to a written question, the Minister said that over the previous year 60% of proposals for new standards had been rejected.<sup>165</sup>

76. From April 2017 the Institute will take over standards approval functions. Its draft operational plan suggests that many of the concerns raised with us have been recognised and we welcome many of its provisions.<sup>166</sup> These include far greater oversight of the standards development process—to avoid the proliferation of overlapping standards—and a number of improvements to the support available to Trailblazer groups. For example, relationship managers will be encouraged to become specialists in certain sectors and far more assessment expertise will be available.<sup>167</sup> There will also be an attempt to speed up the development process by making it more flexible and responsive to the needs of employers.<sup>168</sup> Standards will be reviewed by independent third parties with one key criteria being how applicable they are to employers not part of the Trailblazer group.<sup>169</sup>

**77. The Trailblazer programme has done much to increase employer engagement with the apprenticeship programme, and refocus it on higher level skills. Yet it has often appeared somewhat haphazard, with no clear picture of how a final system would look and confusion between Trailblazer groups and standards approvers. We welcome the Institute’s intention to bring far greater structure and coherence to the process.**

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159 Q23

160 DfE, [Institute for Apprenticeships: Draft Operational Plan](#), February 2017, Executive Summary, para 2.2

161 Q278

162 Q88, Pearson Education ([APP 71](#)) para 1.3

163 Q185, BT ([APP 178](#)) para 12, HM Government, [The Future of Apprenticeships in England: Guidance for Trailblazers](#), December 2015, para 45

164 NAO, [Delivering value through the apprenticeships programme](#), HC 624, September 2016, p 9, Q269

165 HC Deb, 16 January 2017, [col 57579W](#)

166 DfE, [Institute for Apprenticeships: Draft operational plan](#), January 2017, para 2.4.1

167 As above, para 2.4.2

168 As above

169 As above, para 3.1.3.

## Standards

78. The Government asserts that new standards will

act as the ‘shop window’ for the apprenticeship, setting out in simple terms the knowledge, skills and behaviours needed for an apprentice to be competent and capable in their role.<sup>170</sup>

It contrasts this with the outgoing system of frameworks, many of which it suggests are “overly prescriptive, complex and long” and fail to meet the needs of employers.<sup>171</sup> New standards are required to set out clearly and concisely the full requirements of an occupation so that on completion an apprentice should be able to work for an employer of any size within the sector.<sup>172</sup> They must also be “sufficiently stretching” to require at least a year of training (with 20% off-the-job), contain minimum English and maths requirements and align with professional registration where this exists.<sup>173</sup>

79. Opinion was divided on the merits of the new standards. Balfour Beatty amongst others was supportive, praising their “rigour, quality” and “simplicity”, but others were less complimentary.<sup>174</sup> Ofsted suggested there was “a risk of inconsistent application [ ... ] with some standards including qualifications and some others not”.<sup>175</sup> A recent Policy Exchange report stated that while some are world class,

too many of the new apprenticeship standards which have been designed, approved, funded and are being undertaken do not stand comparison to the best ones in the UK, or reflect an Apprenticeship by international definition.<sup>176</sup>

In particular it drew attention to standards it claimed were insufficiently stretching and failed to prepare the apprentice for a new job or role.

80. Some witnesses questioned whether new standards were sufficiently detailed to ensure consistency and comparability between training undertaken in different locations and by different providers.<sup>177</sup> NOCN, an awarding organisation, suggested that this problem could be eased if standards included a detailed training plan.<sup>178</sup> It is currently the responsibility of the individual employer and training provider to develop a bespoke training plan.<sup>179</sup>

81. Requiring Trailblazer groups to devise a detailed training plan would further complicate the development process and run counter to the Government’s aim of simplifying standards. However, we are concerned that lack of clear information about how training could be delivered may result in inconsistent delivery. It seems a wasted opportunity that the knowledge of employers who have invested so much time in developing a standard should not be shared further with others, especially employers new

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170 HM Government, [English Apprenticeships: Our 2020 Vision](#), December 2015, para 2.6.

171 As above, para 2.6, Q254

172 HM Government, [The Future of Apprenticeships in England: Guidance for Trailblazers](#), December 2015, para 50

173 As above

174 Balfour Beatty ([APP 67](#)) para 24

175 Ofsted ([APP 54](#)) para 34

176 Policy Exchange, [The Skills We Need, And Why We Don’t Have Them](#), November 2016, p 7

177 Quality Assurance Agency for Higher Education ([APP 76](#)) para 18

178 NOCN ([APP 21](#)) para 3.22

179 DfE, [“Build an apprenticeship programme: small to medium sized employers”](#), accessed 22 February 2017

to the scheme who may have little experience of how apprenticeships work. A compromise would be for standards to include some basic information about how the skills, knowledge and behaviours required could be gained.

**82. Standards created under the Trailblazer programme have been of uneven quality. We welcome the Institute's proposals to bring greater oversight and expertise to the approvals process.**

**83. While standards are intended to be much simpler than previous frameworks, there is a balance to be struck between giving individual employers freedom to specify the training they want, and guidance about how this training could be given. Different sectors and industries should be allowed the freedom to tailor training to meet their different requirements.**

*84. We recommend that new standards should include greater detail about how training could be delivered, although there should be no obligation for employers to follow this advice.*

## Assessment

85. Achievement of a standard is dependent on passing an end-point assessment rather than rather than a series of small assessments over the course of the apprenticeship, as is the case under the outgoing system of frameworks.<sup>180</sup> To facilitate this Trailblazer groups must produce an assessment plan which outlines what will be assessed, the methods that will be used, who will carry out the assessment, and internal and external quality assurance arrangements.<sup>181</sup>

86. A number of awarding organisations suggested that the Government had not done enough to encourage Trailblazer groups to use their expertise, which had led to some assessment plans including unreliable modes of assessment.<sup>182</sup> The Federation of Awarding Bodies said that the behaviour component of apprenticeship standards would prove difficult to assess and was too open to interpretation.<sup>183</sup>

87. The Institute's draft operational plan suggests that some of these concerns have been recognised. The document states that

while employers are best placed to set out the knowledge, skills and behaviours required for their occupation, feedback from Trailblazers indicates that they do not always have the expertise to design a robust assessment plan to sit alongside it.<sup>184</sup>

To remedy this it proposes to offer far greater assessment support, particularly to Trailblazer groups producing their first standard.<sup>185</sup>

<sup>180</sup> SFA, [Register of apprentice assessment organisations – pre-application guidance](#), January 2017, para 7

<sup>181</sup> HM Government, [The Future of Apprenticeships in England: Guidance for Trailblazers](#), December 2015, para 94, Annex 8

<sup>182</sup> Pearson Education ([APP 71](#)) para 7.2, NCFE ([APP 7](#)) para 19

<sup>183</sup> Federation of Awarding Bodies ([APP 79](#)) paras 17–18

<sup>184</sup> DfE, [Institute for Apprenticeships: Draft operational plan](#), January 2017, para 3.1.2

<sup>185</sup> As above

88. **The Trailblazer system has not made a clear enough distinction between the role of the employer—defining the skills, knowledge and behaviours an apprentice must acquire and demonstrate—and the role of assessment professionals—designing the means by which this is evaluated. We welcome the Institute’s proposals to clarify these roles.**

89. End-point assessments are conducted by an independent organisation selected by the employer from an SFA-managed Register of Apprentice Assessment Organisations.<sup>186</sup> As Sally Collier, Ofqual Chief Regulator, explained, because an apprenticeship standard “is not a qualification, per se”, there is no requirement for these organisations to be regulated by Ofqual.<sup>187</sup> Peter Lauener, Shadow Chief Executive of the Institute for Apprenticeships, told us that the system allows for “a bit of horses for courses” in that awarding bodies can offer assessment in areas of particular expertise.<sup>188</sup>

90. Membership of this register is decided on a standard by standard basis on the basis of competence in, and experience of, the subject area, capability and capacity to deliver the assessment, and the robustness of internal quality assurance procedures.<sup>189</sup> The assessment organisation is then responsible for developing the content of each end-point assessment—for example: “test questions, project topics or interview scripts”—based on basis of the standard’s assessment plan.<sup>190</sup>

91. A subject of ongoing controversy during our inquiry was the number of standards that lacked an approved organisation to carry out their end-point assessment. This has led to some apprentices beginning their training without assessment in place for their standard, something which the AELP criticised strongly.<sup>191</sup> According to an FE Week analysis of apprenticeship starts up the end of October 2016, 18% of those undertaking standards-based apprenticeships were in this position.<sup>192</sup> Overall around half of standards still lacked an approved assessor. Mr Lauener told us that the SFA had been forced to reject many initial applications as inadequate, although he said that progress was now being made.<sup>193</sup> The Minister told us the he was “pretty sure” that no apprentice would reach the end of their training without there being an approved assessment organisation in place for their standard.<sup>194</sup>

92. **Apprentices should not have been allowed to begin their training without an assessment organisation in place and a clear idea of how their success will be measured.**

93. *We recommend that standards should have at least one approved assessment organisation in place before they can be delivered.*

94. Professor Wolf was strongly in favour of the new system which she said would provide greater coherence to an apprenticeship and was “characteristic of [ ... ] the German or the Danish systems”.<sup>195</sup> However we found end-point assessment to be one of the more

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186 SFA, [Register of apprentice assessment organisations – pre-application guidance](#), January 2017, paras 2, 10

187 Q216

188 Q219

189 SFA, [Register of apprentice assessment organisations – pre-application guidance](#), January 2017, para 20

190 As above, para 14

191 “[Exclusive: Still no assessment organisations approved for over half apprenticeships](#)”, FE Week, January 2017

192 “[Large drop in number of standards lacking end-point assessors](#)”, FE Week, January 2017

193 Q251

194 Q281

195 Q26

contested aspects of the Government's reforms. We were told by some witnesses that the new system could prove expensive for both employers and assessment providers.<sup>196</sup> Others were concerned that the lack of intermediate assessments would make it difficult for apprentices to continue an interrupted apprenticeship with a different employer.<sup>197</sup>

95. Ofsted was one of a number of witnesses to question whether sufficient measures had been put in place to ensure the consistency, quality and comparability of assessment.<sup>198</sup> Others emphasised the importance of strong oversight given that funding is linked to passing the assessment and employers are free to choose their assessment organisations.<sup>199</sup> The AoC said that "there is a strong reliance on the general altruism of employers".<sup>200</sup> In response to such concerns, David Hill, Director of Apprenticeships for the Department for Education, expressed confidence that employers "will want to know that they are buying a rigorous assessment".<sup>201</sup>

96. End-point assessments are required to be quality assured both internally, by the assessment organisation itself, and externally by a body specified in the standard's assessment plan.<sup>202</sup> David Hill told us that this "could be the Institute or it could be Ofqual or it could be another professional or employer body".<sup>203</sup> An assessment committee made up of senior Institute officials will investigate any concerns raised by external quality assurance.<sup>204</sup> In extreme cases it can recommend assessment organisations be removed from the register.

97. However concerns remained about the effectiveness of external quality assurance. In a recent article, Graham Hastings-Evans, Managing Director of the awarding organisation NOCN, warned that different bodies could put in place very different regulatory structures "potentially resulting in harder regimes in some sectors and easier regimes in others".<sup>205</sup> He said that this could increase the regulatory burden on assessment organisations and training providers, and reduce public confidence in the value of some apprenticeships. In February 2017, Stephen Wright, Chief Executive of the Federation of Awarding Bodies, said that the challenges of running a quality assurance system were being underestimated and expressed concern that some employer groups may seek to use the system to raise revenue.<sup>206</sup> Both Mr Hastings-Evans and Mr Wright suggested there should be a far larger role for Ofqual, the body with the experience of, and statutory responsibility for, regulating qualifications and assessments.

98. We are minded to agree that the structure the Government has created is unnecessarily complex and fragmented. The role of external quality assurance should be to ensure assessments are consistent and reliable, which requires understanding and expertise of what makes a good assessment, the sort of expertise that Sally Collier, Ofqual Chief

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196 See, for example, Q162, [Science, Engineering, Manufacturing and Technologies Alliance](#) (APP 43) para 32

197 EAL (APP 88) para 20

198 Q250

199 Q250, Ofqual (APP 172) para 9, Open University (APP 23) para 30

200 AoC (APP 115) para 6

201 Q284

202 HM Government, [The Future of Apprenticeships in England: Guidance for Trailblazers](#), December 2015, paras 144–46

203 Q281. For Ofqual to provide quality assurance the assessment organisation must meet its [General Conditions of Recognition](#), June 2016.

204 DfE, [Institute for Apprenticeships: Draft operational plan](#), January 2017, para 3.3.3

205 "We need a proper framework for apprenticeships", FE Week, February 2017

206 "IfA to charge assessment organisations for quality assurance", FE Week, February 2017

Regulator, told us was “very rare”.<sup>207</sup> Managing such a diverse system of quality assurance providers also seems an unnecessary burden to place on the Institute when it already has many tasks. Instead we would suggest that Ofqual, a body that already provides quality assurance for a number of end-point assessments, is wholly tasked with the role. While this would create complications—not all assessment organisations are currently recognised as awarding bodies by Ofqual—this problem does not seem insurmountable.<sup>208</sup>

**99. The integrity of the apprenticeships undertaken under new standards depends on the consistency and reliability of end-point assessment. We are unconvinced that the Government’s current model of external quality assurance will achieve this.**

**100. *We recommend that Ofqual should be given responsibility for the external quality assurance of all end-point assessments.***

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207 Q236

208 “At the time of writing, 52% (23 of 44) of the assessment organisations on the Register of Apprenticeship Assessment Organisations are Ofqual recognised”. Ofqual, [Response to Institute for Apprenticeships’ Operational Plan](#), February 2017, para 17

## 5 Funding

101. In the Budget following the 2015 General Election, the Government announced that a new Apprenticeship levy on large employers would be introduced in April 2017.<sup>209</sup> This followed extensive examination of other funding options during the final years of the previous Coalition Government, a process examined at length by the previous Education Committee.<sup>210</sup> The Minister, Mr Halfon, told us that the levy was “not just about raising funds” but changing the behaviour of employers who the Government asserted have been failing to invest sufficiently in their employees’ training over the last 20 years.<sup>211</sup>

### Design of the levy

102. The first £3 million of an employer’s annual pay roll is exempt from the levy.<sup>212</sup> Above this level employers will pay at a rate of 0.5%. These funds are then lodged in an employer’s apprenticeship service account—along with a 10% Government top-up—from which they can be spent on training provision and assessment from approved organisations.<sup>213</sup> The Minister told us that he expected “2% of businesses [ . . . ] roughly 20,000 businesses across the UK” to pay the levy.<sup>214</sup> It is expected to raise £2.8 billion a year across the UK by 2020, allowing the apprenticeships budget to rise to £2.5 billion a year in England—twice what was spent in 2010 in cash terms.<sup>215</sup> Separate agreements are in place with the devolved administrations to provide “funding certainty” and manage any difference between projected and realised levy revenue.<sup>216</sup>

103. Many non-employers we heard from were positive about the levy. This was often on the grounds that the previous system had required too little investment from employers who would now be motivated to take more interest in the programme.<sup>217</sup> Employers were more sceptical with even generally supportive companies such as Deloitte LLP suggesting that the design of the levy may “create significant winners and losers”.<sup>218</sup> Although provisional and final funding announcements answered many of the questions raised in the written evidence we received, some concerns remain outstanding.<sup>219</sup>

104. We heard evidence from representatives of sectors such as charity retail, pharmaceuticals and the creative arts who said that they would lose out under the new system.<sup>220</sup> Despite having little need to employ apprentices, and few appropriate roles

209 HM Treasury [Summer Budget 2015](#), HC (2015–16) 264, July 2015, para 1.236

210 Education Committee, Sixth Report of Session 2014–15, [Apprenticeships and traineeships for 16 to 19 year-olds](#), HC 597, Chapter 6

211 Q255, Summer Budget 2015, HC (2015–16) [Cm 264](#), July 2015, paras 1.270–1.271. This assertion was disputed by some witnesses: Q165 [Neil Carberry]

212 DfE, “[Apprenticeship funding: how it will work](#)”, accessed 22 February 2017

213 DfE, [Apprenticeship funding: rule and guidance for levy-paying employers](#), October 2016, paras 49–53

214 Q264

215 HC Deb, 9 January 2017, [col 58225W](#); DfE, [Apprenticeship funding in England from May 2017](#), October 2016, p 3

216 HM Treasury, “[UK government agrees apprenticeship levy funding deal with devolved administrations](#)”, November 2016

217 Association of School and College Leaders ([APP 57](#)), para 5, Q68, Greater Manchester Combined Authority ([APP 117](#)) para 3.1

218 Deloitte LLP ([APP 133](#)) para 4

219 Oil & Gas UK ([APP 111](#)), para 10, North East Chamber of Commerce ([APP 44](#)) para 12, General Electric ([APP 98](#)), para 7, British Beer & Pub Association ([APP 149](#)) para 6, ADS ([APP 108](#)), para 20, Society of Motor Manufacturers and Traders ([APP 185](#)) para 10, Pfizer ([APP 198](#)) para 2

220 Charity Retail Association ([APP 58](#)), Association of the British Pharmaceutical Industry ([APP 67](#)) para 4.5, Creative Skillset ([APP175](#)) para 7

for them to fill, they would still be required to contribute. Some levy-paying employers suggested they should be allowed to transfer unused funds to other firms within their supply chain or sector to mitigate this.<sup>221</sup> From 2018 levy-paying employers will be able to transfer up to 10% of the funds in their apprenticeship service accounts to companies in their supply chain. The Government has set up a working group to consider the matter further.<sup>222</sup>

105. A number of our witnesses, including Neil Carberry, Director for People and Skills at the Confederation of British Industry, called for far greater flexibility in how the money in employers' apprenticeship service accounts could be used.<sup>223</sup> He told us that "if you are genuinely taking one of your senior shop floor staff away from work for a day to do mentoring, in many levy systems you can claim that back". We heard that this lack of flexibility may force some employers to cut back on their programmes as their projected levy contribution is higher than they are currently spending on off-the-job training and assessment, leaving them less to spend on other aspects of their apprentices' training.<sup>224</sup>

106. We also heard fears that there would be too few appropriate standards ready for delivery for employers to use the funds in their apprenticeship service accounts when the Apprenticeship Levy begins to operate.<sup>225</sup> The Chartered Insurance Institute suggested that such employers may be forced to write off the levy as simply a payroll tax.<sup>226</sup> Other witnesses questioned whether sufficient safeguards were in place to protect against employers gaming the system to recoup their levy payments by rebadging existing in-work training programmes as apprenticeships.<sup>227</sup> This would defeat the object of the Government's reform of increasing the level of training employers are undertaking. In evidence before the Public Accounts Committee, Peter Lauener, Chief Executive of the SFA, provided further information about how the agency intended to detect and combat "11 categories of possible fraud and gaming".<sup>228</sup>

107. The Minister told us he was instituting a "Ronseal levy" that "does exactly what it says on the tin" and rejected suggestions that it should be more nuanced.<sup>229</sup> We are not convinced that such a blunt instrument is the best way to achieve the Government's aims. Our country needs to invest more in training and it is right that employers should contribute, but this training must take place in the sectors of the economy and the regions of our country where it will do most good. The Government's "experimental analysis" of projected levy yield by sector and company size suggested the two biggest contributing sectors to the levy would be Education and Human Health and Social Work Activities.<sup>230</sup>

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221 ADS ([APP 108](#)) para 20, Society of Motor Manufacturers and Traders ([APP 185](#)) para 10. Some employers also wanted to transfer funds to Apprenticeship Training Agencies who employ apprentices on their behalf. See, for example, Pfizer ([APP 198](#)) para 2

222 DfE, "[Apprenticeship funding: how it will work](#)", accessed 22 February 2017

223 Q165, Royal Opera House ([APP 51](#)) para 8

224 Qq121 [Lisa Burger], 132–133 [Stephen Tetlow]

225 See, for example, Framestore ([APP 135](#)) para 5.4, West of England Local Enterprise Partnership ([APP 101](#)) para 2.7

226 Chartered Insurance Institute ([APP 161](#)) para 4

227 City & Guilds ([APP 42](#)) para 3.3.8. See also, CIPD ([APP 126](#)) para 29

228 [Oral evidence taken before the Public Accounts Committee on 12 October 2016](#), HC 709, Qq68 [Peter Lauener], 89 [Jonathan Slater]

229 Q294

230 DfE, [Information on apprenticeship levy](#), August 2016

Yet these are not the sectors of the most persistent skills shortages or where apprenticeships produce the highest wage returns.<sup>231</sup> As a result, the contribution that apprenticeships can make towards solving skills shortages and improving productivity is undermined.

108. We also remain unconvinced that the levy will change employer behaviour to the extent the Government hopes. The Minister has said that the Apprenticeship Levy will bring about a “new world”, but this largely seems to involve employers pursuing the Government’s objectives.<sup>232</sup> Past attempts to change employer behaviour have produced mixed results, and it remains to be seen whether sufficient safeguards are in place to ensure the introduction of the levy brings about the growth in high-quality new training the Government intends.

**109. Levies are a feature of many successful apprenticeship systems around the world and we heard little to suggest they should not be part of ours. But the Apprenticeship Levy is a blunt tool in which contributions are unlikely to bear any relation to the skills needs of individual employers and their sector more generally. It is not sufficiently focussed on areas of the economy, and of the country, where training is most needed.**

*110. We recommend that the Government, as part of its continuing review of the operation of the levy, consider whether a single rate is the best approach and explore ways of restructuring the levy on a sectoral and regional basis.*

## Non-levy-paying employers

111. The vast majority of employers will not pay the levy. Instead they will pay for their apprenticeship training and assessment through a system of ‘co-investment’ with the Government.<sup>233</sup> Professor Wolf, Professor of Public Sector Management at King’s College London, was one of a number of witnesses to question why the Government had chosen to create two “completely separate” systems.<sup>234</sup> Some witnesses expressed concern that this would lead to disproportionate focus on levy payers—a small fraction of employers—which could deter smaller businesses from becoming involved.<sup>235</sup>

112. From May 2017 non-levy-paying employers will contribute 10% of their training and assessment costs, with the Government paying the rest up to the maximum amount of government funding available for that apprenticeship. In some cases employers with fewer than 50 employees will not be required to make any contribution.<sup>236</sup> Employers that do not pay the levy will not be required to use the Government’s apprenticeship service until at least 2018, instead paying their contribution directly to their provider.<sup>237</sup>

113. The pilot funding model for apprenticeship standards had required employers to contribute one-third of the cost of their apprentices’ training and assessment, with the

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231 Social Market Foundation (APP 74)

232 HC Deb, 1 November 2016, col 305WH

233 DfE, “[Apprenticeship funding: how it will work](#)”, accessed 28 January 2017. This system will also be used for levy-paying companies who have used the funds in their digital accounts. As with non-levy paying companies they will pay their contribution directly to their provider.

234 Q6

235 Pearson Education (APP 71) para 1.6

236 DfE, [Apprenticeship funding in England from May 2017](#), October 2016, p 14–15. Additional support for such employers is also available to employ 16–25 year old apprentices. DfE, [Apprenticeship Grant for Employers: Employer Fact Sheet](#), January 2016

237 DfE, “[Apprenticeship funding: how it will work](#)”, accessed 22 February 2017

Government paying the rest.<sup>238</sup> The outgoing system for apprenticeship frameworks is more complex, with different funding rates depending on the age of the apprentice.<sup>239</sup> While the 10% rate is significantly lower than some employers had previously paid for training, which led some to see the changes as positive for non-levy-paying businesses, others were less convinced.<sup>240</sup> Marcus Mason, Head of Business, Education and Skills at the British Chambers of Commerce told us that currently

about 75% of businesses do not pay training providers for apprenticeship training [ ... ] the effect, what we are hearing back from this very short consultation period of our members [ ... ] is that this will stifle demand to some extent.<sup>241</sup>

114. In view of these concerns, we asked the Minister why the Government was introducing co-investment, given that a 10% rate was unlikely to produce significant revenue. He told us that the contribution was important to ensure employers bought into the system, rather than sought to abuse it.<sup>242</sup> Given the relatively small amounts of money involved we are unconvinced that the impact in either will be as pronounced as some of our witnesses suggested.

115. During the early stages of our inquiry, it was unclear exactly how much Government support would be available for non-levy-paying employers.<sup>243</sup> In January 2016, Nick Boles MP, the then Skills Minister, said that he did not expect “that every [levy paying] employer will use up all of its money, because there are a lot of employers that do not currently.”<sup>244</sup> However, Martin Doel MBE, then Chief Executive of the AoC, told us that he believed the Government was taking a “calculated gamble” that sufficient money would be available.<sup>245</sup> In January 2017, in response to a written question, the Minister for Apprenticeships and Skills, Mr Halfon, confirmed that a minimum of £440m would be available for 2017/18.<sup>246</sup>

116. We remain unconvinced that the Government was right to choose such a dichotomous levy model. Traditionally levies are intended to promote cooperation between employers large and small. While one member may not benefit directly they should benefit indirectly from wider increases in skills levels. By limiting the ability of employers to transfer levy funds, the opportunity for this cross-sector cooperation is diminished.

**117. There remains a lack of clarity about the long-term funding arrangements for non-levy-paying employers, and how this may or may not relate to levy yield and how much training levy-paying employers choose to provide.**

## Funding per apprentice

118. Throughout the first half of 2016, little detail was available about how much levy-paying employers would be able to spend per apprentice from their digital accounts. There

<sup>238</sup> SFA, [Apprenticeship standards funding rules 2016 to 2017](#), March 2016, p 7

<sup>239</sup> SFA, [Funding Rates and Formula 2016 to 2017](#), March 2016

<sup>240</sup> “SFA could shoulder up to 90% of training costs for non-levy employers”, FE Week, June 2016. See John Hyde’s comments.

<sup>241</sup> Q155

<sup>242</sup> Q299

<sup>243</sup> Institute of the Motor Industry ([APP 137](#)) para 12

<sup>244</sup> [Oral evidence taken on 25 January 2016](#), HC (2015–16) 704, Q40

<sup>245</sup> Q68

<sup>246</sup> HC Deb, 31 January 2017, [col 61753W](#)

was similar uncertainty about the level of Government support that would be available towards the training costs of individual apprentices employed by non-levy-paying employers. Airbus UK was among a number of representatives of the manufacturing sector to emphasise the importance of caps high enough to ensure employers in their sector were not deterred from offering apprenticeships.<sup>247</sup>

119. In August 2016, the Government launched a three-week consultation on its draft funding proposals.<sup>248</sup> It proposed 15 funding bands, with the upper limit of these bands ranging from £1,500 to £27,000.<sup>249</sup> The bands set the maximum amount of digital funds a levy-paying employer can use towards an individual apprenticeship and the maximum level to which the Government will co-invest.<sup>250</sup> This was intended to ensure maximum value to the taxpayer.<sup>251</sup> Funding bands would not have a lower limit; with employers free to negotiate a lower price for their training or use their own money to spend over the cap.<sup>252</sup>

120. We heard mixed views on what effect this increased competition would have. Peter Lauener, Shadow Chief Executive of the Institute for Apprenticeships, told us that this more market-based system would “drive up” quality by forcing providers to compete, but this was rejected by the AELP which said it would have the opposite effect.<sup>253</sup> In a recent report, the Institute for Fiscal Studies questioned whether there was sufficient incentive for employers to negotiate at all when many would receive little or no direct benefit from the cost saving.<sup>254</sup>

121. The proposals also included additional payments for English and maths training and apprentices requiring greater learner support, increased funding for all STEM framework pathways, a waiving of the co-investment rate for small companies (those with fewer than 50 employers) “for apprentices aged 16–18 years of age, 19–24 year old care leavers and those who have an Education, Health and Care Plan”, and an additional payment of £1,000 each to both employers and training providers for such apprentices.<sup>255</sup>

122. The outgoing system of funding for apprenticeship frameworks is significantly more complex than that which the Government originally proposed in August 2016. It adjusts Government funding paid to training providers to support disadvantaged learners, mitigate higher costs of delivery in areas such as London and the South East, and incentivise employers to recruit 16–18 year olds.<sup>256</sup> The Government stated that the new system would bring greater consistency between funding arrangements for frameworks and standards and be easier for employers to understand.<sup>257</sup> However, this proved controversial with many questioning the possible effect of the Government’s changes on apprenticeship uptake.<sup>258</sup> Analysis published by FE Week suggested that

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247 Airbus UK ([APP 65](#)), para 5, Society of Motor Manufacturers and Traders ([APP 185](#)) para 8

248 “[Hotly anticipated apprenticeship levy funding update released](#)”, August 2016

249 DfE, Proposals for apprenticeship funding in England from May 2017, August 2016, Main points

250 As above, para 6

251 As above, para 8

252 As above. See also Chapter 6.

253 Q219, Qq68–69, AELP, [Submission #29 Apprenticeship Funding & Register](#), September 2015, p 1

254 IFS, Green Budget 2017, [Reforms to apprenticeship funding in England](#), January 2017, p 26

255 DfE, Proposals for apprenticeship funding in England from May 2017, August 2016, Main points, paras 14, 37–39, Main points

256 SFA, [Funding Rates and Formula 2016 to 2017](#), March 2016, paras 17, 21, 42.

257 DfE, Proposals for apprenticeship funding in England from May 2017, October 2016, Main points

258 See, for example, HC Deb, 1 November 2016, [col 281–306WH](#), FE Week, [Save our apprenticeships briefing](#), September 2016

proposed funding for 16 to 18 year-old apprentices will result in current rates to colleges and training providers being cut by around 30 per cent, rising to over half for those apprentices living in the most deprived areas of central London.<sup>259</sup>

123. In response to the consultation the Government confirmed many aspects of the proposals and attempted to mitigate some of these concerns, including a number of “transitional measures” for framework apprenticeships.<sup>260</sup> The document committed to “make available at least the same amount on disadvantage payments as under the current system” and the Government would undertake to a full review of how best apprenticeships could ensure equal opportunity.<sup>261</sup>

124. Nevertheless, concerns remained that the changes would negatively affect apprenticeship uptake, particularly among 16–18 year olds. In January 2017, Jon Graham, chief executive of JTL, a training provider, told FE Week that “our employers say when the traditional age differentials in funding rates are removed, they would sooner employ people aged 19 and over”.<sup>262</sup>

125. We share concerns about the effect the Government’s changes may have on the number of young apprentices employers recruit. We also believe the changes raise a much wider question of whether two of the main aims of the Government’s reforms—giving employers greater control and widening participation—are complementary. One of the reasons many young and socially disadvantaged people struggle to get on in life is that they find it difficult to convince employers to hire them. They often lack experience and may require additional support and supervision.<sup>263</sup> The previous system attempted to mitigate this by making it cheaper to train young apprentices, but it unclear whether this is still possible in a system in which employers and providers negotiate the cost of training. Of course, the Government’s proposals include additional incentive payments for both employers and providers who take on young and disadvantaged apprentices.<sup>264</sup> But if a provider decides to offer training for an older apprentice at a significantly cheaper rate, this may not prove an effective incentive.

**126. We are not convinced that introducing price competition into the apprenticeship system will have the effect the Government intends. It is unclear whether there will be enough information available to employers to choose between providers. If this proves to be the case, there will either be little competition or, more damagingly, competition based purely on price which could drive down quality.**

**127. *We recommend that the Government, in cooperation with Ofsted and the Institute, closely monitor the effect of price competition on apprenticeship quality.***

**128. Given the Government’s commitment to using the apprenticeship system aid social mobility, we are surprised that its initial funding proposals looked likely to do the opposite. While some of these potential effects have now been mitigated we are sceptical as to whether this objective can be achieved under such a dramatically simplified funding system.**

259 “Funding rates cut by up to 50% for the most deprived 16–18 apprentices”, FE Week, August 2016.

260 DfE, [Apprenticeship funding in England from May 2017](#), October 2016, paras 21, 28–29, 48–50. The Minister told us that there will be “be 15 funding band levels that they cannot go above or below” [Q308]. However the final funding document stated “funding bands do not have a lower limit”.

261 As above, Summary of key changes

262 “16–18 apprenticeships are set to plummet”, FE Week, January 2017

263 DfE, [Apprenticeship funding in England from May 2017](#), October 2016, para 40

264 As above, para 41

## 6 Training

### Off-the-job training

129. The previous Coalition Government introduced a requirement that all apprenticeships include a minimum of 20% off-the-job training.<sup>265</sup> This was in response to fears that many lower level apprenticeships offered too little substantial training.<sup>266</sup> Under the Government's new funding system, only this form of training can be purchased using funds in levy-paying employers' apprenticeship service accounts or via co-investment. In order to offer training, providers must join an SFA-managed Register of Training Providers. This is intended to ensure all providers are financially secure and capable of providing high quality training.<sup>267</sup> Alongside the new register, Ofsted will continue to inspect and report on apprenticeship training provision up to level 3.<sup>268</sup> Providers who have received an inadequate Ofsted rating for their apprenticeship provision are specifically excluded.

130. There was debate about how off-the-job training should be defined, with some evidence suggesting that technological changes meant far more training could now be offered in the workplace.<sup>269</sup> In January 2017, Paul Warner, Director of Policy and Strategy for AELP, said that the exact definition had been a "bone of contention for years".<sup>270</sup> The Government's draft guidance to the Institute describes it as "training which is outside of the normal day-to-day working environment".<sup>271</sup> Given the ongoing shift towards more flexible training methods it is important that the Government formulates a far clearer definition of what constitutes off-the-job training.

131. This issue could become increasingly salient if, following the introduction of the levy, more employers choose to provide their own training, something which the Government said it welcomes.<sup>272</sup> Paul Joyce, Deputy Director for Further Education and Skills at Ofsted, praised the quality of training offered by established employer providers but expressed concern about a number of new employer-providers that had recently been inspected.<sup>273</sup> Some witnesses suggested that more needed to be done to prepare employers to provide their own training, a criticism the Government accepted.<sup>274</sup>

132. Professors Alison Fuller and Laura Unwin said that despite the wide-ranging nature of the Government's reforms there has been "surprisingly little discussion about the role of inspection" in driving quality improvement.<sup>275</sup> Some witnesses expressed concern about Ofsted's role in the new system.<sup>276</sup> The Federation for Industry Skills & Standards suggested that the nature of new standards—without qualifications and a clear sense of

265 BIS, [The Future of Apprenticeships in England: Implementation Plan](#), October 2013, para 64

266 Q5

267 The Institute will devise quality standards. DfE, [Institute for Apprenticeships: Draft Operational Plan](#), February 2017, para 4.2, SFA, [Supporting Quality and Employer Choice Through a New Register of Apprenticeship Training Providers](#), October 2016, p 1–2, 5

268 HM Government, [English Apprenticeships: Our 2020 Vision](#), December 2015, para 2.24

269 Microsoft (APP 158) para 17, Q165 [Neil Carberry]

270 "Apprenticeship funding rule requiring 20 per cent off-the-job training 'not going away'", FE Week, January 2017

271 DfE, [Government's Draft Strategic Guidance to the Institute for Apprenticeships – 2017–18](#), January 2017, para 12

272 Q165 [Neil Carberry], DfE, [Employer-provider guide](#), October 2016, p 4, SFA, [Supporting quality and employer choice through a new Register of Apprenticeship Training Providers](#), October 2016, p 4

273 Q222

274 Qq168 [Ian Murray], 290 [David Hill]

275 Professor Alison Fuller and Professor Laura Unwin (APP 33), para 3.3

276 British Woodworking Federation (APP 127) para 27

how the apprenticeship should progress—may make it difficult for Ofsted to judge the quality of training.<sup>277</sup> Others questioned whether it would have the capacity to regulate the large increase in providers the levy may bring.<sup>278</sup> Paul Joyce told us that Ofsted was concerned about this possible increase.<sup>279</sup>

**133. It is likely that that the Government’s ongoing changes to standards and funding will increase the volume, and in some cases the complexity, of Ofsted’s task.**

*134. We recommend that Ofsted develop and publish a clear strategy, and related guidance for training providers, setting out how it plans to inspect standards-based provision, in particular that provided by employer-providers.*

### In-work mentoring and support

135. The apprentices we spoke to emphasised the importance of good instruction and support in the workplace to the success of their training. A number of submissions we received agreed and provided examples of good practice.<sup>280</sup> For example, the National Theatre told us that their apprentices “receive comprehensive additional support and training, such as mentoring, courses in ‘soft skills’ and personal development”.<sup>281</sup>

136. However we heard that this was not always the case. Professor Ewart Keep, Director of Oxford University’s Centre on Skills, Knowledge & Organisational Performance, said that employers providing apprenticeships “need to take more ownership of the on the job element”.<sup>282</sup> Ben Willmott, Head of Public Policy at the Chartered Institute of Personnel and Development, expressed concern that the introduction of the levy may lead to employers recruiting more apprentices without having the capacity to properly support them.<sup>283</sup> Some of our witnesses said that more should be done to spread best practice. Stephen Tetlow, Chief Executive of the Institution of Mechanical Engineers, suggested this could involve the accreditation of schemes by professional and industry bodies.<sup>284</sup>

**137. If the Government’s reforms prove successful, far more employers will offer apprenticeships. It is important that they all have the knowledge and capacity to support and mentor these apprentices in the workplace.**

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277 FISSS ([APP 147](#)) para 35

278 NG Bailey ([APP 154](#)) para 4.3

279 Q222

280 Crossrail ([APP 53](#)), summary, para 30

281 National Theatre ([APP 56](#)) para 13

282 Q40

283 As above

284 Q104

## 7 Conclusion

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138. We strongly support the main aims of the Government's reforms: improving the quality of training, placing greater focus on the needs of employers and making apprenticeships a prestigious alternative to the traditional academic route. We welcome many of its changes, in particular the establishment of the Institute for Apprenticeships, which we expect to play a major role in improving quality in the future.

139. Yet there continues to be a worrying lack of focus on the sectors of the economy where training or upskilling are, and will be, most needed. The three million target and the Apprenticeship Levy are likely to improve skills levels in the economy but are not sufficient in themselves. They are both blunt instruments that risk being unduly focussed on simply raising participation. This may fail to meet the needs of different sectors of the economy and regions of the country. There is also tension between the Government's attempts to give employers more control over the system and its desire to use apprenticeships as a tool to increase social mobility. On a more basic level, implementation has been uneven with repeated delays and too little time given to employers, providers and stakeholders to prepare for major changes.

# Conclusions and recommendations

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## Strategy

1. We welcome the Government's efforts to bring the benefits of apprenticeship to all sectors of the economy. Nevertheless, it must ensure apprenticeships are not seen to be the solution to every skills problem. Recent announcements suggest the Government recognises this. (Paragraph 12)
2. The Government is right to give employers greater influence within the apprenticeship system, but during the early stages of the process this had the effect of drowning out other voices, including those of smaller businesses. We welcome the Government's recent announcements that suggest it now favours a more balanced approach, but remain concerned that large businesses exercise too much influence, and the views of other stakeholders with less lobbying power are given insufficient weight. (Paragraph 18)
3. The three million target is a useful symbol of the Government's commitment to apprenticeships, but it must guard against the perception that it the only measure of success. Apprenticeship starts are the means to an end, not an end in themselves. (Paragraph 22)
4. *We recommend that alongside the 3 million starts target, the Government outlines far clearer outcome measures for individual apprentices. These should include programme completion, progression to higher levels and subsequent achievement of secure relevant employment. It should publish an annual survey of performance against these measures.* (Paragraph 23)
5. The Government has not set out how its increase in apprenticeship numbers will help fill the country's skills gaps. The current balance of provision is skewed towards sectors with low wage returns and few skills shortages and we are not convinced that tinkering with funding bands will bring about the major changes necessary. The Government already makes immigration decisions on the basis of identified skills shortages; it should make greater use of this existing knowledge. (Paragraph 31)
6. *We recommend that the Government publishes an annual document setting out skills shortages on a national, regional and sector-specific basis and sets clear targets to ensure apprenticeship uptake in these areas is prioritised.* (Paragraph 32)
7. The public sector should employ more apprentices, but a blanket target risks incentivising quantity over quality and the rebadging of existing training programmes. (Paragraph 35)
8. *We recommend that the Government should keep the public sector target under review and enable increased participation in areas of the public sector with clear skills shortages.* (Paragraph 36)
9. Apprenticeships offer great opportunities, but they can prove difficult for some people. We welcome the Government's commitment to widening participation, but there is more the Government can do to make this happen. (Paragraph 42)

10. *We recommend that the Government examine further measures to make apprenticeship more accessible to all. This could include changes to benefits rules, subsidised transport or direct financial support. (Paragraph 43)*
11. We agree strongly with the Government's desire to widen participation in apprenticeships, especially among previously underrepresented groups. However barriers remain, not least the inadequate advice many young people receive about the options available to them. (Paragraph 46)
12. *We recommend that the Government sets out its careers strategy as soon as possible. As we said previously, it is urgently needed and must include immediate steps to ensure all young people have access to high quality careers advice. (Paragraph 47)*
13. We fully support the Government's attempts to improve the prestige of apprenticeships, but it will take more than words to achieve this aim. If the quality is there the prestige will follow. (Paragraph 50)

### The Institute for Apprenticeships

14. The creation of the Institute is a welcome step towards building a world class apprenticeship system. It has had a rushed and therefore difficult beginning, and has a daunting array of responsibilities, but we have been reassured by recent announcements that it is now on the right track. It is crucial that it is fully operational as soon as possible and is given the tools to fulfil its promise. (Paragraph 64)
15. *We recommend that the Government carefully monitor whether the Institute has sufficient resources to fulfil its role and acts quickly to solve any emerging capacity issues. (Paragraph 65)*
16. *We recommend that the Institute appoint a permanent Chief Executive as soon as possible. (Paragraph 66)*
17. We are concerned that the Institute, a body with a clear mandate to protect the quality of apprenticeship standards and assessments, is also being asked to work towards the Government's three million target. This risks incentivising quantity rather than quality. If the Institute proves successful in raising the quality of apprenticeships, they will sell themselves. (Paragraph 68)
18. *We recommend that the Institute should not be required to work towards the three million target. Its role should be confined to ensuring quality within the system. Its independence should be respected by Government. (Paragraph 69)*

### Standards

19. The Trailblazer programme has done much to increase employer engagement with the apprenticeship programme, and refocus it on higher level skills. Yet it has often appeared somewhat haphazard, with no clear picture of how a final system would look and confusion between Trailblazer groups and standards approvers. We welcome the Institute's intention to bring far greater structure and coherence to the process. (Paragraph 77)

20. Standards created under the Trailblazer programme have been of uneven quality. We welcome the Institute's proposals to bring greater oversight and expertise to the approvals process. (Paragraph 82)
21. While standards are intended to be much simpler than previous frameworks, there is a balance to be struck between giving individual employers freedom to specify the training they want, and guidance about how this training could be given. Different sectors and industries should be allowed the freedom to tailor training to meet their different requirements. (Paragraph 83)
22. *We recommend that new standards should include greater detail about how training could be delivered, although there should be no obligation for employers to follow this advice.* (Paragraph 84)
23. The Trailblazer system has not made a clear enough distinction between the role of the employer—defining the skills, knowledge and behaviours an apprentice must acquire and demonstrate—and the role of assessment professionals—designing the means by which this is evaluated. We welcome the Institute's proposals to clarify these roles. (Paragraph 88)
24. Apprentices should not have been allowed to begin their training without an assessment organisation in place and a clear idea of how their success will be measured. (Paragraph 92)
25. *We recommend that standards should have at least one approved assessment organisation in place before they can be delivered.* (Paragraph 93)
26. The integrity of the apprenticeships undertaken under new standards depends on the consistency and reliability of end-point assessment. We are unconvinced that the Government's current model of external quality assurance will achieve this. (Paragraph 99)
27. *We recommend that Ofqual should be given responsibility for the external quality assurance of all end-point assessments.* (Paragraph 100)

## Funding

28. Levies are a feature of many successful apprenticeship systems around the world and we heard little to suggest they should not be part of ours. But the Apprenticeship Levy is a blunt tool in which contributions are unlikely to bear any relation to the skills needs of individual employers and their sector more generally. It is not sufficiently focussed on areas of the economy, and of the country, where training is most needed. (Paragraph 109)
29. *We recommend that the Government, as part of its continuing review of the operation of the levy, consider whether a single rate is the best approach and explore ways of restructuring the levy on a sectoral and regional basis.* (Paragraph 110)
30. There remains a lack of clarity about the long-term funding arrangements for non-levy-paying employers, and how this may or may not relate to levy yield and how much training levy-paying employers choose to provide. (Paragraph 117)

31. We are not convinced that introducing price competition into the apprenticeship system will have the effect the Government intends. It is unclear whether there will be enough information available to employers to choose between providers. If this proves to be the case, there will either be little competition or, more damagingly, competition based purely on price which could drive down quality. (Paragraph 126)
32. *We recommend that the Government, in cooperation with Ofsted and the Institute, closely monitor the effect of price competition on apprenticeship quality.* (Paragraph 127)
33. Given the Government's commitment to using the apprenticeship system aid social mobility, we are surprised that its initial funding proposals looked likely to do the opposite. While some of these potential effects have now been mitigated we are sceptical as to whether this objective can be achieved under such a dramatically simplified funding system. (Paragraph 128)

### Training

34. It is likely that that the Government's ongoing changes to standards and funding will increase the volume, and in some cases the complexity, of Ofsted's task. (Paragraph 133)
35. *We recommend that Ofsted develop and publish a clear strategy, and related guidance for training providers, setting out how it plans to inspect standards-based provision, in particular that provided by employer-providers.* (Paragraph 134)
36. If the Government's reforms prove successful, far more employers will offer apprenticeships. It is important that they all have the knowledge and capacity to support and mentor these apprentices in the workplace. (Paragraph 137)

## Annex 1: Private seminar on apprenticeships

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The following is a summary of a private meeting between representatives from the apprenticeships sector and Members of the Sub-Committee, which took place on 4 May 2016.

### *Attendees*

- Nick Baveystock, Director General, Institution of Civil Engineers;
- Neil Carberry, Director for Employment & Skills, Confederation of British Industry;
- Mark Dawe, Chief Executive, Association of Employment and Learning Providers;
- Professor Alison Fuller, Professor of Vocational Education and Work, UCL Institute of Education;
- Richard Guy, Senior Policy Advisor on Apprenticeships/Work Based Learning, City & Guilds;
- Professor Ewart Keep, Director of Oxford University's Centre on Skills, Knowledge & Organisational Performance;
- Iain Murray, Senior Policy Officer, Trades Union Council;
- David Pollard, Chair for Education, Skills and Business Support, Federation of Small Businesses.

### **Policy**

#### *Structural changes to economy*

Structural changes to the economy have reduced the number of large firms, many of whom had traditionally supported extensive apprenticeship programmes. It was suggested that some small and medium sized businesses may lack the capacity—in facilities, staff time or institutional memory—to sustain independent schemes. They may also operate to shorter time horizons making the long-term investment required to train an apprentice less attractive. Some attendees suggested that greater collaboration between companies could help to address some of these problems.

#### *Quality of apprenticeships*

While all attendees supported the principle of increasing the provision of high-quality apprenticeships, concerns were expressed by some that the target of three million apprenticeship starts by the end of the Parliament might inadvertently have a negative effect on standards. It was suggested that that might result in firms and public sector

bodies prioritising cheaper level 2 apprenticeships, ‘rebadging’ induction training as an apprenticeship or hiring large numbers of apprentices without the capacity to provide further employment.

### *Pace of change*

A number of attendees expressed concern at the scale and pace of change, and the paucity of information currently available. It was suggested that some companies might pursue a ‘wait-and-see’ strategy, suspending apprentice recruitment due to continuing uncertainty. Some expressed the view that more emphasis should be placed on learning from existing best practice.

## **Funding**

### *Levy as an incentive to providers*

Some attendees expressed the view that the levy might act as a disincentive to employers taking on apprentices, as the money employers received in their digital accounts could only be spent on training and assessment, and not on administration or wages. It was suggested allowing some additional expenses to be paid by digital voucher might mitigate against this.

### *Effect on non-levy-payers*

A number of attendees expressed concern about continuing uncertainty around funding arrangements for apprentices employed by non-levy paying companies. It was suggested that this might lead to small and medium sized companies ceasing to provide apprenticeships. It was further suggested that requiring such companies to ‘co-invest’ in their apprenticeship programmes might have a similar effect.

### *Apprentice demographics*

It was suggested that without significant funding incentives employers might employ fewer 16–19 year-olds, and instead focus on lower-risk older apprentices who might provide an earlier and more consistent return on investment.

## **Standards**

### *Role of Institute*

Some attendees suggested that the new Institute of Apprenticeships should act as a guarantor of high-quality apprenticeship provision and not merely a ‘rubber stamp’ for new standards. It was also suggested that the Institute should have a research function and include representation from providers and employees as well as employers.

### *Concerns about new standards*

Some attendees expressed concern at a ‘proliferation’ of very specific standards which might make it harder for former apprentices to move between industries. It was also

suggested that some new standards were ill-defined and generic—partially as a result of the removal of the requirement to include qualifications within standards—and therefore difficult to assess consistently. Other attendees expressed more positive views about new standards such as the new dental technician apprenticeship.

### *Inspection*

Some attendees expressed concern about the nature of the current inspection regime. It was suggested that Ofsted did not provide sufficient encouragement and support for the improvement of provision.

## **Uptake**

### *Lack of coordination between employers and schools*

Some attendees suggested that the lack of coordination between the availability of apprenticeship vacancies and the end of the school year caused significant problems and that a greater synchronisation might lead to a greater number of applications from school leavers. Comparisons were drawn to other countries in which companies offered frequent taster sessions to students to introduce them to different careers.

### *Promotion of apprenticeships*

Some attendees suggested that more work was required to promote a positive image of apprenticeships among students and parents.

## Annex 2: Apprenticeship engagement event

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On 20 July 2016 we held an informal engagement event with apprentices. It was arranged by Parliamentary Outreach with the assistance of AAT, Crossrail, Electrical Contractors' Association, GTA England, National Day Nurseries Association, NHS Employers, Royal National Theatre, The Prince's Trust, Universities UK, WorldSkills UK and the Young Women's Trust. Attendees discussed topics within the scope of the inquiry with Sub-Committee Members and staff. The following is a summary of comments made during the event, divided into two topic sections.

### Experiences of applying for an apprenticeship

Most of the apprentices attending the informal session felt the process of applying for an apprenticeship could be improved. Frequent criticisms included:

- Inadequate advice and support from schools. Many apprentices felt that their school focused on university admission, with an apprenticeship presented as a 'back-up option', if at all. Few received help finding an apprenticeship or submitting an application. Some had initially followed the university route having been unaware of other options. A number of attendees suggested that job centres or colleges had provided better information and guidance.
- Lack of clear information when making an application. Job descriptions were often vague or limited to job title with little indication of what an apprenticeship would involve. Government websites were described as confusing and sometimes difficult to navigate. A minority of apprentices disagreed, in particular those who had applied to apprenticeship programmes with larger firms whose websites were described as more user-friendly with clearer and more detailed information.

Some apprentices spoke of difficulties finding appropriate apprenticeships in their local area, in particular those who wished to pursue creative programmes. Others reported opposition from parents or difficulties securing apprenticeships at a later stage in their careers due to the misconception that apprenticeships were only for young people.

### Experiences of being an apprentice

Most attendees were positive about their apprenticeship programmes and the opportunities they provided to learn in the workplace. The relative job security provided by many apprenticeships was contrasted with the cost and insecurity of the university route. However, some concerns were expressed:

- While the majority of employers provided sufficient time for off-the-job study, some apprentices reported difficulty in balancing their responsibilities to employer and training provider. In general, good communication between employer and training provider was considered beneficial. Attendees pursuing degree apprenticeships or with caring responsibilities reported particular difficulty in balancing work and study.

- A number of apprentices expressed dissatisfaction with their training provider. Some felt tutors were insufficiently qualified to provide appropriate support and unavailable when assistance was required.
- Some attendees suggested that routes to progression within their companies was not clear and that those hired through graduate schemes had clearer paths to promotion. Such views were less pronounced in apprentices employed by larger companies and smaller firms with well-established apprenticeship schemes.
- The English and maths requirements of level 3 programmes was criticised by some attendees as unduly taxing and unrelated to the requirements of the role.

A recurring theme was the importance of in-work training and mentoring to the provision of high-quality training.

# Formal Minutes of the Sub-Committees

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**Tuesday 28 March 2017**

The Sub-Committees on Education, Skills and the Economy of the Business, Energy and Industrial Strategy and Education Committees met concurrently, pursuant to Standing Order No. 137A.

Members present:

Neil Carmichael	Amanda Milling
Catherine McKinnell	Chris White
Ian Mearns	Iain Wright

Neil Carmichael was called to the Chair, in accordance with the provisions of Standing Order No. 137A(1)(d).

Draft Report from the Sub-Committees on Education, Skills and the Economy (*Apprenticeships*) proposed by the Chair, brought up and read.

*Ordered*, That the draft Report be considered concurrently, in accordance with Standing Order No. 137A(1)(c).

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

Paragraphs 1 to 139 read and agreed to.

Annexes agreed to.

*Resolved*, That the Report be the Second Report of the Sub-Committees to the Business, Energy and Industrial Strategy and Education Committees.

*Ordered*, That Iain Wright make the Report to the Business, Energy and Industrial Strategy Committee.

*Ordered*, That the Chair make the Report to the Education Committee.

[The Committees adjourned

# Formal Minutes of the Committees

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**Tuesday 28 March 2017**

The Business, Energy and Industrial Strategy and Education Committees met concurrently, pursuant to Standing Order No. 137A.

Members present:

Neil Carmichael	Amanda Milling
Catherine McKinnell	Chris White
Ian Mearns	Iain Wright

Neil Carmichael was called to the Chair, in accordance with the provisions of Standing Order No. 137A(1)(d).

Draft Report from the Sub-Committees on Education, Skills and the Economy (*Apprenticeships*) proposed by the Chair, brought up and read.

*Ordered*, That the draft Report be considered concurrently, in accordance with Standing Order No. 137A(1)(c).

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

Paragraphs 1 to 139 agreed to.

Annexes agreed to.

[The Committees adjourned

## Business, Energy and Industrial Strategy Committee

Iain Wright, in the Chair

Members present:

Amanda Milling                      Chris White

*Resolved*, That the draft Report prepared by the Sub-Committees on Education, Skills and the Economy be the Third Report of the Committee to the House.

*Ordered*, That the provisions of Standing Order No. 137A(2) be applied to the Report.

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

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

[Adjourned till Friday 31 March at 10.00 am

## Education Committee

Neil Carmichael, in the Chair

Members present:

Catherine McKinnell                      Ian Mearns

*Resolved*, That the draft Report prepared by the Sub-Committees on Education, Skills and the Economy be the Eighth Report of the Committee to the House.

*Ordered*, That the provisions of Standing Order No. 137A(2) be applied to the Report.

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

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

[Adjourned till Wednesday 29 March at 9.00 am

## Witnesses

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The following witnesses gave evidence. Transcripts can be viewed on the [inquiry publications page](#) of the Committee's website.

### Wednesday 8 June 2016

*Question number*

**Professor Alison Wolf**, Sir Roy Griffiths Professor of Public Sector Management, King's College London, **Professor Alison Fuller**, Professor of Vocational Education and Work, University College London Institute of Education, **Dr Lynn Gambin**, Senior Research Fellow, University of Warwick Institute for Employment Research, and **Professor Ewart Keep**, Professor of Education, Training and Skills, Oxford University

[Q1–41](#)

**Mark Dawe**, Chief Executive, Association of Employment and Learning Providers, **Martin Doel**, Chief Executive, Association of Colleges, and **Shakira Martin**, Vice President (Further Education), National Union of Students

[Q42–77](#)

### Wednesday 29 June 2016

**Lisa Burger**, Executive Director, Royal National Theatre, **Mark Froud**, Managing Director, Federation for Industry Sector Skills and Standards, **Stephen Tetlow MBE**, Chief Executive, Institution of Mechanical Engineers, and **Stella Ziolkowski**, Director of Quality and Workforce Development, National Day Nurseries Association

[Q78–133](#)

### Wednesday 14 September 2016

**Neil Carberry**, Director for People and Skills, Confederation of British Industry, **Marcus Mason**, Head of Business, Education and Skills, British Chambers of Commerce, **Iain Murray**, Senior Policy Officer, Trades Union Congress and **Ben Willmott**, Head of Public Policy, Chartered Institute of Personnel and Development

[Q134–169](#)

**Liz Greenfield**, Head of Human Resources, Pfizer, **Councillor Robert Light**, Vice Chair of City Regions Board, Local Government Association and **Iain McIlwee**, Chief Executive, British Woodworking Federation

[Q170–208](#)

### Wednesday 19 October 2016

**Sally Collier**, Chief Regulator, Ofqual, **Paul Joyce**, Deputy Director for Further Education and Skills, Ofsted, and **Peter Lauener**, Shadow Chief Executive, Institute for Apprenticeships

[Q209–252](#)

### Wednesday 2 November 2016

**Rt Hon Robert Halfon MP**, Minister for Apprenticeships and Skills, Department for Education, and **David Hill**, Director of Apprenticeships, Department for Education

[Q253–326](#)

## Published written evidence

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The following written evidence was received and can be viewed on the [inquiry publications page](#) of the Committee's website.

APP numbers are generated by the evidence processing system and so may not be complete.

- 1 AAT ([APP0145](#))
- 2 ADS Group ([APP0108](#))
- 3 Affinity Water ([APP0136](#))
- 4 Aggregate Industries ([APP0011](#))
- 5 Airbus UK ([APP0065](#))
- 6 Alstom ([APP0125](#))
- 7 Amec Foster Wheeler ([APP0073](#))
- 8 Apprenticeships Norfolk Network ([APP0027](#))
- 9 Association of British Healthcare Industries ([APP0046](#))
- 10 Association of Colleges ([APP0115](#))
- 11 Association of Convenience Stores ([APP0148](#))
- 12 Association of Employment and Learning Providers ([APP0091](#))
- 13 Association of Licensed Multiple Retailers ([APP0160](#))
- 14 Association of School and College Leaders ([APP0057](#))
- 15 Association of Teachers and Lecturers ([APP0152](#))
- 16 Association of the British Pharmaceutical Industry ([APP0067](#))
- 17 Balfour Beatty ([APP0167](#))
- 18 Barclays ([APP0003](#))
- 19 Barnardo's ([APP0183](#))
- 20 Barnardo's, The Care Leavers' Association, The Who Cares Trust and The Prince's Trust ([APP0086](#))
- 21 BBA ([APP0143](#))
- 22 Birmingham and Solihull Work Based Training Provider Network ([APP0070](#))
- 23 British Association of Leisure Parks, Piers and Attractions ([APP0028](#))
- 24 British Beer & Pub Association ([APP0149](#))
- 25 British Chambers of Commerce ([APP0138](#))
- 26 British Film Institute ([APP0113](#))
- 27 British Gas ([APP0189](#))
- 28 British Institute of Innkeeping ([APP0081](#))
- 29 British Pharmacological Society ([APP0049](#))
- 30 British Retail Consortium ([APP0100](#))
- 31 British Woodworking Federation ([APP0127](#))
- 32 BT ([APP0178](#))
- 33 Business Services Association ([APP0085](#))

- 34 Catch22 ([APP0144](#))
- 35 CBI ([APP0181](#))
- 36 Centre for Vocational Education Research, London School of Economics ([APP0173](#))
- 37 Centrepont ([APP0030](#))
- 38 Charity Finance Group ([APP0169](#))
- 39 Charity Retail Association ([APP0058](#))
- 40 Chartered Institute of Building ([APP0094](#))
- 41 Chartered Institute of Personnel and Development ([APP0126](#))
- 42 Chartered Insurance Institute ([APP0161](#))
- 43 City & Guilds ([APP0042](#))
- 44 Civil Engineering Contractors Association ([APP0063](#))
- 45 Community Links ([APP0163](#))
- 46 CompTIA ([APP0022](#))
- 47 Construction Industry Training Board ([APP0165](#))
- 48 Creative Industries Federation ([APP0060](#))
- 49 Creative Skillset ([APP0175](#))
- 50 Crossrail ([APP0053](#))
- 51 Deloitte LLP ([APP0133](#))
- 52 Department for Business, Innovation and Skills and Department for Education ([APP0176](#))
- 53 Department for Education ([APP0199](#))
- 54 Devon and Cornwall Training Provider Network ([APP0015](#))
- 55 Downstream Advisory Council ([APP0017](#))
- 56 EAL ([APP0088](#))
- 57 EDF Energy ([APP0107](#))
- 58 Edge Foundation ([APP0005](#))
- 59 Education and Training Foundation ([APP0080](#))
- 60 Education for Engineering ([APP0040](#))
- 61 EEF, the manufacturers' organisation ([APP0039](#))
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First Special Report	Careers education, information, advice and guidance: Government Response to the First Joint Report of the Business, Innovation and Skills and Education Committees of Session 2016–17	HC 757