

NEW SKILLS AT WORK

JPMORGAN CHASE & Co.

EUROPEAN CASE STUDY

Apprenticeships in England: matching skills to employment opportunities



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ABOUT THIS PAPER

This paper was produced as part of a pan-European programme of work managed by IPPR (the Institute for Public Policy Research). This case study is part of a series of analyses that are being conducted in 2015/16 on aspects of European skills issues and labour markets. These case studies will be compiled in a format that allows for cross-country comparisons to be made and lessons to be drawn for both policy and practice.

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ABOUT THE PROGRAMME

The JPMorgan Chase New Skills at Work programme aims to identify strategies and support solutions that help improve labour market infrastructure and develop the skilled workforce globally. The initiative brings together leading policymakers, academics, business leaders, educators, training providers and nonprofits with the goal of connecting labour market policy with practice, supply with demand and employers with the workforce – all to strengthen the global economy.

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1. Introduction

The UK government believes more and better quality apprenticeships are needed if the economy is to avoid serious skills shortages in the future. It is implementing a number of changes to the apprenticeship system in England that put employers at its heart.¹ By doing so, it hopes to incentivise employers to deliver the apprenticeships that the economy needs.

This case study explains the changes underway and discusses the challenges associated with putting in place a high quality apprenticeship system. It will be important for other countries looking to develop their own apprenticeship systems to carefully monitor the progress of the UK government's reforms over the next few years to see if they deliver the desired outcomes. This preliminary report is intended to facilitate that process.

2. The UK's developing skills gaps

Employment in the United Kingdom has increased by over 1 million in the last two years and unemployment has fallen to 5.1 per cent – below its level before the financial crisis began.²

The employment rate (the proportion of the population of working age that is in a job) reached a record high of 74.0 per cent in the September to November 2015 quarter. This is good news; but, as the labour market has improved, signs have begun to emerge that employers are becoming frustrated in their attempts to recruit the skilled workers they need: 'Businesses are already facing critical skills shortages – including in sectors which underpin economic rebalancing' (CBI 2015: 27). The demand for high-level skills is particularly strong in the construction, manufacturing, engineering and technology industries. More generally, employers report the biggest problems occur when they are trying to recruit people with STEM skills.³

An attempt to measure the extent of skills shortages in a number of countries has been made by Oxford Economics, as part of its analysis for the *Hays Global Skills Index 2015*.⁴ It found that the 'talent mismatch' in the UK – the gap between the skills that businesses are looking for and the skills available to them – was 9.7 on a scale from 0 to 10, indicating that businesses face very serious problems in finding the right people for unfilled jobs.

¹ Policy on apprenticeships is devolved in Scotland, Wales and Northern Ireland. Although these countries face similar skills challenges to England and they also believe apprenticeships should be central to efforts to improve skills, in this report we focus on the situation in England.

² Figures are for the period September to November 2015, <http://www.ons.gov.uk/ons/rel/lms/labour-market-statistics/january-2016/statistical-bulletin.html>

³ Science, technology, engineering and mathematics

⁴ <http://www.hays-index.com/>

At the same time, youth unemployment in the UK, at 12.3 per cent for those aged 18 to 24, remains high relative to unemployment among those aged 25 to 64.⁵ And the proportion of young people who are classified as not in education, employment or training (NEET) is also high, relative to comparable countries in Europe.

Table 1: Young people, aged 15 to 24, neither in employment nor in education and training (NEET rates), 2014 (per cent)

Country	NEET rate
Belgium	14.1
United Kingdom	11.9
France	11.4
Sweden	7.8
Denmark	7.3
Germany	6.4
Netherlands	5.5

Source: Eurostat⁶

This suggests too many young people do not have the skills that employers are looking for. Employers say they would employ more young people if they had the right skills (see, for example, Ofsted 2015: 6), but the vocational education and training system is failing to match young people's skills to the employment opportunities that employers are making available. In addition to the problems this creates for employers with unfilled vacancies, it means some young people face problematic transitions into work. Furthermore, the resulting skills shortages hold back the UK's efforts to become a more high-skilled economy and to close its productivity gap with other European countries.

3. Where do apprenticeships fit in?

Traditionally, apprenticeships have been seen as the best quality vocational education and training option for preparing young people for work and it is widely believed that more apprenticeships are a major part of the solution to the UK's skills gaps. Good apprenticeships combine on-the-job training with off-the-job instruction that allows young people to complete their general education. Crucially, from both the young person's and the employer's perspective, their design should ensure training is always relevant. As the skills required in a particular job evolve, employers will adjust the training they give to their apprentices. A good apprenticeship system, therefore, ensures that young people have the

⁵ <http://www.ons.gov.uk/ons/rel/lms/labour-market-statistics/january-2016/statistical-bulletin.html>

⁶ http://ec.europa.eu/eurostat/web/products-datasets/-/yth_empl_150

skills employers demand and that employers can find sufficient numbers of young people with the skills they need. Unfortunately, this is not the case in England currently. This is widely recognised and there have been – and continue to be - initiatives taken to improve the system.

Government consultations and initiatives

For the last decade or so, successive governments have identified more and higher quality apprenticeships in England as essential. The House of Commons Business Committee published the results of an inquiry into apprenticeships in England in October 2012 (HoC BIS Committee 2012). Its main recommendations were:

- Apprenticeships should be for the development of new skills, not for the consolidation or validation of existing ones.
- There should be less focus on the number of apprenticeships and more on their quality, not least to ensure that the apprenticeship brand remains strong among employers and young people.
- A higher proportion of apprenticeships should be at advanced and higher level, rather than at intermediate level.⁷
- The funding of apprenticeships should be simpler.
- The government and the National Apprenticeship Service should do more to increase employer engagement with apprenticeships.

Around the same time, the coalition government commissioned a review of apprenticeships by Doug Richard and his report was published in November 2012 (Richard 2012). The main recommendations made in this report were:

- Apprenticeships should be reserved for people who are new to a job or a role that requires a substantial amount of training.
- Apprenticeships should lead to a widely accepted qualification that guarantees the successful apprentice has reached a standard of knowledge defined and agreed by his or her industry.
- All apprentices should achieve level 2 in English and mathematics before they can complete their apprenticeship.
- The funding for apprenticeships should be channelled through employers, who should be responsible for purchasing apprenticeship training from colleges and other providers.

⁷ Intermediate level is equivalent to level 2 (five GCSE passes); advanced level to level 3 (two A level passes) and higher level to level 4 (degree level) and above

- Employers should ensure apprenticeships remain up-to-date and encourage greater diversity and innovation in training.

The coalition government in power from 2010 to 2015 accepted many of the recommendations made by the BIS Committee and by Doug Richard and endeavoured to improve the quality of apprenticeships, in particular through setting minimum standards. Apprenticeships must last for at least 12 months; they must include ‘substantial’ on-the-job training and apprentices must spend at least 20 per cent of their time receiving off-the-job education or training (NAS 2015: 9).

The government also enthusiastically backed the idea of giving employers greater control over apprenticeships and it sought to involve them in their design through the ‘Trailblazer’ programme. This gives groups of employers and trade bodies the power to set the standards that apprentices must achieve within their industry – the skills, knowledge and attitudes they need to demonstrate to be a successful apprentice – together with how these should be assessed. Each standard has three components: the core competencies that an apprentice is expected to learn, options for more in-depth development and a method of assessing successful completion of the apprenticeship. The idea is that, by allowing employers to collaborate, the Trailblazer process will ensure apprenticeship programmes are fit for the needs of employers, that they address skills gaps, and that assessments are relevant to employers’ current skills needs. The government’s ambition is for all apprenticeships starts to be Trailblazers by 2017/18.

The coalition government also began to look at ways to route government funding for apprenticeship training through employers. In the March 2015 Budget, it announced that a digital apprenticeship voucher scheme would be trialled, with the aim of full implementation by 2017 (HM Treasury 2015a). At the same time, government funding will be greatly simplified. For every £1 spent by an employer on training an apprentice, the government will contribute £2 – up to a cap that varies across apprenticeships in line with the likely cost of training. There are also extra incentives for recruiting 16 to 18 year olds and for small firms.

The coalition government did not, however, take any steps to restrict apprenticeships to the development of skills by people who are new to a job or a role that requires substantial training, as suggested by both the BIS Committee and Doug Richard. Instead, it continued to focus on increasing the number of apprenticeships.

Government priorities for the next five years

The Conservative government elected in May 2015 believes more and better apprenticeships are essential if England is to develop the vocational skills needed for a

successful and productive economy. It has committed to ‘significantly increasing the quantity and quality of apprenticeships’ in this parliament and has made a commitment to protect the term ‘apprenticeship’ in law (HM Treasury 2015b: 24).

The Chancellor announced in his July 2015 Budget that 3 million new apprenticeships will be created by 2020, funded by a levy on large employers (HM Treasury 2015c: 60). In the five years of the last parliament the number of apprenticeship starts averaged 486,000.⁸ The government’s target therefore requires an increase of 23 per cent to 600,000 a year. If the success rate of apprenticeships can be maintained despite the significant increase in numbers implied by the government’s new target, 3 million apprenticeship starts over the next five years will eventually translate into 2.16 million people completing apprenticeships.⁹

Following consultation with businesses and other interested parties, the government set out some of the details of how the levy scheme will work in and alongside the Chancellor’s 2015 Autumn Statement (see BIS 2015). The rate for the levy will be 0.5 per cent of an employer’s pay bill, to be collected through the PAYE system. Every employer will receive an allowance of £15,000, meaning that the levy will only apply to that part of the pay bill that exceeds £3,000,000 (and employers with a pay bill of less than £3,000,000 will pay nothing). It was also confirmed that funding will be controlled by employers, via the digital apprenticeship voucher, and that firms that are committed to training will be able to get back more than they put in. Further details will emerge in the first half of 2016. For example, many businesses argued that employers should be able to pay for apprenticeships at other employers (e.g. in their supply chains). The government has yet to decide whether it agrees.

The government justifies the introduction of an apprenticeship levy by highlighting how employers have for a long time underinvested in training. It points out that the number of employees who are granted time off work to attend a training course away from their normal place of work fell from 141,000 in 1995 to just 18,000 in 2014 (HM Treasury 2015c: 60). It blames this decline, in part, on fear of ‘free-riding’ – employers being unwilling to pay for training in case other employers do not and subsequently poach their trained staff (HM

⁸ Unless otherwise stated, statistics on apprenticeships in England quoted in this report are produced by the Skills Funding Agency and the Department for Business, Innovation and Skills and can be found in various spreadsheets in the ‘FE data library’: <https://www.gov.uk/government/statistical-data-sets/fe-data-library-apprenticeships>. Methodology changes mean that data up to 2010/11 and from 2011/12 are not directly comparable. However, these changes are thought to have only affected the total number of recorded apprenticeships by less than 2 per cent, so impressions the data give of broad trends are unlikely to be wrong. Data accessed on 21 January 2016.

⁹ In 2012/13 – the latest year for which figures are available – the apprenticeship success rate was 72 per cent (with very little variance across different levels): FE data library, apprenticeship success rates: all apprenticeships and government-funded apprentices – 2012/13 spreadsheet, available at <https://www.gov.uk/government/statistical-data-sets/fe-data-library-apprenticeships>. This was down from 76 per cent in 2010/11 (HoC BIS Committee 2012: 10), suggesting increased numbers of apprenticeship starts might be associated with a drop-off in success rates.

Treasury 2015b: 24). The idea behind the levy is to make firms pay directly for apprenticeships in order to encourage them to offer a greater number themselves. The more apprentices they train, the more of the levy they can recoup; and if they train enough apprentices, they will be a net beneficiary of the fund. On the other hand, if they choose not to train apprentices, they will see the levy go to fund apprenticeships in other firms, possibly their competitors.

The government is also planning to establish by April 2017 an Institute for Apprenticeships, a new independent body led by employers to regulate the quality of apprenticeships. As part of the process of setting up this body, it will also clarify a number of issues where its proposals are still vague, such as the registration of training providers (something that businesses are very keen on).

Outstanding concerns

The last two governments succeeded in their aim of increasing substantially the number of apprenticeships in England. In the five years before the financial crisis (2002/03 to 2006/07), the number of apprenticeship starts averaged 182,000 a year. By 2009/10, this had increased to 280,000 after the Labour government backed apprenticeships as the best way of helping young people find work at a time when, due to the recession that followed the global financial crisis, unemployment rates – and youth unemployment rates in particular – had increased sharply. In the next five years under the coalition government (2010/11 to 2014/15), the number of apprenticeship starts soared again to an average of 486,000 a year – more than two and a half times greater than before the crisis.

This expansion has led to a significant change in the nature of apprenticeships in England. Prior to the financial crisis, the role of apprenticeships was overwhelmingly to enable young people to acquire the skills they needed to make successfully the transition from education into work. In 2006/07, only 7,300 of the 388,000 people participating in apprenticeships were aged 25 years and over – fewer than 2 per cent. By 2013/14, there were 356,900 apprentices aged 25 years and over – 42 per cent of the 851,500 total. People aged 25 and over account for three-quarters of the increase in apprentice numbers since 2006/07.

Apprenticeships are no longer primarily for young people who are new to a job that requires a substantial amount of training. Two-thirds (67 per cent) of intermediate and advanced level apprentices in England in the government's 2014 apprenticeship pay survey said they were already working for their employer when they started their apprenticeship (BIS 2014: 93).

'This demonstrates that employers are continuing to use Apprenticeships largely to develop existing staff, rather than recruiting new workers into Apprenticeships' (ibid.: 42).

Large increases in the number of apprenticeships in recent years have been accompanied by a small improvement in the proportion of advanced and higher level apprenticeships. In 2006/07, 69.1 per cent of apprenticeship starts were intermediate level, 30.9 per cent advanced level and less than 0.1 per cent higher level. By 2014/15, these percentages had shifted to 59.7 per cent, 36.4 per cent and 4.0 per cent.

The fact remains, however, that in England three apprenticeships in every five are intermediate level ones - the level young people are expected to have achieved by the time they reach the age of 16. This leaves England a long way behind the best systems in Europe. In countries like Germany, Switzerland and Austria, nearly all apprenticeships are at an advanced or higher level (Wolf 2015: 7). Intermediate level apprenticeships in England are not helping to tackle skill shortages in high value-added parts of the economy or to assist in the desired transition to a high-skilled workforce and economy.

Ofsted reports that many intermediate level apprenticeships deliver only low level skills, and its inspectors found that some apprentices were being accredited for 'making coffee, serving sandwiches or cleaning floors' (Ofsted 2015: 4). This creates a risk that the apprenticeship brand becomes devalued in the eyes of young people and employers. Ofsted argues that an apprenticeship should provide quality training, the opportunity to get a full-time job, and the potential for advancement, not simply give people a qualification for performing tasks that they can already do, or could learn very easily. Nor should apprenticeships be a source of cheap labour for employers.

Box 1 shows real examples of apprenticeships on offer in a city in the north east of England (Redcar was chosen because it was in the news following the closure of the local steel plant).

Box 1: Examples of apprenticeships on offer in England

In October 2015, there were ten apprenticeship vacancies on the government's website within five miles of Redcar. Four were in leisure centres, two were in hairdressers, two were in office administration and there was one each in retailing and customer sales. All ten were at the intermediate level and their length varied from 12 months to 18-24 months. Examples are:

- Retail assistant – large retailer – intermediate level – 12 months - no details given about the nature of the work experience and training.
- Office administrator – local solicitors – intermediate level – 12 months – reception cover to 'high quality' administration tasks.
- Leisure assistant – leisure centre - intermediate level – 12-15 months – range of leisure centre tasks from manning reception to lifeguarding.
- Customer sales advisor and sales prospector – garage and car retailer - intermediate level – 12-14 months – answering telephone calls and booking appointments.

- Hairdressing – local salon – intermediate level – 18-24 months – meeting clients and making appointments, cleaning up, learning colouring and cutting and styling techniques.

The apprenticeships on offer in Redcar (Box 1) appear to be typical of the situation across England and illustrate very well Ofsted’s concerns about quality. They are all intermediate level apprenticeships and the skills that the apprentices will learn appear, for the most part, to be very low level. Ofsted found examples of intermediate level apprenticeships that offered apprentices little or no off-the-job training and no teaching in English and mathematics (Ofsted 2015: 14).

None of the Redcar apprenticeships are going to help the country develop the skills in construction, manufacturing, engineering and technology that employers say are in short supply. The most rapid growth in apprenticeships in recent years has not been in those parts of the economy where skills shortages are most apparent. Only 22 per cent of apprenticeship starts in 2014/15 were in engineering and manufacturing, construction and ICT, compared to 73 per cent in business, administration and law; health, public services and care; and retail and commercial enterprises (see table 2). These last three sectors have also accounted for 82 per cent of the increase in apprenticeships since 2006/07.

Table 2: Apprenticeship starts by sector subject area (thousands)

	2006/07	2009/10	2014/15
Business, Administration and Law	38	77	143
Health, Public Services and Care	24	44	130
Retail and Commercial Enterprise	41	62	90
Engineering and Manufacturing Technologies	37	43	74
Construction, Planning and the Built Environment	27	21	18
Information and Communication Technology	6	13	16
Leisure, Travel and Tourism	6	15	13
Agriculture, Horticulture and Animal Care	4	6	7
Education and Training		1	7
Arts, Media and Publishing			1
Science and Mathematics			
Languages, Literature and Culture			
Preparation for Life and Work			

Source: FE data library¹⁰

Note: where no number is shown the figure is fewer than 500

¹⁰ Breakdown by geography, equality & diversity and sector subject area: starts 2002/03 to 2014/15 spreadsheet, available at <https://www.gov.uk/government/statistical-data-sets/fe-data-library-apprenticeships>

This has raised concerns about the preparedness of young people for advanced and higher apprenticeships. Employers regularly cite a lack of suitably qualified and motivated young applicants as a factor that deters them from offering apprenticeship places (see, for example, CBI (2015: 31)). In part, they say, this is because the default option in most schools is to channel able young people into academic studies. But, the CBI argues, it is also the result of young people who are willing to take a vocational route into the workforce not having the abilities that employers offering apprenticeships are looking for.

However, Ofsted finds that the aerospace, financial and engineering industries have a large number of applications for the apprenticeships that they offer and have no problems filling them with suitable candidates (Ofsted 2015: 6). In these sectors, at least, it appears that the problem is the number of apprenticeships being offered, not the number of young people willing and suitably qualified and prepared to take them up. This suggests that skill shortages in these areas are, at least in part, the result of employers failing to do enough.

The risk, therefore, is that the government's reforms fail because employers do not respond sufficiently enthusiastically to them. Over the next five years, the government will pursue its commitment to increase the number of apprenticeship starts in England to 600,000 a year, but employers may not be willing to create the additional places – and if they do they may be at the intermediate level, not at advanced and higher levels; the additional places may be mainly accounted for by older people already working for the employer providing the apprenticeship rather than going to young people; and the extra apprenticeships may not be in the sectors where skill shortages are most acute. It is in an attempt to address these concerns that the government is placing employers at the centre of the apprenticeship system.

4. Employers and the future of the apprenticeship system

The government understands that it is not enough to deliver three million apprenticeships over the next five years; more must be done to shift the balance towards advanced and higher apprenticeships and to improve the quality of training across the board, but in particular for intermediate apprenticeships. It believes these objectives are more likely to be achieved if employers are central to the apprenticeship system. By giving employers the ability to set standards of apprenticeships through the Trailblazer scheme, channelling funding through employers and introducing an apprenticeship levy on employers, the government is moving towards a system in which apprenticeships are delivered through an 'employer-apprentice' contract, rather than as in the past through a 'government-training provider' contract (Wolf 2015).

Advanced and higher-level apprenticeships

If the UK is to avoid serious skills shortages in the future, the government's reforms must bring about a significant increase in the proportion of apprenticeships that are at advanced and higher levels. Intermediate level apprenticeships will not provide the high-level STEM skills needed by the manufacturing, construction, engineering and technology industries. An example of the type of scheme that needs to proliferate is that provided by Jaguar Land Rover.

A large proportion of the Trailblazer apprenticeships started in 2014/15 were at Jaguar Land Rover (JLR). The apprenticeship scheme at JLR has long been recognised as one of the best in the country; it ranks highly in surveys of apprenticeship schemes; and is heavily oversubscribed. Rahul Sareen, UK Government Affairs Manager at JLR, believes schemes like the one at JLR are essential if the UK is to flourish and address the shortfall in skilled and talented engineers of the future.

JLR offers four-year advanced and six-year higher (degree) level apprenticeships in engineering and six-year higher-level apprenticeships in finance and accounting.¹¹ In the last five years it has taken on more than 850 new apprentices at these levels. It is in the vanguard of the government's Trailblazer scheme. The advanced and higher level apprentices who joined the company in September 2015 are the first to study at the Jaguar Land Rover Academy, which will be run in partnership with the Warwick Manufacturing Group at the University of Warwick.

Sareen says advanced and higher-level apprenticeships at JLR have a high degree of off-the-job training so that students get a strong blend of real world experience and academic learning, where they can look forward to working in cutting-edge product development and manufacturing environments. Apprentices at both levels spend most of their first year in college, working at JLR outside term-time. In the second year, the time spent in college is reduced to two to three days a week. In later years, advanced level apprentices spend one day a week in college; while higher level apprentices attend university on a block release basis. Apprentices gain work experience across a range of functions within the JLR business, before eventually specialising in a pathway, such as manufacturing support or maintenance (for advanced level apprentices) or design or manufacturing engineering (for higher level apprentices).

¹¹ Information on the Jaguar Land Rover apprenticeship scheme comes from JLR, <http://www.jaguarlandrovercareers.com/jlr-roles/future-talent/apprentices/>, and the Warwick Manufacturing Group, http://www2.warwick.ac.uk/newsandevents/pressreleases/jaguar_land_rover_launches_lifelong_learning_academy_with_wmg_as_partner1/

Apprentices at JLR are expected to pass a number of academic and vocational qualifications and as they do so their pay increases. By the end of an apprenticeship, an advanced level apprentice could be earning over £600 a week and a higher-level apprentice a salary of over £35,500 a year.

The JLR programme can be regarded as offering 'traditional' apprenticeships in a 'traditional' sector. But good quality advanced and higher apprenticeships should not be confined to manufacturing and construction. With more than four in five people in the UK now employed in the service sector, the success of the government's apprenticeship reforms rests more on their ability to spread best practice in apprenticeship provision throughout the service sector. The development of apprenticeship schemes like the one offered by KPMG in the professional services sector is, therefore, more indicative of what the government might hope will be replicated.

In April 2015, KPMG announced a new apprenticeship programme, which meets the Trailblazer standards for the industry, that it calls KPMG360°. ¹² It offered 110 places on the scheme starting in September 2015, with applicants required to have five GCSEs at grade A to C, including mathematics and English, and at least 260 UCAS tariff points. ¹³ Michael Walby, Director of Professional Qualification Training at KPMG, says the scheme is important for KPMG because it allows the company to recruit from a wider pool of potential talent. In particular, young people joining the apprenticeship scheme are thought more likely to possess important non-academic skills, such as resilience, commitment, creativity and curiosity, than are graduate recruits.

The scheme offers a variety of routes into careers in different parts of the company and is a real alternative to joining the company after completing a university degree. Under the scheme, apprenticeships last for three or six years. In their first year (foundation level), apprentices rotate around the company and learn about its different areas of business; in years 2 and 3 (technician level), apprentices focus on the audit and tax and advisory functions and study for a technician level qualification; and in years 4 to 6 (professional level), apprentices specialise in one particular aspect of the company's business and study for a professional qualification.

Despite the attractiveness of this scheme, there are fewer applicants per place on offer than for KPMG's graduate scheme. Walby thinks this is a reflection of the perspectives of

¹² Information on the KPMG apprenticeship scheme comes from KPMG, <https://www.kpmgcareers.co.uk/school-leavers/kpmg360-programme#.ViZxyZV0yUI>

¹³ Tariff points are used by some universities to combine potential students' examination results into one overall score. Points are awarded according to grades achieved at A level, AS level and in comparable examinations. An A* pass at A level is worth 140 points, for example. One A level pass at grade B and two at grade C is one of the combinations that are equivalent to 260 points.

students, parents and teachers, who too often view apprenticeships as a second class option. But he also accepts that the professional services industry has not done enough to build its links with the school leaver market.

The government's reforms will be judged successful if the number of employers that are offering schemes comparable to that of KPMG have increased significantly by the end of the current parliament – something that is essential if the economy is avoid skills shortages.

The apprenticeship levy is likely to prove crucial. The government's belief is that forcing large employers to pay for apprenticeship training, whether or not they have their own apprenticeship programme, will encourage those that do not have such a programme to develop one. Furthermore, the hope is that the biggest impact will be in boosting advanced and higher apprenticeships because these will attract the highest level of funding.

However, there is a lack of clarity about the allocation of funds raised by the levy. Beyond the idea that apprenticeships in 'expensive' sectors (for example engineering) will attract more money than those in 'cheap' sectors (for example office work), it is not clear whether all apprenticeships will be treated equally or whether, for example, more funds will be available for apprenticeships that address skills shortages or that offer higher quality training. Michael Walby at KPMG thinks priorities for funding are crucial for the success of the levy and that it would be a missed opportunity if a large proportion of the funds are used to fund poor quality apprenticeships.

The evidence on the effect of training levies from other countries is sparse and what does exist is inconclusive. Gospel and Casey (2012: 18) suggest France, the Netherlands, Denmark, Australia, Singapore and Korea have levy schemes that might offer some insight into the effect of a levy in the UK, but go on to note that there is no firm evidence of a positive effect on the quality or quantity of training in any of these countries. They also note that the countries with the most highly regarded apprenticeship schemes (Germany, Austria and Switzerland) do not have levy systems.

Intermediate level apprenticeships

60 per cent of apprenticeship starts in England are at an intermediate level and this proportion is likely to decline only slowly. Even JLR - one of the companies that is widely praised for its apprenticeship scheme - has far more intermediate level apprentices than advanced and higher level ones, with around 2,000 intermediate level apprentices every year following one-year programmes. It is essential, therefore, that the government's reforms improve the quality of these apprenticeships, many of which are currently providing apprentices with only very low level skills. Not only will this ensure intermediate level

apprentices get better training, it will also help to protect the apprenticeship brand - something that is crucial if young people are to be attracted to apprenticeships at all levels. This is where it is hoped the Trailblazer initiative will have its biggest effect.

Employers have responded positively to the Trailblazer programme. By October 2015, the BIS website was showing almost 200 standards had been developed by employers across 68 industries, from accounting to welding.¹⁴ However, the development of apprenticeship standards has been done mostly by 'established employer networks' (Newton et al 2015: 6), suggesting employers who were already enthusiastic about apprenticeships have taken the lead. It is too early to say whether the Trailblazer initiative, once the new standards are established, will enthuse more employers to offer apprenticeships and simultaneously lead to higher quality apprenticeships.

So far, the actual delivery of Trailblazer apprenticeships has been very limited. Figures for 2014/15 show there were only 400 starts on Trailblazer apprenticeships¹⁵. The small number of Trailblazer apprenticeship starts offered in 2014/15 reflects a number of teething problems. In particular, employers and employer organisations have complained that BIS has been slow in approving standards for delivery, with reports that some standards have waited a year for approval.¹⁶ Only 55 of the standards on the BIS website are 'ready for delivery'. Uncertainties about the conduct of independent end-of-programme assessments have also delayed progress, with the requirement that all Trailblazer apprenticeships should be graded proving a particular problem (ibid.: 8). Details of funding and the employer's contribution to training costs have also been prominent concerns.

If the Trailblazer initiative succeeds as the government hopes, within the next few years intermediate level apprenticeships that deliver only low-level skills will disappear. However, if the government is also to succeed in raising the number of apprentices by around one-quarter compared to the last five years, employers will have to offer much better quality apprenticeships in their place. Whether they will prove willing to do so is as yet unknown.

¹⁴ <https://www.gov.uk/government/collections/apprenticeship-standards>

¹⁵ Apprenticeships by framework type and level: starts 2009/10 to 2014/15 spreadsheet, available at <https://www.gov.uk/government/statistical-data-sets/fe-data-library-apprenticeships>

¹⁶ <http://feweeek.co.uk/2015/08/06/employers-frustrated-as-wait-for-trailblazer-apprenticeships-approval-nears-one-year-mark/>

5. Conclusion: An experiment for other countries to watch closely

The UK government has promised a big increase in the number of apprenticeships in England, alongside a significant improvement in their quality, because it believes both are essential if the UK is to boost productivity levels across the economy and to reduce the potential for skills shortages in the labour market. In order to deliver on these commitments, it is placing employers at the centre of the apprenticeship system by routing funding through them and making them responsible for standards through the Trailblazer programme. It is also introducing an apprenticeship levy to fund the expansion of apprenticeship places. These are reforms that other countries seeking to improve the scale and quality of their own apprenticeship programmes should monitor closely, in particular to see if employers react in the way the UK government hopes.

Backing apprenticeships to solve the country's skill shortages will only work if sufficient employers are willing to sign up to deliver the number of apprenticeships and the increase in quality that the government wants. The experience of recent years - when the proportion of apprenticeships that are accounted for by people aged 25 and over has increased sharply; a high proportion of apprenticeships have been at an intermediate level; and there has been a failure to increase the proportion of apprenticeships that are in sectors where employers say there are the biggest skills shortages - means there are no guarantees that employers will respond as hoped in the next five years.

Examples of the type of scheme that the government would want to see are emerging. Jaguar Land Rover in the manufacturing sector and KPMG in the service sector have Trailblazer apprenticeship schemes that offer apprentices a route to senior positions in their companies through advanced and higher apprenticeships. The government's reforms will only be judged successful if, by the end of the parliament, many more employers are offering similarly high-quality apprenticeships at these levels, while at the same time there is a quantum leap in the skills delivered by intermediate apprenticeships and a shift back to a greater proportion of apprentices being aged under 25 years old.

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