

REPORT

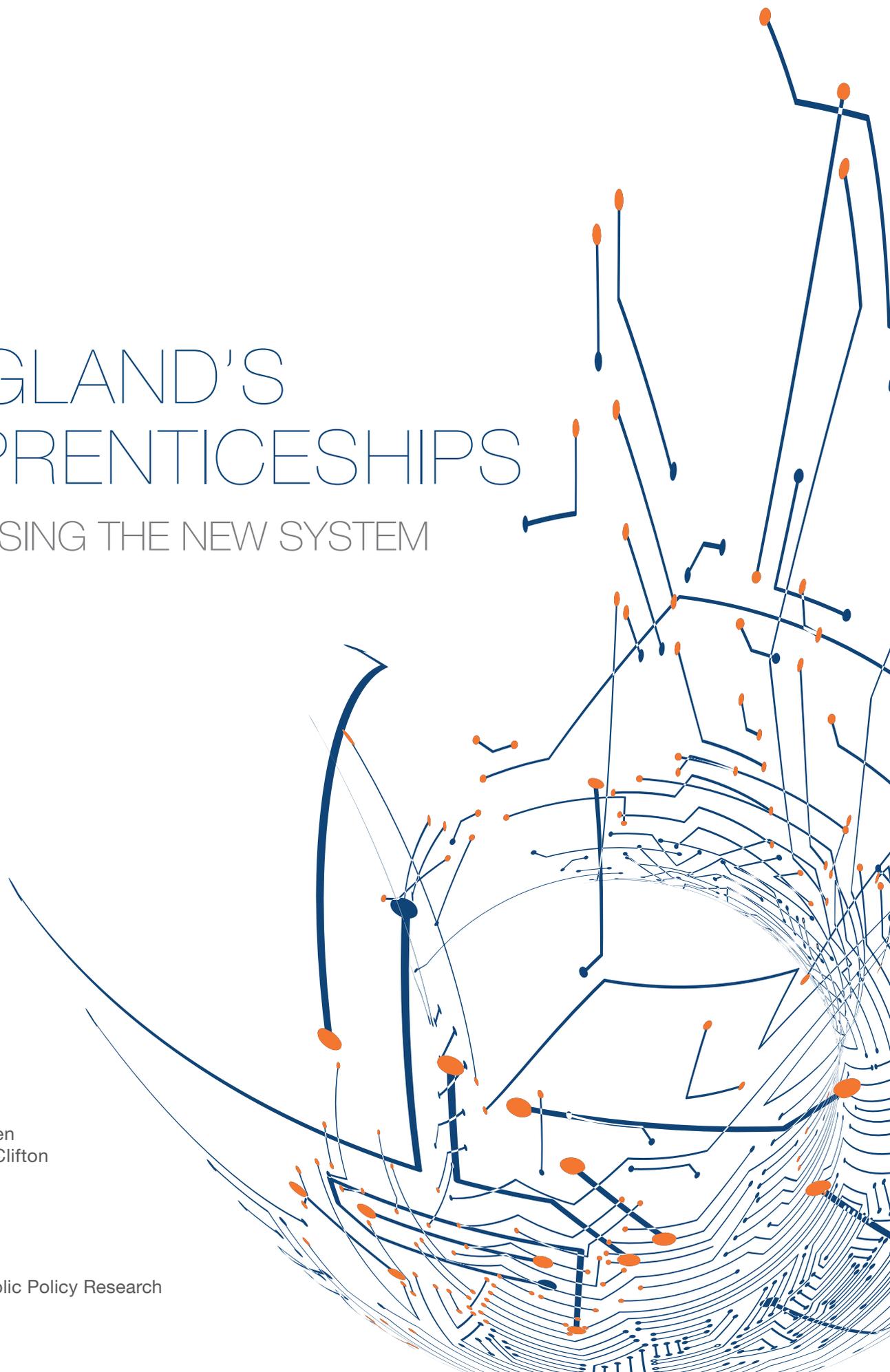
ENGLAND'S APPRENTICESHIPS

ASSESSING THE NEW SYSTEM

Charlynn Pullen
and Jonathan Clifton

August 2016
© IPPR 2016

Institute for Public Policy Research



ABOUT IPPR

IPPR, the Institute for Public Policy Research, is the UK's leading progressive thinktank. We are an independent charitable organisation with more than 40 staff members, paid interns and visiting fellows. Our main office is in London, with IPPR North, IPPR's dedicated thinktank for the North of England, operating out of offices in Newcastle and Manchester.

The purpose of our work is to conduct and publish the results of research into and promote public education in the economic, social and political sciences, and in science and technology, including the effect of moral, social, political and scientific factors on public policy and on the living standards of all sections of the community.

IPPR
4th Floor
14 Buckingham Street
London WC2N 6DF
T: +44 (0)20 7470 6100
E: info@ippr.org
www.ippr.org
Registered charity no. 800065

This paper was first published in January 2015. © 2015

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.

ABOUT JPMORGAN CHASE

JPMorgan Chase & Co (NYSE: JPM) is a leading global financial services firm with assets of \$2.5 trillion and operations worldwide. The firm is a leader in investment banking, financial services for consumers and small businesses, commercial banking, financial transaction processing, asset management and private equity. More information is available at www.jpmorganchase.com.

While this report has been supported by the JPMorgan Chase Foundation, the contents and opinions in this paper are those of IPPR alone and do not reflect the views of the JPMorgan Chase Foundation, JPMorgan Chase & Co, or any of its affiliates.

NEW IDEAS
for CHANGE

CONTENTS

Summary	3
1. Introduction	6
1.1 Why have successive governments supported apprenticeships?	6
2. The existing apprenticeship system	7
2.1 What does the apprenticeship system currently look like?.....	7
2.2 What is wrong with the current system?	9
3. A new system for apprenticeships.....	11
3.1 The government’s vision for apprenticeships	11
3.2 What specific reforms is the government making to apprenticeships?	12
3.3 Where will this new system work well?	14
4. Problems with the new apprenticeship system	16
5. New apprenticeships – repeating the same old mistakes?.....	22
5.1 Apprenticeships in small and medium-sized companies	22
5.2 Employers re-badging existing training	24
5.3 Creating a market in lower-level apprenticeships	26
5.4 Progression and occupational formation.....	28
6. Conclusion	31
References	32

ABOUT THE AUTHORS

Charlyne Pullen works in further education, and is currently on secondment at IPPR as a senior research fellow.

Jonathan Clifton is associate director for public services at IPPR.

ACKNOWLEDGMENTS

The authors would like to thank Esther Horner from the Department for Business, Innovation and Skills, and Paul Rainbow from Hertfordshire County Council for speaking at our roundtable. We would also like to thank Jenny Williams at the Education and Training Foundation and Michael Frearson from SQW for reviewing drafts of the report. We would further like to thank all those who spoke to us during the development of the report, attended the roundtable, and otherwise assisted with the preparation of the report.

Download

This document is available to download as a free PDF and in other formats at:

<http://www.ippr.org/publications/englands-apprenticeships-assessing-the-new-system>

Citation

If you are using this document in your own writing, our preferred citation is:

Pullen C and Clifton J (2016) *England's apprenticeships: Assessing the new system*, IPPR.
<http://www.ippr.org/publications/englands-apprenticeships-assessing-the-new-system>

Permission to share

This document is published under a creative commons licence:

Attribution-NonCommercial-NoDerivs 2.0 UK

<http://creativecommons.org/licenses/by-nc-nd/2.0/uk/>

For commercial use, please contact info@ippr.org



SUMMARY

60-SECOND SUMMARY

The government is in the process of introducing a new apprenticeship system for England,¹ which will be phased in over the coming years. The new system is intended to be more ‘employer-led’, and takes its inspiration from the medieval notion² that employers should set the standards for trainees entering their profession.

We support the desire to create a strong apprenticeship system. Over the last 30 years there has been a decline in the youth labour market, which has made it harder for young people to transition from full-time education into work. Many English firms have also failed to invest in the skills of their workforce or raise productivity. An expansion of high-quality apprenticeships could help to address all of these problems, and open up more ‘earning and learning’ routes for young people.

However, current apprenticeship policies are in danger of failing to achieve the government’s desired aims.

The government is handing more responsibility to employers for funding, designing, buying and delivering apprenticeships, while at the same time removing the requirement that they include a nationally recognised qualification. In addition to introducing this new apprenticeship system, the government is trying to oversee a rapid expansion of the programme in order to meet its self-imposed target of delivering 3 million apprenticeship starts by the end of the parliament.

We are concerned that these changes will provide insufficient oversight of the content and delivery of these new apprenticeships. While the new system might work well in sectors where there are large employers with a commitment to training the ‘next generation’ of their workforce, they will not help to improve the skills base in many other parts of the jobs market that are characterised by smaller employers, low-skilled jobs, or less traditional sectors which don’t have a shared sense of ‘occupational identity’ (such as retail). Given that these characteristics apply to a growing share of the jobs market, this is a big cause for concern. England is in danger of introducing an apprenticeship system that would work well in the economy of the 1960s, but is not fit for a 21st-century workforce.

KEY FINDINGS

We have identified four areas that are of particular concern.

- **Small and medium-sized employers may not offer enough apprenticeships.** The new system will place an increased burden on small and medium-sized employers in terms of administering apprenticeships, while continuing to require many of them to make

1 The new levy will apply to all of the UK, but the new standards will only apply to England. This paper will refer to the changes as a whole for England only.

2 That is, the notion of masters, guilds, and a licence to practise.

a financial contribution to the cost. There is therefore a risk that the majority of employers will not engage in the programme.

- **A market that delivers the cheapest possible apprenticeship for the largest group of people could develop in some sectors.** This is because training providers may compete on the basis of price, not quality, to offer apprenticeships to employers who are keen to recoup their apprenticeship levy, but do not have a desire to improve their skills base. This would result in poor-quality and job-specific training being provided, rather than the high-quality training that helps young people enter a wider profession or occupation.
- **There will be little additional training introduced as a result of the system.** Some employers (especially those operating a ‘low pay, low skill’ business model) could re-badge existing staff training as apprenticeships, in order to secure government money or ‘recoup’ their apprenticeship levy. This means there will be little additional training and skills development being delivered as a result of the new system, and it could devalue the apprenticeship ‘brand’ more widely.
- **The government’s target to create 3 million apprenticeships will encourage as many starts as possible, which could see apprentices being placed on inappropriate levels.** The new standards may not create a clear pathway for apprentices to progress into higher-level study. This is a particular problem for young people who complete level 2 courses between the ages of 16 and 19, but who are not properly prepared to move on to a level 3 apprenticeship.

RECOMMENDATIONS

The concerns outlined above raise a series of policy implications.

- **The government should consider extending the levy to cover smaller employers, and should investigate ways to reduce the administrative burden on employers.**
- **The government should restrict apprenticeships to those sectors in which apprenticeships can add real value. In line with the Sainsbury Review (ITEC 2016), we agree that there should be 15 technical routes, restricted to skilled occupations in which there is a substantial requirement for technical knowledge and practical skills. The government should also consider (re)introducing a more formal qualification element to apprenticeships.**
- **The government should tighten up the regulation of the new apprenticeship standards, in line with a strengthened Institute of Apprenticeships, and a single common framework of technical standards, as proposed by the Sainsbury Review (ibid).**
- **The government should encourage the growth of apprenticeships at level 3 and above, with the ultimate aim of all apprenticeships being delivered at these levels. In order for this to be successful, it must also create a more clearly defined ‘pre-apprenticeship’ route at level 2, to ensure that young people can progress into an apprenticeship.**

ABOUT THIS REPORT

This is the first briefing paper from IPPR about England's emerging apprenticeship system, which forms part of our work on 'learning and earning' routes to help young people transition from school into work. This paper sets out the context for the government's reforms, describes what the new system will look like, identifies concerns with how the programme is developing, and sets out the implications for policy.

A second report will investigate some of these policy implications in more detail, and will focus in particular on young people's passages through the apprenticeship system and how they can be improved.

1. INTRODUCTION

1.1 WHY HAVE SUCCESSIVE GOVERNMENTS SUPPORTED APPRENTICESHIPS?

Over the last decade, policymakers have made a concerted effort to increase the number of young people completing an apprenticeship. This is true of the Labour, Coalition and Conservative governments that have held office during this period, which have all done so as part of their efforts to address a range of issues, including the following.

- **A perception that the ‘transition to work’ is broken for those people not going down the university route:** while the pathway from school to university is relatively clear, it can be harder for those leaving college to find secure jobs.³ For example, only 8 per cent of graduates are unemployed at the age of 24, compared to over 12 per cent of those whose highest level of qualification is GCSEs (Dolphin 2015).
- **A perception that the economy needs more (technical) skills:** while we have large numbers of graduates entering the jobs market, employers in certain sectors complain of a lack of intermediate and technical skills. For example, 31 per cent of employers are unhappy with the technical skills of young people (CBI/Pearson 2015).
- **A perception that employers need to be more engaged in improving skills and training the workforce:** employers have increasingly relied on the state to fund and provide skills for the workforce, and complain that the wrong skills are being supplied. For example, the proportion of employers providing ‘off-the-job’ training for their staff has changed little since 2011 (UKCES 2016).
- **A perception that UK firms need to improve productivity:** the UK lags behind many other countries in terms of its productivity. Improving skills is seen as a way for firms to improve their productivity and move ‘up the value chain’. For example, the UK has a productivity gap of between 23 and 32 per cent when compared with Germany, France, the Netherlands and Belgium (Dolphin and Hatfield 2015).

Since the mid-2000s, successive governments have therefore tried to increase the number of apprenticeships to provide a form of ‘on-the-job training’ to resolve these problems. In 2015 there were 871,800 individuals participating in an apprenticeship, up from 175,000 a decade earlier (BIS and SFA 2016a).

³ This clearly masks a lot of variation: some vocational qualifications lead to highly paid jobs and some graduates struggle to find work commensurate with their skills. See NFER (2015) and Holmes and Mayhew (2015) for more detailed discussion.

2. THE EXISTING APPRENTICESHIP SYSTEM

2.1 WHAT DOES THE APPRENTICESHIP SYSTEM CURRENTLY LOOK LIKE?

There have been a number of changes made to the apprenticeship system over the last decade, and the government is in the process of making further reforms. This chapter looks at the key features of the current system, before going on to explain the subsequent changes.

The cost of the system is shared by employers and government

Because an apprenticeship is a job first and foremost, employers need to pay any apprentices they hire at least a minimum wage of £3.30 per hour in the first year of the apprenticeship. Employers are also expected to contribute some of the cost of the off-the-job training, with the government funding the remainder. Until April 2017, employers are expected to contribute the following funds towards the 'off-the-job' element of apprenticeship training:

- no costs for intermediate and advanced apprenticeships if the apprentice is aged 16–18
- 50 per cent of the training costs if the apprentice is aged 19–23
- 60 per cent of the training costs if the apprentice is aged 24 or above.

Government funding flows direct to the training provider

Under the current system, the government pays its contribution towards the cost of the off-the-job training directly to the training provider (either a further education college or, more commonly, a private training company). The training provider would go to an employer, offer to run an apprenticeship, and then draw down the government funds that are available. The training provider will then negotiate with the employer to pay any additional costs on top of the government contribution. This means there is a market in operation in which training providers are competing to win business from employers, with an incentive to reduce the cost to employers.

The apprenticeship consists of nationally recognised qualifications

All apprenticeships must contain at least one nationally recognised qualification, as well as any additional training and work offered by the employer. The qualifications are all accredited by awarding organisations – and historically awarding organisations have created a vast array of qualifications that can be used. There are typically three elements to an apprenticeship (the precise mix depends on the existing qualifications held by an individual apprentice).

- National Vocational Qualification (NVQ) – a level 2 or level 3 qualification based on national occupation standards. They are

‘competency-based’ qualifications which means an apprentice has to demonstrate competence in the particular field in order to pass, rather than undergo a set number of hours of training.

- Technical certificate – a level 2 certificate in a particular sector such as floristry or equestrian.
- Functional skills – practical skills in English, maths and ICT for all learners aged 14 and above, typically completed at level 2.

The apprenticeship framework is therefore a ‘wrapper’ for these distinct elements, including the work experience gained from being employed.

The apprentice is assessed through a portfolio of work, which is externally verified

As well as being supervised and managed by their employer, the apprentice is assessed for each of the three qualification elements outlined above. This typically requires the apprentice to submit a portfolio of work which is assessed by an assessor and then internally verified by the training provider. Awarding organisations will assure the quality of assessment through external verification.

There are certain minimum standards that apprenticeships have to meet

In recent years, the government has added certain restrictions to apprenticeships, most notably the fact they must last at least 12 months and include 20 per cent off-the-job training.

Most apprentices are over 19 and are already employees

There are no age restrictions on who can start an apprenticeship. The percentage of under-19s on an apprenticeship has fallen from more than 30 per cent of all apprenticeships in 2010/11 to just over 22 per cent of all apprenticeships in 2014/15. Meanwhile there has been a rapid increase in the number of over-25s enrolled on an apprenticeship (see table 2.2).

TABLE 2.1
Apprenticeship participation by age group, 2010/11–2014/15

	2010/11	2011/12	2012/13	2013/14	2014/15
Under 19	203,100	189,600	181,300	185,800	194,100
19–24	251,900	272,100	294,500	308,900	315,000
25+	210,900	344,800	392,900	356,900	362,600
Total	665,900	806,500	868,700	851,500	871,800
<i>of which 19+</i>	<i>462,800</i>	<i>616,900</i>	<i>687,400</i>	<i>665,700</i>	<i>677,700</i>

Source: BIS and SFA ‘Statistical First Release: Learner Participation Outcomes and Level of Highest Qualification Held’ (BIS and SFA 2016b)

There are also no restrictions on enrolling existing employees into an apprenticeship. An increasing number of employers now chose to enrol *existing* employees onto apprenticeships, rather than creating new posts to induct trainees into the profession. In 2014/15, over two-thirds (64 per cent) of all apprentices were internal recruits (BIS 2014).

Most apprentices already have qualifications at the level of their apprenticeship

Most (80 per cent) apprentices over the age of 19 starting an apprenticeship at level 2 already had a full level 2 qualification, and many (56 per cent) over-19s starting an apprenticeship at level 3 already had a full level 3 qualification. For many apprenticeships, even at level 2, having five GCSEs grades A*–C is an entry requirement, and indeed of those 80 per cent of adults starting a level 2 apprenticeship who already had a level 2 qualification, 64 per cent of them actually had five GCSEs at grades A*–C. This is more than half of all those over-19 starting a level 2 apprenticeship (BIS and SFA 2016b).

2.2 WHAT IS WRONG WITH THE CURRENT SYSTEM?

After the election of the Coalition government in 2010 there was a rapid spike in the number of apprentices over the age of 25, which was largely driven by employers seeking to secure government funds for workplace training. This was soon followed by a number of reviews and policy documents that raised concerns about the state of England's apprenticeship system, including the Wolf report (2011), the Richard review (2012), and those by the Department for Business, Innovation and Skills select committee (2012) and Dolphin and Lanning (2011).

These reviews raised a number of criticisms about apprenticeships; three of the key criticisms made were the following.

- *Apprenticeships were too short*: there had been a rapid growth in the number of very short apprenticeships between 2010 and 2012, with some lasting just six weeks – too brief to provide the level of training needed to help somebody start a career.
- *There was insufficient focus on off-the-job education, particularly in English and maths*: people were completing an apprenticeship while still not mastering the 'basics' of English and maths (House of Commons Library 2015).
- *Concerns about fraud and bad practice*: there were some clear examples of this concern in the period before 2012, notably Elmfield Training (Offord 2014).

The government therefore introduced a number of 'minimum standards' in 2012 in order to try to address these problems. These included the requirement that all apprenticeships must last at least 12 months and contain 20 per cent off-the-job training.

Despite these changes, a number of aspects of the apprenticeship system remain subject to ongoing criticism. It is in light of these ongoing criticisms, listed below, that the government is introducing its latest round of reforms.

- *Employers do not face an incentive to invest in skills*: some sectors of the economy are dependent on a 'low pay, low skill' business model, which means they don't need to invest in skills in order to run a profitable business. Meanwhile, in higher-skilled sectors of the economy, there is a concern that employers could 'free load' and rely on other firms to invest in training the workforce.

- *There is limited progression within apprenticeships:* the vast bulk of apprenticeships are being delivered at level 2 (GCSE equivalent) or level 3 (A level equivalent), with very few progressing to higher levels. This means the apprenticeship system is not helping to fill intermediate and higher-level skills gaps in certain sectors of the economy.
- *Apprenticeship funding is increasingly being used to substitute employer training that might have happened anyway:* there are concerns that employers are simply ‘converting’ training courses for their existing employees into apprenticeships in order to secure government funding. This means that the programme is not providing much additional training or skills development for the workforce.
- *Apprenticeships are going to existing employees, rather than creating new routes into employment for young people:* employers are enrolling existing workers onto apprenticeships rather than creating new roles for young people. Sixty-four per cent of apprentices are ‘internal recruits’ (BIS 2014) and 26 per cent of employers say their apprentices spend less than three hours a week undertaking activities for their apprenticeship that are not part of their job role (including training, meeting their assessor and preparing their portfolio) (UKCES 2014).
- *Government provides too much of the funding for apprenticeships:* there are concerns that the government is funding a large part of the apprenticeship system and ‘crowding out’ firms from investing in their own skills.
- *Employers are not sufficiently involved in the design and delivery of apprenticeships:* there are concerns that apprenticeships are largely driven by the education providers (usually independent training providers) and the awarding organisations. A 2012 survey revealed that the primary reason new employers got involved with apprenticeships was because they were approached by a training provider (BIS 2013). Meanwhile, of those employers that had apprentices in 2014/15, only two-thirds were aware that they had an apprentice (BIS 2016). This suggests that training providers are simply offering training courses to the employers, funded by government, without involving employers in the apprenticeship process.⁴
- *Concerns about assessment:* the Richard review highlighted concerns about both the degree of continuous assessment, and the individual qualification nature of the apprenticeship, which stopped the apprentice from being assessed as competent for the job as a whole. This has led to calls for an end-point assessment for apprenticeships, making them more similar to academic exams.
- *Concerns about the number of qualifications:* there were concerns that there are thousands of different qualifications which could form part of an apprenticeship. This arguably makes it confusing for employers and apprentices alike. Many qualifications have been created with the support of a small number of committed employers, and subsequently failed to gain traction with other employers in their sector.

⁴ Conversely, the apprenticeship survey reveals that 87 per cent of employers are satisfied with the apprenticeship system (BIS 2016).

3. A NEW SYSTEM FOR APPRENTICESHIPS

3.1 THE GOVERNMENT'S VISION FOR APPRENTICESHIPS

Following the criticisms of the apprenticeship programme, the government is introducing a series of reforms which should all be in place by April 2017. In 2015, the government published a document setting out its vision for the new apprenticeship system, and included a series of principles for reform (BIS 2015a).

The government has set out the following vision for apprenticeships in 2020:

- all apprenticeships will provide substantive training in a professional or technical route, transferable skills and competency in English and maths for all ages
- apprenticeships will be an attractive offer that young people and adults aspire to go into, as a high-quality and prestigious path to a successful career
- apprenticeships will be available across all sectors of the economy and at all levels, including degree level
- every apprenticeship will be a high-quality opportunity that delivers the skills, knowledge and behaviours that employers are looking for.

The government believes it is working towards high-quality apprenticeships, and has explicitly set out the quality standards they believe are needed for high-quality apprenticeships:

- the apprenticeship is for a job in a skilled occupation
- it requires substantial and sustained training, lasting a minimum of 12 months and involving at least 20 per cent off-the-job training
- it develops transferable skills, and English and maths, in order to progress careers
- it leads to full competency and capability in an occupation, demonstrated by achievement of an apprenticeship standard
- it trains the apprentice to the level required to apply for professional recognition, where this exists.

The government is also in the process of introducing a 'levy' on employers to help fund the apprenticeship system; it is also creating online accounts so that the funding is directed by employers rather than training providers.

3.2 WHAT SPECIFIC REFORMS IS THE GOVERNMENT MAKING TO APPRENTICESHIPS?

It is changing the way content/standards are set

A small group of employers can now submit a new ‘standard’ – which consists of two pages of A4 setting out what an apprenticeship will cover – and associated assessment plan. This means that education providers and awarding bodies no longer explicitly play a part in developing the content of apprenticeships. No qualifications are required but some independent assessment at the end of the apprenticeship must take place.⁵ The standard and assessment plans are currently signed off by the Department for Business, Innovation and Skills (BIS), but a new Institute for Apprenticeships will take over this role from April 2017.

It is introducing a levy to help fund the system

An apprenticeship levy will be paid by large employers with a salary bill of more than £3 million. The levy will be 0.5 per cent of the portion of an employer’s pay bill that is over £3 million (so an employer with a pay bill of £5 million would pay 0.5 per cent of £2 million, or £10,000). This funding will enter a digital account and the government will make a small ‘top up’ contribution. Employers will then use this money to purchase apprenticeship training for their staff from a training provider. Any levy funds which have not been spent after 18 months will expire and may be reinvested by the government in apprenticeships for smaller employers.

Small employers will not have to pay the levy, but will have to contribute towards some of the cost of training apprentices

Smaller employers will not be required to pay the levy, but they are still expected to contribute towards some of the costs of the off-the-job training for any of their apprentices. The precise breakdown has not yet been agreed, but the government will make a generous contribution towards the cost of this training, with employers making up the shortfall.⁶

Funding will be controlled by employers, not training providers

The government will change the way funding flows in the apprenticeship system. Under the current system, government funding flows directly to training providers. Under the new system, government and employers will both contribute funds into a digital apprenticeship ‘account’. Employers will then be able to use this money to buy any off-the-job training from a training provider. This will increase the administrative burden on employers, but also potentially gives them more control over choosing which training provider to use and directing funds in the system.⁷

It is changing the way apprenticeships will be assessed

Apprentices will no longer be required to complete three nationally recognised qualifications, and therefore the assessment process will also change. Each apprenticeship standard must have an assessment plan

5 The only exception is level 6 and 7 apprenticeships, which need to be designed in conjunction with a higher education provider.

6 The government is currently consulting on the financial support it plans to offer to small and medium-sized employers. See <https://www.gov.uk/government/news/views-sought-on-plans-to-boost-apprenticeships%C2%A0>

7 The only exception to this will be for small and medium-sized employers who are not caught by the levy. These employers will pay their contribution towards the off-the-job training of their apprentices direct to a training provider, who will then be able to draw down the government contribution directly from the SFA.

in place, which will involve an ‘end point assessment’, that is specific to that apprenticeship. The apprenticeship must be assessed by somebody who is independent from both the training provider and the employer. The Skills Funding Agency is establishing a list of approved assessment organisations to provide this function.

It has set a target to deliver 3 million apprenticeships by the end of the parliament

There were 2.2 million apprenticeship starts between 2010 and 2015, and there is now a commitment to deliver 3 million apprenticeship starts between 2015 and 2020. Alongside the levy, which will provide an incentive for employers to offer apprenticeships, public sector organisations with more than 250 staff will have an apprenticeship recruitment target of 2.3 per cent of their workforce per year.

Timeline of changes to the apprenticeship system, 2005–2017

2005: National Employer Training Programme gives more power to employers; Train to Gain launched, providing government funding for adult skills training in the workplace

2006: Leitch Review of Skills is published, sparking an interest in expanding apprenticeships

2009: Age restriction on apprenticeships lifted – opening them up to adults aged over 25; policy shifts to focus on apprenticeship growth

2010: Train to Gain programme abolished amid concerns that government funding was being used to subsidise low-level training that would have happened anyway

2011: Wolf report published

2012: Two influential reports are published: the BIS select committee’s report and the Richards Review. New minimum standards are introduced requiring apprenticeships to be at least 12 months long and requiring all apprenticeships to include 20 per cent off-the-job training

2013: Apprenticeship trailblazers announced – employers to develop their own apprenticeship standards, with support from Awarding Organisations

2015: The new Conservative government commits to delivering 3 million apprenticeship starts by 2020; commits to introducing an apprenticeship levy on large employers; and commits to rolling out the ‘employer-led standards’ being trialled by the trailblazers

2016: Institute of Apprenticeships announced and first shadow chief executive appointed; more details announced about how the apprenticeship levy and standards will work in practice

2017: New apprenticeship levy will come into effect for large employers; previous apprenticeship frameworks will no longer be available, having been replaced by new standards.

3.3 WHERE WILL THIS NEW SYSTEM WORK WELL?

In summary, the government is planning to reform the apprenticeship system in two main ways:

- it wants to incentivise more (large) employers to offer apprenticeships by introducing a levy
- it wants to put small groups of employers ‘in the driving seat’ by giving them more control over setting apprenticeship standards, setting the assessment process, and directing how funding flows to training providers.

We believe that this approach could work well in certain circumstances. In particular, it could work well where there are large employers who have an accurate understanding of their skills needs, a desire to upskill their future workforce, and a strong collective sense of occupational formation (the engineering sector, for example). In this situation, it is possible to envisage employers grouping together to identify what an apprentice needs to learn in order to flourish in their sector, committing to finding a good education provider to help deliver the training, investing time and effort in training up the young person, and then giving them an opportunity to stay in work and progress within the company. This kind of training should be portable if a sufficient number of employers agree to recognise an apprenticeship completion certificate within their industry. The introduction of the apprenticeship levy would ensure that the companies who engage with this sort of apprenticeship system are able to benefit, incentivising more companies to take part and reducing the risk of others ‘freeloading’ on their effort.

This is essentially how the apprenticeship system worked, and worked effectively, from the medieval period of masters and guilds to the postwar labour market of the 1960s and 1970s, the latter of which was characterised by larger employers with clearer progression pathways. There are still some sectors of the economy that can operate like this, such as engineering, construction and pharmaceuticals. They have a number of large employers and strong professional bodies which have historically invested in apprenticeship-style training programmes. There are also a number of other sectors that might respond positively to the new reforms. Before the introduction of the new system, for example, there were relatively few apprenticeships in the finance sector. However, the promise of a levy being introduced, along with the government’s trailblazer pilots, appears to have galvanised them into action. A number of standards have been developed which appear to offer a clear prospect of progression upon completion, although it is too early to say whether they will translate into effective programmes in reality.

Case study: The Higher Apprenticeship in Professional Services

In areas with strong occupational formation, such as accountancy, higher apprenticeships that offer the opportunity to progress to a professionally recognised qualification or a degree have been successful. The Higher Apprenticeship in Professional Services brought a range of employers together as a trailblazer, and they developed three pathways within the framework – taxation, audit, and management consulting (ATT 2016). The examples given of

the tax pathway provide apprentices with the ability to progress to a chartered membership of professional bodies, including the Association of Tax Technicians (ATT), a widely recognised form of qualification in this sector (ibid).

This is a sector in which there are recognised professional bodies, a sense of occupational formation and progression, and a clear licence to practise. It has therefore been able to develop a successful apprenticeship system, despite the fact it has not had a strong non-graduate route in the last 20 years.

4.

PROBLEMS WITH THE NEW APPRENTICESHIP SYSTEM

We believe that the government's overarching vision of what an apprenticeship should look like is broadly correct, and could mirror the successful features of apprenticeship systems in other countries. Some of the strengths of this general vision are as follows.

- The principle of a 'training levy' is a positive move: it ensures that all employers have to contribute towards the cost of training up the workforce, and therefore prevents free-loading.
- The principle of apprenticeships that last over a year and include substantial off-the-job training (with core English and maths) is also a positive move: it ensures that apprentices will receive a substantial amount of training.
- The principle of ensuring apprenticeships tie into wider career progression is important: given the UK's flexible labour market it is important that people gain skills which will help them transfer between employers, and progress from lower- to higher-paid work.

While we support the government's general vision for apprenticeships, we have some strong concerns about the way the new programme is being put into effect. We do not believe that the reforms the government has put in place will be successful in bringing about the change it wants to effect.

The government has explicitly tried to put employers 'in the driving seat' of the new system, while also incentivising more (larger) employers to offer apprenticeships. In the process of handing more power to employers to design and deliver apprenticeships, it has also relaxed some of the 'checks and balances' that were present under the previous system – for example, by removing the need for nationally recognised qualifications and by making it easier for new standards to be signed off through a 'light touch' process overseen by BIS.

The decision to hand employers more control over apprenticeships might work well in those sectors of the economy that have a strong sense of occupational formation, and that are prepared to develop apprenticeships that help people start a career. However, it might play out very differently in other sectors of the economy.

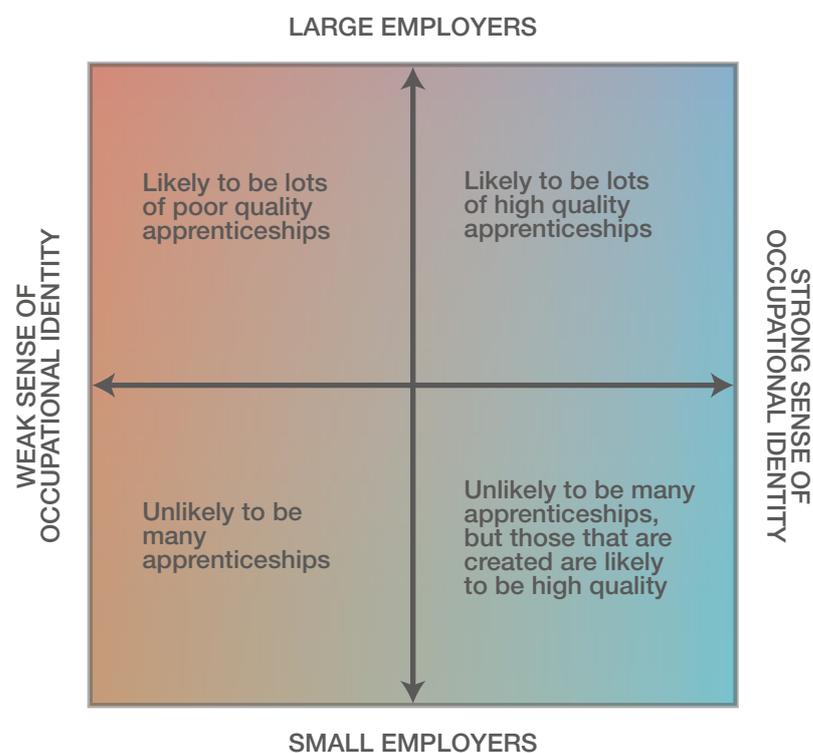
First, in sectors dominated by small employers who are not captured by the levy, there are unlikely to be many incentives for employers to engage in the programme, continuing the longstanding problem of creating apprenticeships in SMEs. Second, it risks exacerbating the problem of large employers offering poor-quality apprenticeships

which has plagued the apprenticeship system in recent years. This is because large employers who operate low-skill business models (and do not have a strong desire to induct people into a wider profession) will be incentivised to take part in the apprenticeship programme in order to recoup their levy. While some firms may use this incentive to change their business practices and try to improve skills, others may opt to take the ‘low road’ to offering apprenticeships – trying to drive down content and quality in order to recoup their funds. In this sense, there is a real risk of the new apprenticeship system repeating many of the same mistakes as the previous system that it is replacing.

Figure 4.1 summarises how the new apprenticeship system might play out in certain sectors of the economy.

FIGURE 4.1

What the new apprenticeship system could mean for different sectors of the jobs market



The way in which the apprenticeship system will work in areas of the economy that have small employers and a weak sense of occupational formation is a matter of particular concern, given the way that our jobs market is changing. As the boxed text below shows, over the last 40 years there has been a shift away from ‘career jobs’ with large employers which lend themselves well to the sort of employer-led apprenticeship programmes being created by the government. There has been a big growth in service sector jobs, and the labour market has grown more flexible. These trends are set to change again, with the recent growth of more self-employment and the ‘gig economy’. The changing structure

of the jobs market could have a profound impact on the success of the apprenticeship system in certain sectors.

The changing nature of work

The new apprenticeship system will work well in sectors of the labour market that consist of large employers who share a strong sense of occupational identity and are committed to training their future workforce. However, an increasing share of Britain’s jobs market looks very different from this. Over the last 50 years there has been a profound change in the nature of work – and this is set to continue as a result of technological change. It is therefore important to design an apprenticeship and training system that works in this context.

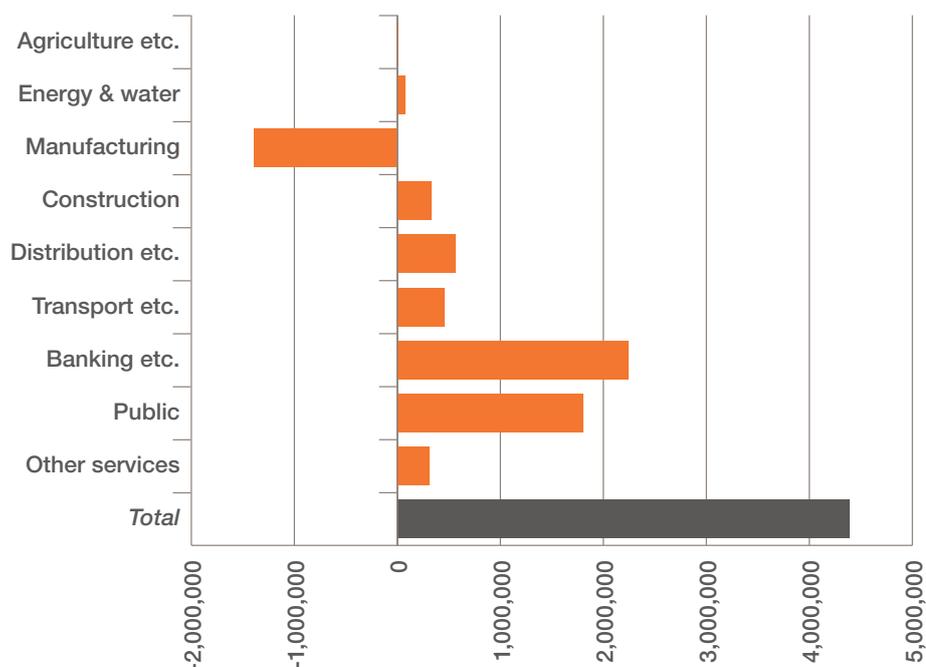
A growth in service sector jobs

Apprenticeships have historically been confined to areas with a focus on technical or craft skills. But over the last 50 years our economy has restructured towards the service sector – with fewer jobs in more traditional manufacturing sectors. As figure 4.2 illustrates, even before the onset of the last recession there had been a sharp decline in the number of people employed in manufacturing, and a sharp increase in the number employed in service sector jobs such as business services and public administration. These sectors tend to require different skills and have different approaches to training their workforce than those in more technical fields.

FIGURE 4.2

A growing share of UK jobs are in the service sector

Change in number of jobs by industry in the UK, Q1 2000–Q1 2016



Source: ONS, 'JOBS02: Workforce jobs by industry' (ONS 2016)

A polarised jobs market

Apprenticeships have traditionally been designed to serve intermediate technical occupations. However, over the last 50 years there has been a gradual ‘hollowing out’ of mid-skilled jobs, with more jobs created either in high-skilled professional occupations (such as management consulting), or low-skilled service sector occupations (such as retail and hotels). Eleven million people in the UK work in low-wage sectors, accounting for one-third of all employment. Many of these sectors do not have the same need or commitment to train their workforce.

TABLE 4.1

A third of jobs in the UK are in low-wage sectors which may not involve training

Low-wage sectors’ GVA share and employment share, 2014

	Share of GVA (%)	Share of employment (% hours)
Low-wage sectors	23%	33%
<i>Of which...</i>		
Wholesale and retail trade; repair of motor vehicles & motorcycles	12%	15%
Administrative & support service activities	5%	8%
Accommodation & food service activities	3%	6%
Arts, entertainment & recreation	2%	2%
Agriculture, forestry & fishing	1%	2%

Source: Thompson et al, *Boosting Britain's low wage sectors* (Thompson et al 2016)

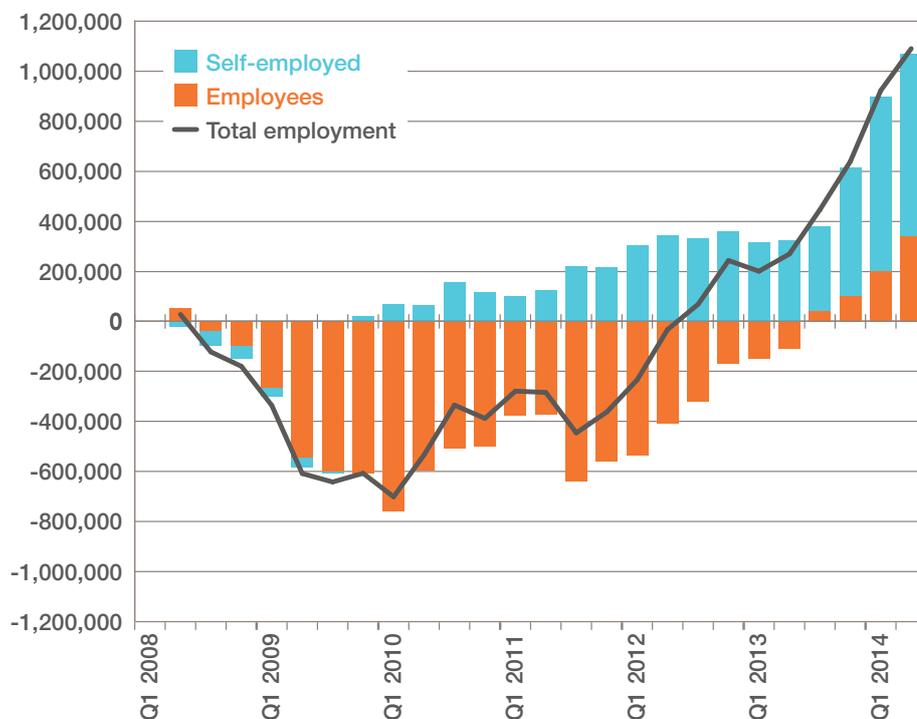
More flexible jobs

Apprenticeships are primarily jobs with training. An apprentice should therefore be employed in a job that can open up opportunities for progression. However, the British jobs market has recently seen a big increase in flexible working. First, there has been an increase in part-time jobs, which now account for 25 per cent of the workforce (Colebrook et al 2015). Second, there has been a growth in short-term contracts, with nearly 700,000 people on a ‘zero hours’ contract as their main job (ONS 2014). Third, there has been an increase in the number of self-employed people, who now make up 14 per cent of the workforce (Colebrook et al 2015). Technology is having a particularly profound effect as it becomes easier to match goods and services directly to consumers. There has been a large growth in self-employment at the lower end of the labour market, where companies like Deliveroo and Uber rely on individuals to be self-employed.

FIGURE 4.3

The growth in total employment in recent years has been driven in part by rising levels of self-employment

Change in the number of employees and self-employed people since Q1 2008, UK (thousands)



UK Parliament, *The self-employment boom* (UK Parliament 2015)

Growth of small and medium-sized firms

Apprenticeships have traditionally been designed to help induct a young person into a firm and then help them progress into a career. While this can work well in large firms, it is harder in small and medium-sized firms where the opportunities for progression might be more limited. Over recent years there has been a growth in the number of people employed in SMEs. The number of SME employers has increased by 18 per cent since 2000, and in 2015 total employment in SMEs was 15.6 million, meaning it accounted for 60 per cent of all private sector employment in the UK (BIS 2015b).

A decline in formal training

In addition to changes in the types of job available, there has also been a change in the extent and nature of workplace training (although it is difficult to get accurate data on the nature and quality of training offered by UK firms). Surveys of employers and employees show that the proportion of employees participating in workplace training has remained reasonably constant since the early 2000s. They also show that there has been a change in the mode of training, with more workers enrolled in self-teaching and online courses. However, data on the number of people participating in training masks a much bigger drop in the volume – or duration – of training that is taking place. A comprehensive study of survey data shows that a sharp drop in the duration of training courses resulted in the

average training volume per worker declining by about a half between 1997 and 2012, with young people being particularly affected.⁸

Against this backdrop, the government has designed an approach to apprenticeships which relies on getting an entry-level job at a large company and progressing within that company over a number of years. While of course this still happens, and there are some major employers who want to recruit young people and train them up, this is no longer the normal pattern of work. Apprenticeships need to reflect the changing nature of work, with more jobs in different types of companies, including self-employment, potentially more than one job at a time, and a portfolio career. The new standards and the levy may work for the sectors that have both large companies and a sense of occupational formation and progression, but this is no longer the general pattern of work.

The following chapter highlights our specific concerns about the recent apprenticeship reforms.

8 Green et al (2013) gives a detailed explanation of these findings.

5. NEW APPRENTICESHIPS – REPEATING THE SAME OLD MISTAKES?

5.1 APPRENTICESHIPS IN SMALL AND MEDIUM-SIZED COMPANIES

The new system will place an increased burden on small and medium-sized employers to administer apprenticeships, while continuing to require them to make a financial contribution to the cost. There is therefore a risk that the majority of employers will not engage in the programme.

The government's primary aim is to increase the number of employers offering apprenticeships, to help it meet its target of 3 million apprenticeship starts by the end of the parliament. Given SMEs employ around 60 per cent of the private sector workforce, they will be crucial for delivering any expansion of apprenticeships (BIS 2015b).

SMEs have had a mixed record at offering apprenticeships in the past. Surveys show that the majority of businesses offering an apprenticeship are SMEs (Frearson 2016) – but this is to be expected given that there are far more SMEs in the economy as a whole. A more accurate measure is the number of apprentices employed by different types of firm. In 2012, 58 per cent of all apprentices were trained at the largest organisations in the economy (those with 100 or more employees) despite the fact that these firms only accounted for 48 per cent of the total workforce (BIS 2013). Indeed, 28 per cent of apprentices were employed just in the head offices of these companies (ibid).⁹ This is a particular problem given that SMEs make up a growing proportion of the jobs market and will therefore be essential in helping the government to expand the number of apprenticeships available. Businesses with fewer than 250 employees made up 60 per cent of private sector employment in the UK in 2015, with an additional 17 per cent of employment from business with no employees (House of Commons Library 2015). This last group has seen high levels of growth in recent years, as discussed above.

There are a number of barriers to small and medium-sized firms offering apprenticeships, including the financial cost, the difficulty of creating new roles, and the administrative cost of running a programme. A survey of employers who do not offer apprenticeships revealed that 20 per cent did not take part in the programme because they believed apprenticeships were not suitable due to the small size of their establishment, while

⁹ While some sectors do have a lot of apprentices employed in SMEs, these tend to be restricted to professional trades such as construction, which have a longer history of training apprentices and operate their own sector training levy.

8 per cent said they could currently not afford it (UKCES 2014). There are clearly large structural barriers to overcome.

The Federation of Small Businesses also report many problems among their members trying to employ apprentices, with a particular focus on the process. One of their members said:

'There are so many pressures on small businesses already. The system's become so complex, so emotionally draining and time-consuming, it's putting employers off. Instead they'll say, "If we're going to employ a young person we'll do it in-house".'

FSB 2016

We do not believe that the new apprenticeship system will overcome these barriers. The proposed levy will only apply to large firms with a wage bill of over £3 million. These firms make up less than 2 per cent of employers, which means that the remaining 98 per cent of employers will not have a financial incentive to take part. Smaller companies who are not caught by the levy will have to contribute around one-third of the cost of delivering an apprenticeship. This is only slightly more generous than the current system, where employers have to contribute around half of the cost. It seems unlikely that a small reduction in cost will be sufficient to generate a big change in behaviour and overcome long-held reluctance to train workers. Alison Wolf, in her evidence to the Education and BIS joint select committee inquiry in June 2016, questioned why the government was effectively splitting the policy between large and small companies (Education Select Committee 2016). In other countries, there is no such division, and companies of a range of sizes are involved in delivering apprenticeships.

While there will be little change to the financial incentives on SMEs to employ apprentices, the new system will place an additional administrative burden on employers. Employers will be responsible for actively contributing through co-investment, and then finding and part-paying a training provider to deliver the off-the-job training. This represents a marked change from the current system, where training providers are in the driving seat. This administrative burden could create an additional barrier to SMEs taking part.

A final concern surrounds the extent to which SMEs will 'buy in' to the content of new apprenticeship standards. The government has explicitly tried to engage employers more directly in setting the content of new apprenticeships, and smaller companies have to be involved in the development of the new apprenticeship standards. However, the involvement of two or three SMEs in developing a standard does not guarantee that it will subsequently be accepted and used by hundreds of other firms in that sector. In the past, the apprenticeship system has suffered from a small group of dynamic employers working to develop new qualifications, which have then sat idle as other employers in that sector fail to use them. Many of the apprenticeship frameworks were never used. Of the 203 apprenticeship frameworks currently in use, 44 frameworks were at level 4 or above, yet only 3.4 per cent of apprenticeships were delivered at level 4 or above. It is conceivable that this problem will be

replicated under the current system, with a small group of employers developing new ‘apprenticeship standards’ that are rarely used or followed.

Relatedly, it is unclear how SMEs will fare when developing standards in sectors that do not have the support of large employers. Following the introduction of the apprenticeship levy, large employers have a clear incentive to invest time and resources in developing new standards, which can then be used by smaller employers in their supply chains. However, in sectors where there are few large employers to take on this mantle, it is unclear whether SMEs will have the capacity, incentive or structures in place to come together and develop new standards. Some of these areas have begun the process, for example in video games and early years, but the approval process can take much longer in these kinds of sectors as they contain large high numbers of SMEs.

Policy implication

The government should consider extending the levy to cover smaller employers, and should investigate ways to reduce the administrative burden on employers.

5.2 EMPLOYERS RE-BADGING EXISTING TRAINING

Some employers (especially those operating a ‘low pay, low skill’ business model) could re-badge existing staff training as apprenticeships, in order to secure government money or ‘recoup’ their apprenticeship levy. This means there could be little additional training and skills development delivered as a result of the new system, and it could devalue the apprenticeship brand more widely.

Compared to their northern European counterparts, British firms have historically struggled to invest in improving skills. Only two-thirds of employers organise and pay for any training for their staff – let alone invest in high-quality off-the-job training (UKCES 2016). What’s more, the propensity for employers to pay for training has not changed since 2011, so there has been no explicit increase as the UK has moved out of recession (ibid). This is partly because the British jobs market is characterised by more service sector firms that do not have a sense of occupational formation and operate a ‘low pay, low skill’ business model. These firms are able to remain profitable while not investing in improving productivity (Lanning and Lawton 2012).

In the past, there were concerns about the way apprenticeships played out in this part of the jobs market. In 2012, the BIS select committee inquiry into apprenticeships heard reports that many employers re-organised their employee training, typically induction and understanding how equipment worked, to fit an apprenticeship framework. This enabled them to use the government contribution for apprenticeships to pay for job-specific training, substituting funds they might have received under previous programmes (such as Train to Gain) or might have provided themselves. Many employers simply enrolled existing employees onto apprenticeship programmes, rather than creating new pathways for young people to enter the workplace. This meant that although there was a rapid growth in the number of

apprenticeships in the run-up to 2012, there was not a big change in the overall amount of training that occurred.¹⁰

The government tried to address this problem in 2012 by introducing a series of ‘minimum standards’ that apprenticeships had to meet, including a stipulation that they had to be at least 12 months in duration and contain a substantial amount of off-the-job training. These reforms were welcomed by campaigners in the sector, and led to a halt in some of the worst practices taking place. Nevertheless, even in 2014, 64 per cent of all apprentices were internal recruits (BIS 2014) – challenging the notion of an apprenticeship being a new job created to help induct a young person into a wider occupation. This can also be inferred from the changing age profile of apprenticeships to older age brackets (see table 2.1).

There do not appear to be any additional safeguards in the new apprenticeship system to address these concerns. The apprenticeship levy will draw more employers into the system who, by definition, have not previously engaged in delivering substantial amounts of training and are likely to operate a low-productivity business model. At the same time, it will give these employers more control over setting the content of apprenticeship standards and assessment, and more power over buying the educational element of the training from private training providers. In these circumstances, it is possible to see employers opting to try to rebadge as much existing and job-specific training as possible into an apprenticeship, rather than undertaking the much harder work of rethinking their business model and trying to move up the value chain.

In the past, the apprenticeship frameworks in business administration, customer service and retail were all criticised along these lines. It is too early to tell whether the new apprenticeship standards in these areas will fall victim to the same mistakes, but early indications are worrying. As the case study below demonstrates, the new level 2 retailer standard does not appear to require high-quality training that will help a young person progress in a career.

Case study: level 2 retailer apprenticeship

In sectors without a strong professional identity, it is more difficult to clearly develop a high status apprenticeship. For example, the retail level 2 apprenticeship standard to become a retailer has had no involvement from a professional body.¹¹ It contains no qualification, so an apprentice completing a retailer apprenticeship will receive a certificate of completion, following at least a year of training and, assuming they already have their English and maths qualifications, nothing else. The standard is designed so that a company could tailor it to their particular circumstances, and it could explicitly involve the induction, learning to use the till, and so on. While an employer subject to the levy would of course use the levy to pay for an apprenticeship, it is not clear that an employer not subject to the levy would pay for it. There is also currently no obvious progression route to a level 3 apprenticeship or above available.

¹⁰ See Dolphin and Lanning (2011) for a detailed explanation of this argument.

¹¹ The retailer apprenticeship standard can be found at <https://www.gov.uk/government/publications/apprenticeship-standard-retailer>.

It is not clear how much more an apprentice in retail would learn than someone who was simply starting out in their first job in retail, and the only advantage for an apprentice is that they receive a confirmation that they have passed their apprenticeship after the independent assessment.

Policy implication

The government should restrict apprenticeships to those sectors in which apprenticeships can add real value. In line with the Sainsbury Review (ITEC 2016), we agree that there should be 15 technical routes, restricted to skilled occupations in which there is a substantial requirement for technical knowledge and practical skills. The government should also consider (re)introducing a more formal qualification element to apprenticeships.

5.3 CREATING A MARKET IN LOWER-LEVEL APPRENTICESHIPS

A market that delivers the cheapest possible apprenticeship for the largest group of people could develop in some sectors. This is because training providers may compete on the basis of price, not quality, to offer apprenticeships to employers who are keen to recoup their apprenticeship levy. This would see poor-quality and job-specific training being provided, rather than the high-quality training that helps (young) people enter a wider profession or occupation.

Across all education sectors, further education has the greatest proportion of for-profit providers. Private training providers deliver approximately 75 per cent of apprenticeships (AELP 2016). The vast majority of apprenticeships are therefore delivered by providers making profit from their educational delivery. While many profit-making companies are responsible and provide a high-quality service, others have exploited weak regulation and offered poor-quality or even fraudulent provision in order to make money.

A number of concerning practices were highlighted in the 2012 BIS select committee report on apprenticeships. The most notorious organisation was Elmfield Training, which closed in 2013. In 2011, the company made a pre-tax profit of £12.3 million from delivering apprenticeships, many of which were for Morrisons supermarket. In 2013, their Ofsted inspection gave it an overall level 4 ‘inadequate’ grade:

‘Leadership and management are inadequate. Despite the provider’s efforts to support learners last year, it has been ineffective at ensuring that the learners, part of the very large and ambitious Morrisons’ contract, complete their apprenticeship framework qualifications in the retail and business administration areas within their planned time.’

Ofsted 2013

There were concerns about the quality of training providers back in 2009 when the National Institute of Adult Continuing Education (NIACE), in its inquiry into lifelong learning, highlighted the rapid growth of training providers between 2000 and 2008. Michael Wilshaw took over at Ofsted in 2012, and his first annual report highlighted a need for an ‘urgent and major challenge for the [further education and skills] system’ (Ofsted 2012).

The situation up to 2015 seems to have changed little, with the Ofsted report for Next stating:

‘Too many apprentices withdraw from their learning; the support provided for them is inadequate and does not ensure that they remain on their apprenticeship... initial information, advice and guidance do not ensure apprentices fully understand the demands of learning and working in retail and call centre environments... the coordination of the retail skills diploma by in-store assessors and the retail knowledge components taught by subcontractor staff, is inadequate... apprentices do not receive a sufficiently comprehensive and timely assessment of their English and mathematics skills, or prompt access to tuition and support that meet their identified needs.’

Ofsted 2015

In some cases, the current system has encouraged private training providers to deliver apprenticeships for only the government contribution, assuring employers that they need only provide their contribution in kind and not as a payment to the training provider. This means many private training providers are delivering apprenticeships to over-25-year-olds, where the biggest growth in apprenticeships has taken place, at 40 per cent of the cost of an apprenticeship for a 16–18-year-old.¹² Given that some of these organisations are also making a large profit, it is hard to see how quality could be maintained in this situation.

The new funding arrangements will shift the focus to employers, rather than training providers, who have previously been able to market apprenticeships to employers on the basis of government funding. Instead, training providers (both independent training providers and colleges/local authorities) will be marketing themselves to employers who will be able to pick the training provider that best meets their needs. It is likely that, as now, training providers will either specialise in particular sectors and levels, or offer a wide range of apprenticeships.

This approach will work well in sectors characterised by dedicated employers who are keen to buy the best quality education provision for their apprentices. Sectors such as finance or IT, for example, will ideally want a local training provider able to offer high-quality training at a variety of levels to support their apprentices to progress. They may even be willing to pay a bit extra to the training provider for specific, employer-related training as part of the apprenticeship, as many engineering companies such as Rolls-Royce already do.

¹² This is because government funding for adult apprenticeships only covers 40 per cent of the cost; whereas the government pays 100 per cent of the cost for training a 16–18-year-old.

However, where this employer commitment does not exist, it is possible to imagine a very different model emerging. A large employer, for example in a retail business, may want to maximise the number of apprentices in order to recoup their levy. Their priority might be to buy low-cost, job-specific training at level 2, that can be rolled out across their business. The imperative will therefore be to find a training provider who can offer high-volume, discounted training for their apprentices. It is possible to imagine the market for this sort of apprenticeship provision growing as more large firms are drawn into the system as a result of the levy.

Policy implication

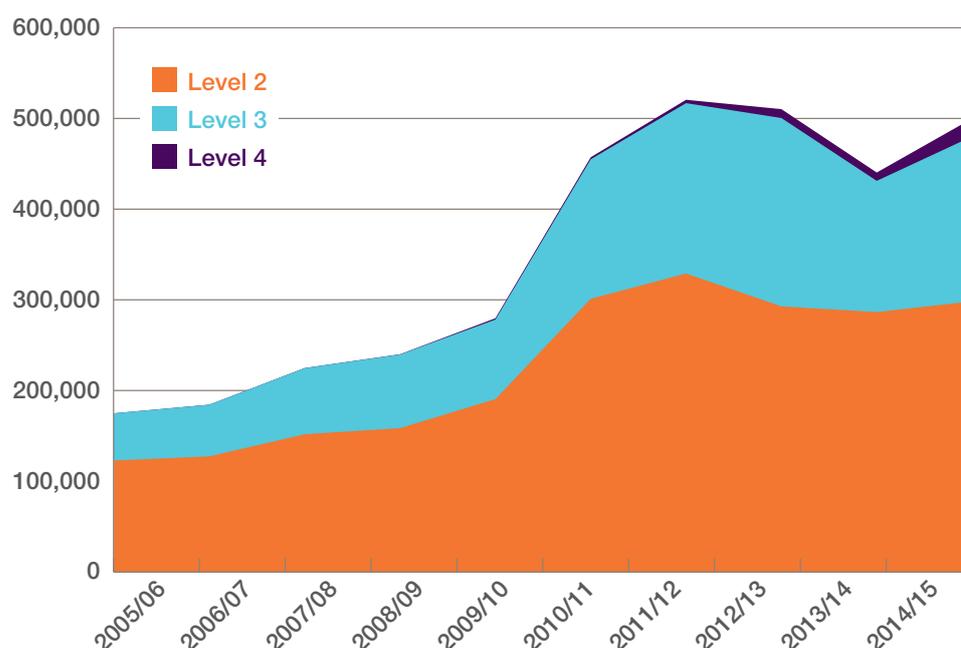
The government should tighten up the regulation of the new apprenticeship standards, in line with a strengthened Institute of Apprenticeships, and a single common framework of technical standards, as proposed by the Sainsbury Review (ITEC 2016).

5.4 PROGRESSION AND OCCUPATIONAL FORMATION

The government's target to create 3 million apprenticeships will encourage as many starts as possible, which could see apprentices being placed on inappropriate levels. It could also incentivise pushing existing employees onto apprenticeship programmes, potentially at the cost of providing new routes into work for young people.

FIGURE 5.1

The number of apprenticeship starts at level 4 and above only accounted for 3.4 per cent of starts in 2014/15
Apprenticeship starts by level, 2005/06–2014/15



Source: BIS and SFA, 'Apprenticeships Data' (BIS and SFA 2016a)

There has been a longstanding concern with the lack of pathways for people to progress from lower- to higher-level apprenticeships. One of the key questions for the new apprenticeship standards is therefore how they will enable progression within a sector. This was a key concern raised in the recent Sainsbury Review (ITEC 2016).

We are concerned that the target to achieve 3 million apprenticeship starts by 2020 means that the government will be more focused on increasing the number of starts, rather than pushing for progression within apprenticeships. In recent years, apprenticeship starts have predominantly been at levels 2 and 3. Despite a number of policymakers calling for an increase in the number of apprenticeships at level 4 and above, they only accounted for 3.4 per cent of starts in 2014/15 (see figure 5.1). Concerns have also been raised that apprentices struggle to move up into higher skilled roles. For example, 80 per cent of apprentices over the age of 19 starting a level 2 apprenticeship already hold a level 2 qualification (BIS and SFA 2016b). This challenges the notion that young people are using apprenticeships to ‘upskill’ and transition into more highly skilled roles.

The government’s recent reforms, including the promise of an apprenticeship levy and the development of new employer-led standards, appears to have galvanised some sectors into action. Both finance and law, for example, have developed standards at level 2, 3 and 4, demonstrating a clear progression pathway for learners. However, this has not been true of all sectors, with retail having only developed a level 2 standard at the moment. Healthcare currently has two level 2 standards approved and one at level 5 – meaning that there is no way for apprentices to move through different levels.

The sectors listed in the new apprenticeship standards range from butchery to financial services, so cannot be considered to be consistent in size, whether in terms of employers, workforce or turnover. The sector with the most standards approved so far is financial services, with 11, closely followed by digital industries with 10, while retail only has one.

There are also concerns regarding the ability of the upper-secondary education system to sufficiently prepare pupils to move into level 3 apprenticeships. Indicators of a problem in this area, outlined in detail in the recent Sainsbury Review (ITEC 2016), include the fact that many 16–18-year-olds lack substantial work experience and core literacy and numeracy skills, and take courses that do not fit into a clear ‘pathway’ that leads into a chosen sector or career. This suggests that one of the barriers to greater progression into higher skilled apprenticeships may actually be how well young people are prepared in the ‘pre-apprenticeship’ phase of education.

While it is too early to make a definitive assessment about the government’s reforms, it appears that many sectors will remain reluctant to develop coherent progression pathways. There is clearly more to be done to ensure that all sectors create an appropriate progression route within the apprenticeship model.

Policy implication

The government should encourage the growth of apprenticeships at level 3 and above, with the ultimate aim of all apprenticeships being delivered at these levels. In order for this to be successful, it must also create a more clearly defined 'pre-apprenticeship' route at level 2, to ensure that young people can progress into an apprenticeship.

6. CONCLUSION

We support the government's ambition to create a high-quality apprenticeship system in England. Increasing the number of 'learning and earning' routes for young people could help address a number of problems including the collapse of the youth labour market and low productivity in British firms.

The government has taken a number of steps in the right direction – including the decision to require apprenticeships to last at least 12 months and to include a substantial amount of off-the-job training, and the decision to impose a levy to ensure that all large employers contribute. We believe that the move to create an 'employer-led' system will work well in sectors where there is already a strong sense of occupational identity and a commitment to train up the next generation of the workforce.

However, the new apprenticeship system does not reflect the reality of the 21st-century jobs market in Britain. The jobs market has changed rapidly since the days when apprenticeships were the norm – with more SMEs, flexible jobs and service sector jobs. There are clear lessons from previous attempts to expand apprenticeships in these sectors that should be heeded, particularly around the quality and length of apprenticeships. If the government does not adjust its proposals for the new apprenticeship system, it risks repeating the same old mistakes.

Next steps for IPPR's New Skills at Work programme

This introductory paper identifies a number of strengths of the government's vision for apprenticeships – among them, the decisions to introduce a levy on employers, and to involve employers in the system to a greater extent. However, it has also raised concerns about some recent developments, including the following findings

- **employers are reluctant to take part**
- **there is limited progression on to higher skill levels**
- **the content of apprenticeships can be too 'job specific'**
- **employers may re-badge existing training courses for adults rather than create new roles.**

We believe that these problems affect young people particularly acutely. In our next paper we will explore these problems specifically through the lens of young people going through the apprenticeship system, and provide recommendations for how it can be improved.

REFERENCES

- Association of Employment and Learning Providers [AELP] (2016) 'Three quarters of Apprenticeships are delivered by training providers, new data reveals' press release, 10 June 2016. <http://www.aelp.org.uk/news/pressReleases/details/three-quarters-of-apprenticeships-are-delivered-by/>
- Association of Tax Technicians [ATT] (2016) Apprenticeship programme descriptions, webpages. <https://www.att.org.uk/students/higher-apprenticeships/new-trailblazer-apprenticeship-scheme-2017>, <https://www.att.org.uk/students/higher-apprenticeships/apprenticeship-framework>, <https://www.att.org.uk/students/higher-apprenticeships/progression-apprenticeship>
- Colebrook C, Cory G, Dolphin T, Doyle P, Fox Carney D, Hatfield I, McNeil C, Pontin G and Stirling A (2015) *European jobs and skills*, IPPR. <http://www.ippr.org/publications/european-jobs-and-skills-a-comprehensive-review-2015>
- Confederation of British Industry [CBI] and Pearson (2015) *Inspiring Growth: Education and Skills Survey*. <http://news.cbi.org.uk/reports/education-and-skills-survey-2015/education-and-skills-survey-2015/>
- Department for Business, Innovation and Skills [BIS] (2013) *Apprenticeships Evaluation: Employer*. https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/230001/bis-13-1125-apprenticeships-evaluation-employer.pdf
- Department for Business, Innovation and Skills [BIS] (2014) *Estimation of the Labour Market Returns to Qualifications gained in English Further Education*. https://www.aoc.co.uk/sites/default/files/BIS%20Estimation_of_the_labour_market_returns_to_qualifications_gained_in_English_Further_Education_-_Final_-_November_2014.pdf
- Department for Business, Innovation and Skills [BIS] (2015a) *English Apprenticeships: Our 2020 vision*. <https://www.gov.uk/government/publications/apprenticeships-in-england-vision-for-2020>
- Department for Business, Innovation and Skills [BIS] (2015) 'Business population estimates for the UK and regions 2015', statistical release. https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/467443/bpe_2015_statistical_release.pdf
- Department for Business, Innovation and Skills [BIS] (2016) *Apprenticeships Evaluation 2015: Employer Summary Report*. https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/522149/bis-16-256-apprentice-evaluation-employer-survey-2015.pdf
- Department for Business, Innovation and Skills Select Committee (2012) *Apprenticeships*, House of Commons, HC 83-1. <http://www.publications.parliament.uk/pa/cm201213/cmselect/cmbis/83/83.pdf>
- Department for Business, Innovation and Skills [BIS] with Skills Funding Agency [SFA] (2016a) *Apprenticeships Data: Apprenticeships geography, equality & diversity and sector subject area: starts 2002/03 to 2015/16 reported to date from FE Data Library: Apprenticeships*. <https://www.gov.uk/government/statistical-data-sets/fe-data-library-apprenticeships>
- Department for Business, Innovation and Skills [BIS] with Skills Funding Agency [SFA] (2016b) 'Statistical First Release: Learner Participation Outcomes and Level of Highest Qualification Held'. <https://www.gov.uk/government/statistics/learner-participation-outcomes-and-level-of-highest-qualification-held>
- Dolphin T (ed) (2015) *Technology, globalisation and the future of work in Europe*, IPPR. <http://www.ippr.org/publications/technology-globalisation-and-the-future-of-work-in-europe>
- Dolphin T and Hatfield I (2015) *The missing pieces: Solving the UK's productivity puzzle*, IPPR. <http://www.ippr.org/publications/the-missing-pieces-solving-the-uks-productivity-puzzle>

- Dolphin T and Lanning T (eds) (2011) *Rethinking Apprenticeships*. <http://www.ippr.org/publications/rethinking-apprenticeships>
- Education Select Committee (2016) 'Oral evidence from Baroness Wolf', Sub-Committee on Education, Skills and the Economy, June. <http://data.parliament.uk/writtenevidence/committeeevidence.svc/evidencedocument/subcommittee-on-education-skills-and-the-economy/apprenticeships/oral/34348.html>
- Federation of Small Business [FSB] (2016) 'Policy and Research: Apprenticeships', webpage. <http://www.fsb.org.uk/standing-up-for-you/policy-issues/education-and-skills/apprenticeships>
- Frearson M (2016) *Viewpoint: Bumpy road ahead for English apprenticeships?*. http://www.sqw.co.uk/files/6614/6653/0785/English_Apprenticeships_SQW_Viewpoint_Series.pdf
- Green F, Felstead A, Gallie D, Inanc H and Jewson N (2013) *What Has Been Happening to the Training of British Workers?*, published by the Centre for Learning and Life Chances in Knowledge Economies and Societies. <http://www.llakes.ac.uk/sites/llakes.ac.uk/files/43.%20Green%20et%20al.pdf>
- Holmes and Mayhew (2015) *Over-qualification and skills mismatch in the graduate labour market*, Chartered Institute of Personnel and Development. <https://www.cipd.co.uk/binaries/over-qualification-and-skills-mismatch-graduate-labour-market.pdf>
- House of Commons Library (August 2015) Briefing Paper: Apprenticeships Policy, England 2010-2015, Number CBP 7278
- House of Commons Library (December 2015) 'Briefing Paper: Business Statistics', Number 06152
- Independent Panel on Technical Education [ITEC] (2016) *Report of the Independent Panel on Technical Education*, Department for Education. https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/536046/Report_of_the_Independent_Panel_on_Technical_Education.pdf
- Lanning T and Lawton K (2012) *No Train, No Gain: Beyond Free-Market and State-Led Skills Policy*, IPPR. <http://www.ippr.org/publications/no-train-no-gain-beyond-free-market-and-state-led-skills-policy>
- National Foundation for Educational Research [NFER] (2015) *A literature review of the value of vocational qualifications*. <https://www.nfer.ac.uk/publications/JCQR01/JCQR01.pdf>
- Office for National Statistics [ONS] (2016) 'JOBS02: Workforce jobs by industry', dataset, 15 June 2016. <https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/datasets/workforcejobsbyindustryjobs02>
- Office for National Statistics [ONS] (2014) 'Statistical Bulletin: Business Demography: 2014'. <https://www.ons.gov.uk/businessindustryandtrade/business/activitysizeandlocation/bulletins/businessdemography/2014>
- Office for National Statistics [ONS] (2014) 'Analysis of Employee Contracts that do not Guarantee a Minimum Number of Hours', statistical release, 30 April 2014. <http://www.ons.gov.uk/ons/rel/lmac/contracts-with-no-guaranteedhours/zero-hours-contracts/art-zero-hours.html>
- Offord P (2014) 'Agency clears Elmfield Training of falsely claiming for learners on Morrisons apprentice scheme', *FE Week*, 8 April 2014. <http://feweek.co.uk/2014/04/08/exclusive-agency-clears-elmfield-training-of-falsely-claiming-for-learners-on-morrisons-apprentice-scheme-in-a-two-page-report-following-a-six-month-investigation/>
- Ofsted (2012) *Annual Report*. https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/379244/The_20Annual_20Report_20of_20Her_20Majesty_27s_20Chief_20Inspector_20of_20Education_2C_20Children_27s_20Services_20and_20Skills_202011-12.pdf
- Ofsted (2013) *Inspection Report: Elmfield Training*
- Ofsted (2015) *Inspection Report: Next Retail Limited*
- Richard D (2012) *The Richard Review of Apprenticeships*. https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/34708/richard-review-full.pdf
- Skills Funding Agency [SFA] (2016) *Apprenticeship Standards*. <https://www.gov.uk/government/collections/apprenticeship-standards>

- Thompson S, Colebrook C, Hatfield I and Doyle P (2016) *Boosting Britain's low-wage sectors*, IPPR. <http://www.ippr.org/publications/boosting-britains-low-wage-sectors-a-strategy-for-productivity-innovation-and-growth>
- UK Commission for Employment and Skills [UKCES] (2011) *Employer Ownership of Skills: Our Vision*. https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/306691/employer-ownership-of-skills-vision-report-final2.pdf
- UK Commission for Employment and Skills [UKCES] (2014) *Employer Perspectives Survey 2014: UK Results*. https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/373769/14.11.11_EPS_2014_-_Main_Report_full_V2.pdf
- UK Commission for Employment and Skills [UKCES] (2016) *Employer Skills Survey 2015: UK Results*. https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/525444/UKCESS_2015_Report_for_web_May_.pdf
- UK Parliament (2015) *The self-employment boom: Key issues for the 2015 Parliament*. <https://www.parliament.uk/business/publications/research/key-issues-parliament-2015/work/self-employment/>
- Wolf A (2011) *A Review of Vocational Education: The Wolf Report*. https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/180504/DFE-00031-2011.pdf