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Apprenticeship: a key route to skill

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(Q) refers to a question in oral evidence

(p) refers to a page of written evidence

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ABSTRACT

The UK has an excellent record in higher education but a poor record in providing skills for the rest of the population. The result is unnecessarily low productivity and low wages for many, to the detriment of the economy, as well as needless disaffection among the young.

To tackle this problem, we recommend renovating and expanding the existing apprenticeship system. Apprenticeship gives young people the skills that employers demand, which in turn boosts their wages. In most European countries, such systems are the main route to skill for up to half of all young people, and comparable opportunities are badly needed here. In Britain, by contrast, we found that many who could and should benefit from apprenticeship have not done so.

To rectify this situation, urgent action is required:

- Many young people leave school without the basic functional literacy and numeracy required for apprenticeship. Early action by the Government is needed to improve this situation.
- Many schools also fail to inform many students about apprenticeship. By the age of 14, all school pupils should be fully informed about the opportunities provided by apprenticeship.
- Problems also surround the apprenticeship programmes themselves. The Government has given individual employers too little involvement in how apprenticeships are run, rendering them little more than passive partners. Employers need to be at the centre of apprenticeship provision. Within five years, all Government funding for apprenticeships should go directly to employers, rather than through training providers as happens today.
- Apprenticeship schemes have suffered from too much emphasis on quantity over quality. Completion rates for advanced apprenticeships remain unacceptably low. Progression through the different levels of apprenticeship and on to higher education also needs to be greatly improved.
- Successive Governments, not least the present Government, have provided poor leadership in tackling these problems. They have unveiled a stream of policy initiatives. But most have failed to deliver. These failures stem from poor implementation, frequent reorganisations, and the absence of a single Government body to take responsibility for apprenticeships.
- The result is that millions of young people have missed vital chances to improve their skills and earnings, representing a serious economic loss to the country. As an important step towards preventing millions more from losing out, we urge the Government to establish a new and powerful unit, reporting directly to a cabinet minister, to 'own' and take responsibility for apprenticeship.

Apprenticeship: a key route to skill

CHAPTER 1: INTRODUCTION

1. **Productivity in Britain continues to lag behind that of our main European competitors. One important reason is the large number of workers in Britain who have low skills and, consequently, low productivity and low pay. Many young people still fail to acquire any adequate level of skill. Young people with low skills on the UK labour market are faced with restricted employment opportunities, and the prospect of a poor quality job.**
2. In his evidence to us, Lord Dearing emphasised the scale of the challenge of educating and training these young people:

“... if this Committee had been sitting, say, 150 years ago, it would have been addressing the same issue. That is how far we are lagging behind countries like Germany and France in basic skills and in technical knowledge”. (Q 370)
3. This issue is increasingly recognised as one of the most serious problems facing our country. At the end of 2006, a major report from Lord Leitch addressed the skills of the adult workforce and focussed in particular on skill formation among adults over 18.¹ At much the same time, the Department of Education and Skills (DfES) published the 14–19 Implementation Plan, outlining the way in which the Diplomas proposed in the 2005 White Paper would be developed and launched.² These diplomas will be mainly gained by full-time study.
4. Our report seeks to complement these developments by focusing sharply on an area which has been seriously neglected: the apprenticeship route, by which young school leavers can gain a skill while studying part-time rather than full-time—learning while earning. For very many young people this is a more attractive route than full-time study, and for employers it guarantees a supply of labour whose skills are directly relevant to the job in hand.
5. It has been calculated that by age 25 around one quarter of the age group in England will have passed through an apprenticeship. Since over half of those recruited to apprenticeship are drawn from the ‘below Level 2 group’³ apprenticeship constitutes an important route to skills for low-skilled young people. We have therefore focused our inquiry on apprenticeship, in particular on quality and outcomes, costs and benefits, the effectiveness of current delivery arrangements and the supply and demand for apprentices.

¹ Leitch Review of Skills, *Prosperity for All in the Global Economy*, HM Treasury, 2006

² Cmnd 6476, *14–19 Education and Skills*, February 2005

³ UK level 2 is 5 or more GCSE passes at Grades A*–C, (G)NVQ2 or vocational equivalent; Scottish equivalent qualifications

CHAPTER 2: BROAD TRENDS IN SKILL DEMAND, AND IMPLICATIONS OF LOW SKILLS OF YOUNG PEOPLE FOR THE UK ECONOMY

6. Since at least the early 1990s, labour market demand for unskilled or low-skilled individuals in advanced industrialised countries has been falling. In his evidence, Professor Stephen Nickell referred to a “continuous shift in the labour market away from unskilled workers towards skilled workers” (Q 9). While numbers in these groups have also been falling, demand has fallen faster and low-skilled individuals—both adults and young people—remain over-represented in unemployment and inactivity.⁴ In two thirds of OECD countries, from 1995 to 2005, the youth to adult unemployment ratio has worsened for young people although the absolute level of long-term unemployment among young people fell over the same period.⁵

Skills of young people in the UK compared to other OECD countries

7. In his evidence, Professor John Martin of the OECD pointed to the significant increase in upper secondary graduation rates in OECD countries in recent years to 80–90% (Q 39). The OECD has stated that “rising skill demands in OECD countries have made completion of upper secondary education [this definition includes apprenticeship] the minimum credential required for successful labour market entry and a basis for further participation in lifelong learning.”⁶ Among OECD countries, the UK has one of the highest proportions of people leaving education at the age of 16 and relatively few still enrolled in education at age 17.
8. On the question of whether proportions of school pupils in the UK with very low basic skills are higher than in other OECD countries, Professor Martin pointed to the OECD PISA 2000 study which tested reading, mathematics and science at age 15 for a wide range of countries including the UK.⁷ This study does not suggest that, at age 15, the UK has a longer tail of very low achievers than other countries.⁸ In fact, PISA (2000) showed the UK as having average scores which placed the UK in the top half of the distribution, with dispersion around the mean not significantly different from other OECD countries.
9. However, the UK performance in improving skills after the age of 15 is significantly worse than that of other countries. Between the ages of 16 and 25, the International Adult Literacy Survey showed UK skill levels to be significantly lower than those of other European countries such as Germany

⁴ OECD, *From Education to Work: A Difficult Transition for Young Adults with Low Levels of Education*, 2005, Annex B Table C.5.1

⁵ OECD, *Starting Well or Losing Their Way? The Position of Youth in the Labour Market in OECD Countries*, 2006, p. 8

⁶ OECD, 2006, *ibid*, p. 13

⁷ OECD, *Knowledge and Skills for Life—First Results from Programme for International Student Assessment (PISA)*, 2001

⁸ Gill B, Dunn M, Goddard E, *Student achievement in England: results in reading, mathematical and scientific literacy among 15 year olds from the OECD PISA study*, London, the Stationery Office Tables A3.1, 4.1 There has been some controversy over the reliability of the results for the UK in PISA 2000 and the UK was excluded from the PISA 2003 survey on grounds of unsatisfactory survey methodology. Results of PISA 2006 are not yet available

and Switzerland.⁹ Much of this catch-up by later ages in other countries is the result of learning gained through apprenticeship.

10. By their twenties, young people in the UK do much less well. Just over one quarter are still below Level 2. The UK has higher proportions of young people in their mid twenties below Level 2 than France, Germany, or Singapore. Only the United States has levels of low skills similar to the UK.¹⁰
11. Almost all growth in the skill levels of the workforce is the result of young people acquiring qualifications and replacing older less-qualified individuals. Tables 1 and 2 show changes in qualification levels for a “pseudo cohort” born in the same year in the UK, France and Germany.¹¹ After age 21 but before they reach their mid-twenties, far higher proportions in France and Germany improve their qualifications than in the UK, indicating that much skill upgrading in those countries takes place when young adults are in their twenties. However, growth in skills from qualifications acquired after the age of 30 is very low in the UK, and negligible in France and Germany.

TABLE 1

Level 2+ and Level 3+ by age for UK, France and Germany

	Percentage at Level 2 and above		
Age	19–21	25–27	31–33
	in 1991	in 1997	in 2003
UK	50	59	62
France	73	83	82
Germany	67	84	84
	Percentage at Level 3 and above ¹²		
Age	19–21	25–27	31–33
	in 1991	in 1997	in 2003
UK	29	39	43
France	30	53	52
Germany	50	78	78

Source: McIntosh (2005) *op. cit.* Table A.5

12. Priority therefore needs to be given to increasing the flows of qualified young people into the labour force as a way of improving the stock of skills overall.

⁹ OECD, *Literacy skills for the knowledge society: further results from the International Adult Literacy Survey*, 1997, Table 1.6, Paris, France

¹⁰ Steedman H, McIntosh S, Green A, *International Comparisons of Qualifications: Skills Audit Update*, DfES Research Report No. 548, 2004, Table 1

¹¹ McIntosh S, *Using Pseudo-Cohorts to Track Changes in the Qualifications of National Populations*, DfES Research Report No. 621, 2005. Pseudo cohorts are artificially created data sets created from repeated cross sections. In this study the repeated cross sections are from the Labour Force Study in each country

¹² UK level 3 is 2 or more A-level passes; (G)NVQ 3 or vocational equivalent; Scottish equivalent qualifications

In this respect, the UK has lagged behind other OECD countries over the last 20 years. While, in almost all other OECD countries, the younger (25–34) age group is much better qualified than the older (45–54) age group, the UK shows almost no difference in skill levels between these two groups and remains towards the lower end of the OECD distribution. (DfES p 111)

Skills, earnings and employment probabilities

13. Workforce skill levels were recognised by Professor Martin as one of at least three important determinants of productivity differences between countries. Poor adult skill levels in the UK were thought by the OECD to explain a part of lower UK productivity relative to other countries. (Q 38)
14. It is widely accepted that skill levels (proxied by formal qualifications) show a strong and regular association with earnings and employment probabilities, and that these differences arise from differences in productivity levels according to skill. Individuals in the UK who fail to reach basic standards of functional literacy and numeracy have been found to have substantially lower earnings and employment levels. Those with no qualifications aged 20–29 have lower earnings and much lower employment probabilities even than those who hold only a Level 1 qualification (DfES p 115). Young people do not appear to suffer low earnings and unemployment from lack of skills to a greater extent than do older workers when all factors are considered. Professor Nickell commented: “A lack of skills is a lack of skills whether you are young or old; people who lack skills have a bad time in almost every aspect of their lives.” (Q 11)
15. On three important measures—unemployment, earnings and job quality—low-skilled young people in the UK fare badly. Unskilled young people have a high probability of unemployment relative to those with some skills (DfES p 116). Hourly earnings remain lower for those with qualifications below Level 2 over the whole working life cycle (DfES p 115). Typical jobs for the young unskilled are insecure and offer no training; furthermore, these young people are frequently ‘churned’ between periods of casual employment and unemployment (Furlong p 208).
16. Since the 1980s, the earnings of the highly-educated have risen faster than the earnings of those who lack skills. A recent study shows that male wage inequality as measured by the 90/10 hourly wage ratio has increased during the past two decades from 2.63 to 3.40 in the UK and from 3.58 to 4.76 in the US.¹³ In Germany, the increase—from 2.53 to 2.86—has been smaller. The study refers to the “dramatic increase in wage inequality since the late 1970s in the US, UK and other Anglophone countries. A significant reason for this is the growth of wage differentials between educational groups ... a fundamental reason for this is a long-run growth in the relative demand for skills driven by technology change ...”¹⁴
17. Witnesses not only emphasised the need to improve skill levels but stressed that an increase to Level 3 is the minimum necessary to minimise the risk of low wage, low skill employment (Vignoles Q 25, Furlong p 208, Ryan Q 298).

¹³ The 90/10 wage ratio is calculated by dividing the average earnings of those whose wages fall within the 90th percentile (richest 10 %) of the wage distribution by the average earnings of those whose wages fall within the 10th (poorest 10 %) percentile

¹⁴ Machin S, Van Reenen J, *Changes in Wage Inequality*, Special Paper No. 18, Centre for Economic Performance, London School of Economics and Political Science, April 2007

18. Improving the skills of young people is not just a question of productivity and economics: skills also improve lives and well-being. In its evidence to us, the Trades Union Congress (TUC) argued that improving access to skills is also an important instrument of social justice, and stressed our collective responsibility towards young people to prepare them better to enter the world of work (QQ 212, 215). Improving skills improves well-being in many ways; health, effective parenting and ability to benefit from lifelong learning opportunities have all been shown to improve when individuals acquire skills.¹⁵ At the same time, propensity to engage in crime is reduced. On the other side of the balance sheet, a recent report from the Prince's Trust warns that youth unemployment is costing the UK economy some £10 million a day in lost productivity. Together with the £20 million-a-week paid out in Jobseeker's Allowance, the young unemployed are costing the UK billions of pounds each year. The Prince's Trust report also reveals that youth crime is costing £1 billion every year while educational underachievement costs £18 billion in lost earnings.¹⁶
19. **UK productivity could improve if the pool of skilled labour could be increased, and the cost to the economy and to society of failure to achieve this would be high. To increase the stock of skills in the UK requires flows of better-qualified young people to replace those retiring workers who have lower skills. As young people with low skills face poor job prospects, it is important to ensure that those who are able to do so acquire a recognised skill.**

¹⁵ *Wider benefits of Learning Research Centre*, Institute of Education, University of London, various reports, 2004–2007

¹⁶ The Prince's Trust, *The Cost of Exclusion; counting the cost of youth disadvantage in the UK*, April 2007

CHAPTER 3: THE CASE FOR INVESTMENT IN APPRENTICESHIP TRAINING FOR LOW-SKILLED YOUNG PEOPLE

Comparing US and European provision for post-16 education and training

20. The UK not only has a high proportion of low-skilled in the young adult population relative to other European countries such as France, Germany and the Netherlands, but also has greater wage inequality than those countries.¹⁷ The US resembles the UK, having similar proportions with low skills in the young population and higher levels of income inequality. By contrast, the European countries cited here all have strong vocational education tracks which include substantial numbers in apprenticeships. Apprenticeships, which last on average for three years, have contributed to some 80% of young people gaining a substantial level of skill and the associated higher productivity.
21. In the US, High School provides mostly general education for 16–19 year olds; apprenticeship is not on offer to young people. Hourly wages in occupations usually carried out by High School drop-outs and High School graduates have not increased in real terms for at least two decades.¹⁸
22. Provision for 16–19 year olds in the UK lies somewhere between the US and European models. In recent years, provision for 16–19 year olds has been moving closer to the European model; apprenticeship—mostly of one year duration—has been revived and developed since 1994. Currently, a Diploma alternative to A-level, combining applied learning in a vocational context with more general study, is under development and it is planned that the first Diplomas will be offered in 2008.

Apprenticeship in the UK since 1994

23. Apprenticeship has a long tradition in Britain but by the early 1990s numbers had fallen to a low level. Apprenticeship was re-launched in 1994 as Modern Apprenticeship with a National Vocational Qualification (NVQ) 3 as its aim, agreed in consultation with the National Training Organisations representative of employer interests in their respective sectors. Apprentices were normally employees and it was expected that they would be accorded some time away from work for off-the-job learning. Costs of assisting the apprentice to gain the expected NVQ and costs of assessment were met out of public funds, while the employer paid wage and all other costs.
24. By 1997, 75,000 were in Modern Apprenticeship but the Level 3 qualification target proved unattainable for many. A lower level apprenticeship with an NVQ 2 target was introduced in 2001.¹⁹ Subsequently, the Modern Apprenticeship was renamed ‘Advanced apprenticeship’, and the lower level (NVQ 2) apprenticeship became the main source of apprenticeship places (Figure 1). Currently, there are three main government-supported programmes offering skills training to young

¹⁷ Machin and Van Reenen, 2007, op.cit

¹⁸ Freeman Richard B, *America Works: the exceptional labour market*, Russell Sage, New York Exhibit 4, 2007

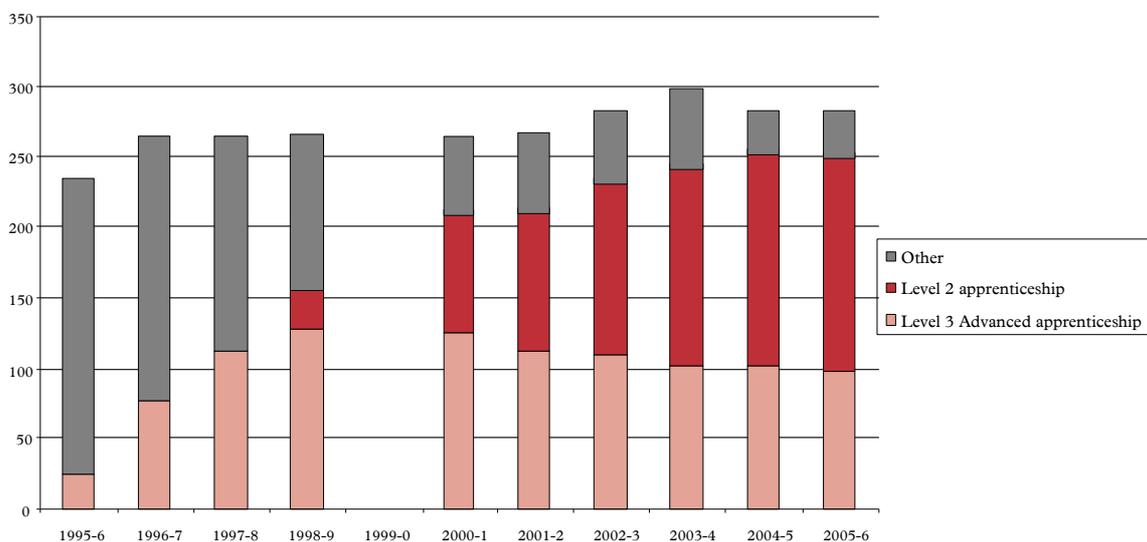
¹⁹ Harris M, *Modern Apprenticeships: An Assessment Of The Government’s Flagship Training Programme*, Institute of Directors Policy Paper, London, August 2003

people: Entry to Employment for those with no or very low prior qualifications, apprenticeship leading to NVQ Level 2, and Advanced apprenticeship leading to NVQ Level 3.

25. Numbers officially ‘in apprenticeship’ have increased substantially since 1996. However, as Figure 1 below shows, most of this increase has been as a result of converting government-supported programmes of work-based learning into apprenticeship. Since 2000, numbers in apprenticeship have increased by almost 20% although growth now appears to have slowed or stalled and numbers in Advanced apprenticeship have fallen. Total numbers on all government-supported work-based learning programmes have hardly changed (+7%) since 2000. The failure to expand significantly workplace-based training over this period suggests a problem with employer demand.

FIGURE 1

Numbers in apprenticeship and other government-supported work-based learning by programme 1995–2006



Note: Other = National Traineeship (prior to 1998), NVQ Learning, Entry to Employment

Source: TEC Management Information; ILR/SFR 05; ILR/SFR 09; ILR/SFR

Young people seeking apprenticeship

26. The Learning and Skills Council (LSC) and the DfES do not record the number of young people who seek an apprenticeship and, as a result, we have only anecdotal information on the extent to which the supply of young people seeking apprenticeship exceeds demand from employers. The evidence strongly suggested that it is not possible to find sufficient places to accommodate all who seek them and that many young people are disappointed (Connexions pp 191–193; CPPR pp 180–184; ALP pp 175–177; see also paras 70–72 below). An example of excess supply quoted to us was the case of JTL, a major supplier of training to the electro-technical sector. We were told that in 2006 JTL received 20,000 applications for apprenticeships in the sector. Of these, 12,000 took the written test that JTL uses to pick out suitable candidates, 9,000 passed and places were found for just 2,500 (Eric Johnson of Northwich Ltd, p 208). Another example was quoted by Professor Lorna Unwin who told us that, based on anecdotal

evidence, British Telecom (BT) had some 15,000 applications for 80 apprenticeship places (Q 93).

27. In the course of this inquiry, the Government published a Green Paper which recognised that “there are more young people who would like to take an apprenticeship place than there are places available”.²⁰ A proposal in the Green Paper is an apprenticeship entitlement by 2013 for all those who meet the entry requirements for the sector. If properly implemented, this policy could help many more young people to find the apprenticeship places they seek.

Apprentices’ views of apprenticeship

28. We visited a training provider and spoke with a number of young men who were engaged in engineering apprenticeships (Appendix 4). Their views of apprenticeship were uniformly positive and enthusiastic. Some hoped to continue to study beyond NVQ Level 3. Young women employees working in a care home also expressed a positive view of the NVQ training they were undertaking in the apprenticeship framework. They saw the qualification as one on which they could build and which might facilitate a career move to other jobs in the sector.
29. Surveys of the views of young people who have experienced apprenticeship are generally positive. In a 1998 survey of young people on Modern Apprenticeship, apprentices said that the range of qualifications, the job-related nature of the training and the fact that they were paid were the most positive aspects of their apprenticeship, while the actual level of pay, long hours and theoretical nature of some of the training were the aspects most frequently criticised.²¹ A study of those who had not completed their apprenticeship training but had moved on to another employer found that, despite not finishing, non-completers were generally very positive about apprenticeship training. Most enjoyed the training (79%) and felt they learned a lot (78%), and half said that it had helped them in their career.²²
30. The Modern Apprenticeship Advisory Committee chaired by Sir John Cassels, which reported in 2001, found that “being paid, achieving a recognised qualification and securing employment were particularly important for young people who were not expecting to perform well in GCSEs. For higher achievers, the range of sectors beyond traditional manual occupations was also an appealing feature.”²³ We also received evidence from Connexions that apprenticeships which provided little or poor quality training and did not allow apprentices time for off-the-job training damaged the image of apprenticeship among young people and could deter others from applying (pp 192–193).

²⁰ DfES, *Raising Expectations: staying in education and training post-16*, 2007, p. 26

²¹ Coleman N and Williams J, *Evaluation of Modern Apprenticeships: 1998 Survey of Young People*, DfES Research Brief No. 93, December 1998

²² IFF Research Ltd, *Modern Apprenticeships: Exploring the Reasons for non-completion in five Sectors*, DfES Research Brief No. 217, August 2000

²³ Report of the Modern Apprenticeship Advisory Committee, *Modern Apprenticeships: the Way to Work*, September 2001, Annex C. The findings were based on a series of focus groups of young people and their parents complemented by a quantitative survey

Young people not in education, employment or training (NEET)

31. Young people not in education, employment or training (NEET) were the subject of great concern in evidence submitted to us (ALP pp 6, 7; NYA p 1; DfES p 122). Some 13% of 16–17 year olds are classified as NEET and numbers have recently increased sharply.²⁴ From Youth Cohort Survey Data, we can see that almost half of the NEET 16 year olds (48%) had either no GCSE passes or fewer than 5 passes at Grades D-G.²⁵ This group is currently not targeted or helped by current active labour market and training measures. Recent growth in NEET numbers has come mainly from the group with below Level 2 qualifications (DWP pp 194, 200).
32. The situation of young adults aged 18–24 is even more alarming. Nearly a fifth of this age group (19%) are not in education, employment or training. The situation of young women is considerably worse than that of young men; over one fifth of young women aged 18–24 are not in education, employment or training compared to 16% of young men. Most of the young people in the NEET group are not long-term unemployed but, as pointed out by Dr Vignoles, move in and out of insecure employment with repeated periods of unemployment (Q 28).

The value of apprenticeship for earnings and employment

33. Vocational qualifications such as NVQ 3 increase the probability of employment and, at Level 3, are also associated with a modest increase in earnings. But a recent study shows that, for the same level of vocational qualification, wage returns to a recent apprenticeship are significantly higher.²⁶ Young men who have a recently completed apprenticeship at Level 3 have an average return of 18% compared to those whose highest qualification is at Level 2 while the corresponding figure for young men with a Level 2 apprenticeship is 16%. Young women have an average wage return of 14% to a recently acquired Level 3 apprenticeship but no significant wage return to a Level 2 apprenticeship. The high level of wage returns to apprenticeship means that the investment in apprenticeship by apprentice, employer and government is likely to yield substantial benefits to all parties.

Benefits to employers

34. The same study points to the implications for employers, who stand to benefit from the increased productivity of those with apprentice training:

“... wage benefits, as an indicator of the future productivity of apprentices, dwarf any costs incurred by the state and employers. In addition, employer training and supervisory costs are offset by the value of the output produced by apprentices. When these low costs are set against the very high estimated wage returns, it is not surprising that the cost-benefit analyses produce the high figures that they do.”²⁷

It is possible that these net benefits might not be quite so substantial if apprenticeships were less selective and undertaken by a larger number of

²⁴ National Statistics, *First Release: Labour market statistics*, 15 November 2006, Table 14

²⁵ National Statistics, *Statistical First Release*, April 2005, Table C

²⁶ McIntosh S, *A Cost-Benefit Analysis of Apprenticeships and Other Vocational Qualifications*, DfES Research Report No. 834, 2007, p.1

²⁷ McIntosh, op.cit. p. 42

young people. Returns to young women are consistently lower than those to young men with apprenticeship. But, overall, the evidence on costs and benefits suggests that there is a strong economic and business case for expansion of apprenticeship, in addition to the compelling case for reducing social inequalities and deprivation associated with low skills.

35. The UK economy currently lacks the skills needed to match the productivity levels of other advanced economies. Individual employers face skills shortages which inhibit the development of their business; demographic factors mean that replacing the specialised skills of employees reaching retirement is becoming a pressing matter (SSDA p 225). Apprenticeships are a prime source of intermediate skills in craft, technician and associate professional occupations, required both for economic growth and the replacement of employees with specialist skills. Although evidence is sparse, it seems that most employers have ‘heard about’ or ‘know about’ apprenticeships, but many lack understanding of how to become involved.²⁸ On a visit to a Training provider we heard that:

“While [the Association’s] training schemes have been successful the group still battles to convince employers unfamiliar with their work to join their scheme to interview the trainees, and provide apprenticeships. [The Chief Executive] said even managing directors who started their own careers on apprenticeships can be unwilling to sign up.” (Appendix 4)

36. There is general agreement that more marketing activities to promote apprenticeship to employers are highly desirable.²⁹ However, we have not received any evidence to suggest that these activities have been given the required priority. We did not receive a response to a request to the LSC for information on the success or otherwise of its most recent apprenticeship marketing initiative.
37. A 2003 study surveyed a sample of employers engaged in apprenticeship and found that, overall, the most important factors, in considering the introduction of apprenticeships, were “the wish to give staff a chance to gain a qualification, to improve staff retention and to provide staff with opportunities for career progression and development.”³⁰ There is, however, no large-scale reliable survey evidence from employers who have decided not to offer apprenticeships. It is therefore difficult to know what might persuade employers to offer apprenticeships in preference to other ways of obtaining the skills needed. A recent study questioned companies on their reasons for preferring upgrading existing employees or recruiting ready-trained staff to apprenticeship. This study (based on case studies of 30 large organisations) found that relative cost was a key issue:

“The use that employers make of apprenticeship depends primarily on its cost-effectiveness relative to two alternative sources of skills—recruitment and upgrade training.”³¹

²⁸ Modern Apprenticeship Advisory Committee op.cit. pages 51,52

²⁹ DfES, *Modern Apprenticeship End to End Review*, p.20; Apprenticeship Task Force Report, 2004, p.7 <http://www.employersforapprentices.gov.uk>

³⁰ Anderson T, Metcalf H, *Modern Apprenticeship Employers: Evaluation Study*, DfES Research Report 417, April 2003. This study found that “developing skills needed for the business” was ranked fourth as a reason for using apprenticeships.

³¹ Ryan P, Gospel H, Lewis P, Foreman J, *Large Employers and Apprenticeship Training*, Chartered Institute of Personnel and Development, 2006, p.xi

38. The Apprenticeship Task Force, set up to report on ways of encouraging employers to offer apprenticeships, commissioned research from the Institute for Employment Research at the University of Warwick on the business case for apprenticeship. This found that there was a sound but not easily quantifiable business case for using apprenticeship. It depended, however, on a company's appreciation of longer-term benefits and could be undermined by poaching.³²
39. **Apprenticeship is a prime source of intermediate skills in craft, technician and associate professional occupations, required both for economic growth and the replacement of employees with specialist skills who leave or retire. Apprenticeship brings high wage returns. Young people who complete an apprenticeship which includes an NVQ 2 or an Advanced Apprenticeship with an NVQ 3 earn significantly more than those who gain the same qualifications outside an apprenticeship framework. Good quality apprenticeship places are highly sought after and the available evidence indicates that the supply of young people seeking a place outstrips demand.**
40. **Apprenticeship should be established as the main route to skills below graduate level. It should be the standard method for a combination of work and learning to contribute to the Government's goal that all young people aged 17 and 18 should participate in some form of education and training.**
41. **By 2013, any young person who can demonstrate the appropriate level of functional literary and numeracy and a positive commitment to apprenticeship should be eligible for the Government's apprenticeship entitlement.**

³² Apprenticeship Task Force, op.cit. p. 6

CHAPTER 4: TRAINING OF LOW-SKILLED YOUNG PEOPLE ABROAD—APPRENTICESHIP IN GERMANY AND SWITZERLAND

42. We visited Germany to meet executives, senior managers, trainers and apprentices in a department store and a large hotel in Düsseldorf. In addition we visited the Chamber of Commerce and a vocational school. We also heard oral evidence on apprenticeship in Switzerland from Professor Ernst Buschor of the Swiss Federal Institute of Technology. The aim of this part of our inquiry was to understand better how other countries overcome the main challenges inherent in managing apprenticeship partnerships, in particular, encouraging employer demand for apprentices, ensuring that training programmes match employer needs, and providing adequate guidance and support to young people seeking apprenticeship.

Apprenticeship in dual system countries

43. In Germany and Switzerland, apprenticeship operates within what is known as the ‘dual system’. This refers to the requirement that apprentices must receive structured training provided by the employer, usually on the employer’s premises, as well as general education and technical knowledge in the vocational school. In both countries, proportions enrolling in university are lower than in the UK and apprenticeship attracts higher proportions of well-qualified young people. Content and cognitive demands of apprenticeship vary considerably according to the needs of the apprenticeship occupation.
44. There was strong competition for apprenticeships in the Düsseldorf department store we visited; this was symptomatic of increasing difficulties in Germany in providing sufficient places to meet the demand from young people. Currently, around half the age group in Germany enters apprenticeship but often only after a considerable waiting period. We learned that it was normal for young people to improve their qualifications in full-time further education in order to be considered for an apprenticeship; the average age on entry is now 18 years. The apprentices we met in both the hotel and department store saw apprenticeship as the gateway to further career advancement; they appreciated the support and training provided by the company, less so the courses provided at the vocational school they attended.

Employers’ role in apprenticeship design

45. In both Germany and Switzerland, employers design the in-company training requirement for apprentices in their sector. This process is managed through trade associations and other professional associations. In Germany, trade union representatives and government must approve these programmes, a process which has been criticised for being too lengthy. Recent changes to this process in Germany aim to cut down the time taken to update the content of training programmes and allow companies more flexibility to adapt in-company apprenticeship training to individual company requirements (Wagner p 232). Evidence from Professor David Ashton on apprenticeship training in the Netherlands also pointed to a successful process of employer control over training content agreed in association with trade union representatives (pp 173–174).

Learning about apprenticeship in school

46. Apprenticeship is so well-known and well-established in Germany and Switzerland that almost all employers, parents and teachers are familiar with what it offers. Nevertheless, in both countries, classes in school prepare students to think about occupational choice and the range of apprenticeships open to them in their locality. Since it is up to young people to find an apprentice place, students learn in school or in college to write letters of application to firms. In Germany, young people with lower level school achievements are experiencing increasing difficulties in finding an apprenticeship place. In Switzerland too, some 10–15% do not have sufficient education and social skills to start apprenticeship. In both countries, those who fail to find a place enrol on full-time courses designed to improve basic numeracy, literacy and social skills.

Maintaining employer demand for apprentices

47. Keeping the net costs of apprenticeship to firms as low as possible over the duration of the apprenticeship period was identified in both Switzerland and Germany as crucial to ensuring an adequate supply of apprenticeship places. In both countries, the typical apprenticeship lasts considerably longer (three years) than in the UK where the average duration is around one year (but three or four for some engineering and similar apprenticeships).

Cost-sharing in apprenticeship

48. The longer duration of apprenticeship in Germany and Switzerland allows firms to recoup some of the expenses of the training costs and lost productivity of the early period of apprenticeship from the higher productive output of the apprentice in the latter period. Much also depends on the level of the apprentice allowance (which in Germany is fixed at around one third of the adult employee wage) so as to help offset the cost of apprentice day release (usually one or one and a half days a week). In the case of Switzerland, where just under two thirds of young people pass through apprenticeship, Professor Buschor emphasised that employer demand for apprentices was extremely sensitive to the balance of costs (Q 131). The costs of apprenticeship are thus shared by employers, apprentices and government. In Germany, the regional government meets the cost of off-the-job education and training but in addition the Federal government finances employers directly in a number of ways. Principally, these are finance for groups of small employers who establish Group Training Facilities, and direct financing of the costs of apprenticeship places in small companies which could not otherwise afford to train.³³

Completion and progression

49. In both Germany and Switzerland, not all who start an apprenticeship complete it or complete with the same employer. Most of those who leave do so during the initial probation period and the vast majority start another apprenticeship. Calculating completion rates of German apprenticeships on the same basis as that used by the LSC (taking early leaving into account)

³³ Bundesministerium für Bildung und Forschung, *Infopaket Ausbildung*, http://www.bmbf.de/pub/Sammelmappe-Infopaket-April_2007.pdf, accessed 09/05/2007

gives a completion rate for German apprenticeship of 75%.³⁴ This compares with the position in England (2005–06) where 50% completed the full framework and 57% gained an NVQ qualification only.³⁵

50. It is clear that career advancement and progression from apprenticeship play an important part in attracting students with good school achievements into apprenticeship in Switzerland. The attractiveness of apprenticeship to young people in Switzerland declined in the early 1990s because there were no progression possibilities to tertiary education. This was remedied by the introduction of a Vocational Baccalaureate in 1995. This is open to those with completed apprenticeship and gives access to tertiary level qualifications following further full-time study after apprenticeship (Buschor Q 128). Currently, some 20% of apprentices in Switzerland continue on to tertiary education. It is not known how many British apprentices progress to tertiary education from apprenticeship. (See Chapter 7 below)
51. **Apprenticeship places in Germany and Switzerland are highly sought after by young people. Employers in both countries provide three-year apprenticeships for more than half the cohort, but recently the supply of young people seeking apprenticeship has exceeded demand from employers. At least 75% of German apprentices complete their three-year training successfully, compared to around half in the UK, where apprenticeship lasts only one year on average. In both Germany and Switzerland, employer demand for apprentices is highly sensitive to the costs of employing them. As in the UK, the quality of young people applying for apprenticeship is improved by good progression prospects within the firm or sector, but in Switzerland and, to a lesser extent, in Germany, apprentices can and do continue on to higher education.**

³⁴ West J, *Improving Completion Rates In Apprenticeship: A Comparative And Numerical Approach*, http://www.employersforapprentices.gov.uk/docs/research/research_1_309.doc, accessed 09/05/2007

³⁵ National Statistics, *ILR/SFR*, 17 April 2007, Table 7

CHAPTER 5: APPRENTICESHIP: BARRIERS TO PARTICIPATION BY YOUNG PEOPLE

52. In the UK, apprenticeship is the main route to an occupational skill and worthwhile employment for young people who have limited school achievements. However, we believe that far too many of those who could and should benefit from this route do not do so.

Progress to Level 2 by age 19

53. Level 2 is widely recognised as the absolute minimum level necessary for gaining regular employment and benefiting from lifelong learning.³⁶ Just over half of 16 year olds in England, Wales and Northern Ireland achieve this level. After 16, progress is poor. In 2006, only a further 19% of 19 year olds in England have reached Level 2. Between a third and a fifth of all young people are still without even this most basic level of skill at age 19.³⁷ Most will struggle and/or fail to improve thereafter.
54. Of those who gain a Level 2 qualification by age 19, only 4% have done so through apprenticeship. From the age of 16 onwards, a higher proportion of young people are in jobs—mostly without training—or unemployed than in apprenticeship.³⁸ Yet, as pointed out in Chapter 3, apprenticeship offers good wage returns and good employment prospects to young people. The reasons why so few benefit from apprenticeship are examined in this chapter.

Lack of urgency in addressing basic skills

55. Concern over the numbers of young people leaving school every year without the basic skills of literacy and numeracy was widespread in the evidence submitted to us (Amicus p 171; ALP p 176; City of London Corporation p 187; Connexions p 191; ICG p 209; NYA p 221; CBI p 47). The DfES recognised this in their written evidence:
- “Some young people are [therefore] leaving the education and training system having failed to develop a foundation in the right skills; having failed to get qualifications that will serve them well; and having failed to be helped to continue with their education and training until they have at least reached Level 2, but preferably Level 3.” (p 103)
56. The DfES also provided evidence that those who have formally achieved a Level 1 standard or even Level 2 on leaving school still often lack basic numeracy and literacy. The Skills for Life Survey (2003) showed that “many of those with English and Maths at GCSE do not currently meet functional literacy and numeracy standards”. (DfES p 127)
57. This issue was recognised in the 14–19 Education and Skills White Paper (February 2005)³⁹ and the Skills White Paper (March 2005).⁴⁰ In the same

³⁶ 5 GCSE passes at Grades A*–C, (G)NVQ 2 or vocational equivalent/Scottish equivalent qualification

³⁷ National Statistics, *SFR 06/2007*, Table 2

³⁸ National Statistics, *SFR 04/2005*, Table C; *SFR 48/2005*, Table A

³⁹ Cmnd 6476, *14–19 Education and Skills*, February 2005

⁴⁰ Cmnd 6483–11, *Skills: getting on in business, getting on at work*, March 2005

year, the DfES gave the QCA a remit to develop functional skills in English, ICT and mathematics. However, under the QCA timetable, qualifications in functional mathematics will not be available until 2010. This lengthy delay for what must be essentially quite a simple task is difficult to understand given the urgency of the situation.

Many young people unfitted to start apprenticeship

58. Apprenticeship is not for those who have failed to acquire basic skills of literacy and numeracy. The Association of Learning Providers (ALP) told us:

“Many young people leaving school lack the basic skills necessary for employment—they are all too often simply not ready even for Entry to Employment (E2E), the recognised ‘pre-Apprenticeship’ programme, but at this time no realistic alternative option is available. As a result many are ending up in the Not in Education, Employment or Training (NEET) group—indeed statistics are showing that the number of NEETs has been steadily rising despite all the Government’s efforts to raise skills levels, particularly for young people”. (p 176)

59. The Office for Standards in Education (Ofsted) suggested that at a conservative estimate some 300,000 16–19 year olds are unable to access training or any worthwhile employment as a result of a lack of basic skills (Q 248). This means that every year at least one third of the young people who do not have a Level 2 qualification are not able to progress to further training without remedial help. It was also suggested to us that many in this same group are seriously disadvantaged by a lack of social skills which are becoming more important in what is an increasingly customer-facing labour market (Connexions p 191; ICG pp 209–210; NYA p 223). Evidence from the CBI defined social or ‘soft’ skills as “an individual’s desire, determination, motivation and attitude,” and claimed that, in a recent CBI survey, almost half (47%) of employers expressed disappointment at the attitude of school leavers towards work. (p 48)

Schools fail to prepare for and promote apprenticeship

60. The very poor basic and social skills of school leavers point to a lack of effort on the part of schools to inform students of what will be expected of them in the workplace and a failure to offer appropriate courses and preparation for work-based learning and training. This was recognised in a DfES review in 2004–05:

“Schools (especially those with sixth forms) do not always provide impartial guidance to 14- to 16-year olds on the full range of local learning opportunities.”⁴¹

Written evidence from Connexions (p 192) stressed the “huge gap between what was taught in education and what skills are actually important in the labour market.” Sir Digby Jones told us: “We have got to get the message into 11, 12, 13-year olds that there is a fabulous future through ... the apprenticeship system.” (Q 366) He also stressed the need to educate parents as well as schools and teachers.

⁴¹ DfES, *End to End Review of Careers Education and Guidance*, July 2005, p.5

61. We learned at first hand that schools rarely inform young people about the opportunities offered by apprenticeship (Appendix 4). The training provider we visited reported that schools have been reluctant to get involved with apprenticeships. Many schools in the area in recent years have become more reluctant to let staff from the training provider talk to students about apprenticeships as an option for when they leave. Lack of interest in apprenticeship opportunities on the part of schools and failure to prepare students for them leads young people to make poor choices on leaving, and helps to explain why so many leave poorly prepared for further training. We spoke with apprentices at the training provider and found that none had learned about apprenticeship at school. Some had taken a year or more to find out about opportunities offered by the training provider and to take up an apprenticeship.

Prior qualifications of apprentices

62. We were told that the DfES did not compile statistics on the prior qualifications of apprentices (see Para 70 below). This is yet another example of the failure of the DfES to provide statistical information on topics vital to the understanding of apprenticeship and its functioning. This indifference to the vital issue of prior preparation for apprenticeship is symptomatic of the lack of any connection between what goes on in schools and the requirements of apprenticeship. At our request, the DfES prepared the following tables showing prior qualifications of apprentices and Advanced apprentices. Unfortunately, these are of only limited use because of the large percentages whose prior qualifications are not known.

TABLE 2

Highest Prior Attainment Level of Advanced Apprentices (Level 3) in 2005/06 (%)

Male	16–18	19+
No Qualifications	2	2
Entry or Level 1	32	20
Level 2	43	40
Level 3 or above	2	7
Not Known	21	31

Female	16–18	19+
No Qualifications	3	2
Entry or Level 1	20	14
Level 2	60	58
Level 3 or above	0	10
Not known	17	15

TABLE 3

Highest Prior Attainment Level of Apprentices (Level 2) in 2005/06 (%)

Male	16–18	19+
No Qualifications	5	5
Entry or Level 1	52	43
Level 2	22	29
Level 3 or above	1	5
Not known	19	19

Female	16–18	19+
No Qualifications	7	6
Entry or Level 1	49	38
Level 2	23	33
Level 3 or above	1	6
Not known	20	16

Source: Special tabulation from the Individual Learner Record (ILR) supplied by the DfES

63. Table 3 shows that many of those on Advanced apprenticeship are poorly qualified. For example, a third of young men aged 16–18 on Advanced apprenticeship have not achieved a Level 2 qualification. By contrast, Table 4 shows that many of those on apprenticeship (which aims for a Level 2 qualification) are already at that level. These figures point to confusion and waste in a situation where, despite official commitment to progression through apprenticeship, young people are not given the opportunity to progress on the basis of prior achievements.

Pressure of targets for apprenticeship ‘starts’

64. The pressure of Public Sector Agreement (PSA) targets focused on numbers of apprenticeship ‘starts’ may well explain why so many apprentices aged 19+ are not improving on their prior level. One way of meeting targets for apprentice ‘starts’ is to recruit onto apprenticeship young people who are already employed. A recent study showed that almost half (45%) of those in apprenticeship are already employed with the same employer when they start.⁴² Many of these will already have acquired some of the skills needed to obtain an apprenticeship qualification. The apprenticeship can be shorter and cheaper—especially if the new recruit already has a Level 2 qualification—and even a short apprenticeship counts as a ‘start’.⁴³ Ms Melanie Hunt, Director of Learning at the LSC, explained the process to us:

“... it is important to add that apprenticeships are assessed on the basis of competence, so, if an existing employee is being assessed for an apprenticeship and taken through that, they will not require so much, if

⁴² Ullman A, Deakin G, *Apprenticeship pay: a survey of earnings*, DfES Research Report 674, 2005, p. 11

⁴³ A case study example of this practice is quoted in Fuller A and Unwin L, *Creating a Modern Apprenticeship: a critique of the UK’s multi-sector, social inclusion approach*, Journal of Education and Work, Vol 16, No. 1, 2003, p.10

you like, training input as maybe a brand-new employee and a brand-new apprentice and, therefore, we are not spending money unnecessarily on off-the-job training.” (Q 288)

65. Lack of basic skills is a barrier to participation in apprenticeship for far too many—at least a third—of those who leave school without reaching Level 2. However, of those who have at least the basic literacy and numeracy skills to benefit from apprenticeship, many fail to find a place. The reasons for this are, first, information failure, more specifically inadequate careers advice and guidance, and second, a failure by the relevant authorities to make any realistic assessment of the demand for apprenticeship on the part of young people and employers. These issues are explored in more detail in the remainder of this chapter.

Failure of careers guidance services

66. We have already noted that schools fail to inform young people about the opportunities offered by apprenticeship and other work-based training such as Entry to Employment. This failure is further compounded by the failure of government to provide a service that offers basic information on local labour markets, earnings, career prospects and training opportunities. A number of our witnesses expressed concern at the lack of suitable careers guidance and information for young people. (CBI Q 157; IoD Q 168; Vignoles Q 288; TUC Q 307)
67. The Government makes provision for careers guidance and information services to young people through Connexions, a network of information and guidance providers financed from public funds.⁴⁴ In 2004, the National Audit Office reviewed the work of Connexions partnerships and found that careers education and guidance services provided to young people were unsatisfactory.⁴⁵ In July 2005, the DfES recognised that Connexions was not able to provide information on training opportunities to young people at formative stages in their school careers while also looking after vulnerable groups.⁴⁶ Ofsted, which previously inspected Connexions partnerships, has not had the power to inspect Connexions since 2004 except as part of a wider Joint Area Review (JAR). They acknowledged that there had been no proper oversight of Connexions by Ofsted since 2004.⁴⁷
68. We conclude that Connexions is failing to reach a great many of those who need its services. Young people looking to make vital decisions about their future have been left to find their own way without help or guidance. The failure to offer timely guidance on the whole range of post-16 education and training opportunities when young people are still in school has other consequences. Evidence from other countries suggests that, if young people in school are well-informed about apprenticeship and the qualities and standards required for entry, they are more motivated to achieve while at school (Buschor Q 140). The opportunity for reflection and understanding

⁴⁴ “Connexions is the Government’s support service for all young people aged 13 to 19 in England. Through multi-agency working, Connexions provides information, advice, guidance and access to personal development opportunities for young people”
<http://www.connexions.gov.uk/partnerships/index.cfm?CategoryID=3>, accessed 19/06/07

⁴⁵ National Audit Office, *Connexions Service Advice and Guidance for All Young People*, March 2004

⁴⁶ DfES, *End to End Review of Careers Education and Guidance*, July 2005, p. 5

⁴⁷ Ofsted note to the Committee, 22 March 2007

of oneself offered by guidance interviews is also valuable in promoting the social skills and the attitudes to work that many young people need to develop.

69. In May 2004, the DfES announced their intention to create a ‘clearing house’ for school leavers: “This will match prospective trainees to employers, providing for aspiring apprentices what the UCAS clearing system provides for aspiring students.”⁴⁸ This proposal, which more than three years later has not been implemented, would considerably ease the problem of enabling young people to find apprenticeship places.

Failure to generate apprenticeship places

70. The DfES acknowledged that neither they nor the LSC collect data on the number of young people interested in or actively seeking an apprenticeship.⁴⁹ This contrasts with the very detailed statistics published annually in Germany and Switzerland showing the supply of young people coming forward for apprenticeship and numbers of places offered by employers. The DfES also made clear that no data are collected on employer demand for apprentices, nor is there any central or local record of businesses that employ apprentices.
71. When asked whether some young people who wanted an apprenticeship failed to get a place, the LSC told us that they work on the assumption that the numbers of apprenticeship places purchased by the LSC corresponds to the supply of young people seeking apprenticeship:

“... we have information from our existing providers of apprenticeships and other kinds of work-related provision for young people and, on the basis of that, we develop our purchasing plan.” (Q 283)

When pressed on how many failed to get a place, the view was that:

“... it is not an enormous issue in Yorkshire and the Humber. Anecdotally, one hears from time to time of one or two people who have not managed to get a placement” (Q 284).

72. However, other authoritative sources of evidence provided a different story, maintaining that many young people seeking an apprenticeship place were unable to find one. Sir Roy Gardner, Chairman of the Apprenticeship Ambassadors Network, told us that there are more people wanting apprenticeships than employers offering places (Q 421). Professor Lorna Unwin referred to anecdotal evidence about shortages of apprenticeship places and called for a proper survey to discover the real level of demand from employers for (Q 93).
73. **Many school leavers in the UK have not acquired the minimum level of functional numeracy and literacy and social skills necessary to benefit from apprenticeship training. In our view, the improvement of levels of functional skills in mathematics and English is fundamental and should be given much higher priority by schools. The Government should take this forward with far greater urgency.**
74. **Of those who could benefit, many are failed by wholly inadequate or non-existent careers advice and guidance, and by ignorance of or**

⁴⁸ DfES, Press Notice, *New Apprenticeships will widen opportunity and boost business*—Clarke, 10 May 2004

⁴⁹ DfES note to the Committee, 27 February 2007

indifference to apprenticeship opportunities in schools. By the age of 14, all school pupils should be informed about the opportunities offered by apprenticeship, and about the work needed to qualify for one. Careers teachers and the Connexions service—which is failing to reach a great many of those who need its services—should explain the advantages of vocational as well as academic education. Special attention should be paid to informing girls about non-traditional apprenticeships and to providing information on earnings in different sectors.

- 75. It is clear that many young people who have the capacity to benefit from apprenticeship fail to find a place. There should be an effective clearing house where all apprenticeship places are advertised and through which young people can apply—as for university entry. It should be operated by the LSC.**
- 76. The DfES has neglected to compile any record of young people who unsuccessfully seek an apprentice place and keeps no central record of employers seeking apprentices. No reliable data are compiled on prior qualifications. Urgent measures are needed to ensure both the production of proper statistics on apprenticeship and also effective monitoring.**
- 77. Apprentices are frequently working at a level that is not appropriate, given their prior qualifications. Some apprentices are working at too low a level, while others are not well enough qualified for the level they are aiming for. In these cases, resources are being used inappropriately and are failing to add value.**

CHAPTER 6: EMPLOYERS: MARGINALISED AT THE END OF A LONG CHAIN OF ADMINISTRATION

78. Apprenticeship improves the nation's skill base and, for many of those who benefit, enhances earnings and life chances. However, the employer's role in what should be the apprenticeship partnership is currently that of a passive partner in a process of which the average apprentice employer has only limited understanding.
79. Apprenticeship is—or should be—a unique public-private partnership. Three actors contribute—employer, apprentice and government—and all stand to benefit from a successful partnership. Witnesses stressed that procedures for the administration of government funding of apprenticeship had the effect of marginalising employers (Unwin and Fuller Q 77; Ashton p 173). In the case of apprenticeship funding, the administrative chain separating policy from practice on the ground is a long and, we would argue, dysfunctional one.

Management of funding

80. Government funding for the training component of apprenticeship is administered by the LSC. The LSC managed the funding of a wide range of education and training activities on behalf of the DfES. Planned LSC expenditure in 2006–07 was just under £10 billion. Table 5 sets out the range of activities funded by the LSC and the share of each in the total budget.

TABLE 4

Planned Learning and Skills Council Expenditure 2006–07

Budget Line	Planned expenditure 2006–07 £000s	Percentage of total
School sixth forms	1,871,098	19
16–19 Further Education	2,863,200	30
Work-based Learning (apprenticeship)	1,080,325	11
19+ Further Education	1,932,858	20
NETP (Train to Gain)	230,000	2
Personal and Community Development Learning	210,000	2
Learners with Learning Disabilities and/or Difficulties	157,662	2
Learner Support Funds	198,249	2
University for Industry/LearnDirect	176,332	2
14–19 Skills and Quality Reform	425,792	4
Capacity and Infrastructure	64,244	1
LSC Capital	468,800	5
Total Departmental Expenditure Limit (DEL) expenditure	9,678,560	100

Source: Learning and Skills Council Priorities for Success 2006–2008 October 2005 Table 3

81. Apprenticeship constitutes only 11% of the total funding activity of the LSC, while other 14–19 learning (school sixth forms and under 19 Further Education) accounts for just under half of the total. Apprenticeship is, therefore, a relatively small part of the total range of the LSC’s activities, both at national and local level. **We consider that this distribution of post-16 funding is unbalanced and that there should be a substantial shift of resources away from other post-16 provision in favour of apprenticeship.**
82. Perhaps because the budget for apprenticeship is relatively small, responsibility for ensuring that apprentices are found and funded is passed on from the national LSC to ‘training providers’ via local LSCs. The term ‘training provider’ covers a wide variety of organisations and businesses, some of which are not-for-profit and include Chambers of Commerce and some Group Training Organisations. Some Further Education Colleges provide apprenticeship training. A small number of large employers contract directly with the LSC to receive funding to train apprentices.⁵⁰
83. Each local LSC (LLSC) is allocated a share of the total funds available for apprenticeship training. Training providers in each LLSC then bid for a share of the funds available in their area. Professors Unwin and Fuller told us that the reliance on training providers to “make apprenticeship happen” dates back to the model adopted 25 years ago to launch the Youth Training Scheme:
- “The providers sit at the heart of the VET [vocational education and training] system and concentrate on securing the number of apprenticeship placements (still referred to as ‘starts’ in the DfES and LSC statistical databases) identified for them by their local LSCs. These numbers are based on the annual PSA target set by the Treasury and not on the needs of businesses for apprentices. As such, many employers have no connection with the qualification requirements of the VET programme as they are handled by the training provider.” (p 21)
84. Employers who are not approached by training providers to take apprentices will not know that apprentice places are sought in their area unless they take steps to inform themselves. Employers who do wish to take on an apprentice and to access government funding for training must normally approach a local training provider in order to access the funds held by that provider for apprenticeship places. We heard from a Cheshire company with long experience of employing apprentices that would-be apprentices who have identified a company that is prepared to offer an apprenticeship must also first find a training provider who can make the funding available. (Eric Johnson of Northwich Ltd pp 206–207)

Employers not sufficiently involved

85. We heard evidence from a number of sources on the marginalisation of apprentice employers. The Institute of Directors told us: “... we have to get

⁵⁰ In a Parliamentary Question of 16 April 2007 (Col 286w), the DfES was asked: “What percentage of apprenticeship training providers funded by the Learning and Skills Council were employers in each year since 1997?” The Minister replied: “Data on Apprenticeships and Advanced Apprenticeships are collected on the Learning and Skills Council’s (LSC) Individualised Learner Record (ILR). The table shows the percentage of apprenticeship training providers funded by the LSC that were ‘private organisations in their own right’ or ‘other private organisations’. *Included within these proportions are employers whose main business activity is the provision of education and training. We are unable to separately identify such employers.*” (our italics)

better involvement from employers in delivering that apprenticeship once the [apprentice] has started and too often employers are not engaged enough in making it work from their end”. (Q 168)

86. Mr John West considered that “to some extent the training provider ‘gets in the way’ between the firm and apprentice, and—as well as relieving the firm of paperwork—actually also relieves it of responsibility and involvement”. (p 40)

Advantages of employer involvement

87. In dual-system countries—but also in the Netherlands and New Zealand where apprenticeship provision is more similar to the UK—employers play a central role in providing and managing apprenticeship (Ashton p 174.). The experience thereby accumulated becomes training expertise which benefits apprentices and the business concerned. In the UK, the employer is all too often the passive partner who ‘takes on’ an apprentice when approached by the training provider but is not required to assume any responsibility for the training of the apprentice or for the outcome of the apprenticeship.⁵¹
88. Both apprentice and employer lose out in this process. The apprentice does not benefit sufficiently from the potential of the working environment for teaching and learning. The employer fails to develop a capacity for in-house training which could be of long-term benefit to the business.
89. **The DfES failed to build connections between key partners in apprenticeship—schools, young people and employers. The current procedures for providing apprenticeships have the perverse result of discouraging employers from taking responsibility for apprentice training. The use of intermediaries to negotiate apprenticeships with the LSC on behalf of employers should have been a transitional ‘learning’ stage, leading to employers taking full responsibility for the recruitment and training of apprentices. Instead, these arrangements have become entrenched, preventing employers from developing the structures and capacity to train young employees.**
90. **Employers should be at the centre of all apprenticeship provision. In our view, all funding for apprenticeships—the current average yearly spend per apprentice is £3,250—should, within five years, be re-routed directly to employers. Employers would then sub-contract any off-the-job training or other services which they did not themselves provide. This direct financing would act as a powerful incentive for employers to provide more places.**

⁵¹ Adult Learning Inspectorate, *Annual Report of the Chief Inspector 2005–06, Health, public services and care*, p 4

CHAPTER 7: PROBLEMS OF QUALITY, ACCESS AND PROGRESSION

91. Our evidence pointed to dissatisfaction among young people with a minority of apprenticeships that were of poor quality (para 30 above). Young people are highly sensitive to the value of the training received and are only prepared to accept the opportunity cost involved in apprenticeship if high quality training is offered (NYA p 4). A variety of experiences come under the heading of poor quality. These include: little or no time allowed in the working week for training or learning; poor progression, and completion rates; and undemanding apprenticeship frameworks of limited duration with little or no value-added for the apprentice.

Variability in standards and time allowed for training

92. The inspection of training providers by the Adult Learning Inspectorate (ALI) has led to funding being withdrawn from a sizeable number of providers considered to be providing poor quality training (Ryan Q 307; ALI p 177; Furlong p 208). Nevertheless, in 2005–06, the ALI was highly critical of standards of training provided in health and social care, construction, planning and the built environment, and hospitality and catering. Service sectors, such as care and hospitality, have only recently started to offer apprenticeships. A number of commentators have questioned whether standards in these sectors can be raised sufficiently to meet the expectations of young people for quality training.
93. Some apprentices, for example those in engineering and electro-technical occupations, receive substantial day release and off-the-job training leading to qualifications, such as the BTEC National Certificate which is recognised for university entrance. Apprentices in other sectors, for example care and retail, receive little or no off-the-job training and are required to study for their qualifications in their own time after a full working week.⁵² These egregious disparities led to calls from a number of witnesses for a minimum entitlement to off-the-job training for all apprentices (TUC Q349; CPPR p 184; IoD Q 74).

Demands of apprenticeship qualifications reduced

94. Flexibility and responsiveness of apprenticeship programmes are essential for qualifications to be relevant to the labour market. To achieve this, both the then Secretary of State and Lord Leitch placed much hope on the recently increased powers given to Sector Skills Councils (SSCs) to determine the content of apprenticeship qualifications (QQ 337, 392). However, this approach is no different from previous arrangements when apprenticeship qualifications were drawn up in consultation with the forerunners of the SSCs, the National Training Organisations. It is not clear that current policy to give more responsibility to SSCs is based on an understanding of why a similar policy proved unsatisfactory in the recent past. What is clear is that handing powers to SSCs to determine the content of apprenticeship training can lead to

⁵² Spielhofer T and Sims D, *Modern apprenticeships in the retail sector: stresses, strains and support*, National Foundation for Educational Research Discussion Paper, January 2004. Apprentices in the Care Home visited by us were allowed one half day a month off-the-job training and worked for their NVQ qualifications in their spare time after completing 12-hour shifts

a reduction in the rigour of apprenticeship requirements in some sectors, which undermines the integrity of apprenticeship as a serious learning experience.⁵³ An example of this is the Technical Certificate, introduced as an underpinning knowledge component of the apprenticeship qualification in 2001 and later dropped in some sectors on the advice of the relevant Sector Skills Councils and incorporated into the NVQ (LSC Q 290; paras 110,111,112).

Level 3 for many more apprentices

95. It has already been noted that witnesses strongly recommended that apprentices should be encouraged to work for a Level 3 qualification on the grounds that the apprenticeship—usually a year or less of training to Level 2—is insufficient preparation for the likely skill demands of labour markets in the future (para 17).⁵⁴ Apprenticeships in Germany and Switzerland aim for Level 3 and last, on average for three years. Numbers on Advanced apprenticeship in England leading to Level 3 have fallen steadily since 2000 (Figure 1 above).

Little progression and no reliable data

96. Progression from Level 2 is another way in which Level 3 completions could be increased. There is no reliable data series but it seems that at the most some 20% may progress to Level 3. Asked whether he was satisfied with rates of progression from Level 2 to Level 3 apprenticeships, the Secretary of State replied that he was not satisfied, adding that rates vary from sector to sector (Q 346). He was also not satisfied with progression from Level 3 apprenticeship to Foundation Degree. On this, there are no data at all. Apprenticeship qualifications are not separately coded when data on prior qualification statistics of university entrants are collected. There is general agreement, however, that progression to Foundation Degree is at present very low if not negligible.

Young women benefit less from apprenticeship

97. Patterns of gender segregation in the workforce are mirrored in apprenticeship.⁵⁵ In terms of earnings, the gap between male and female apprentices in favour of males is higher in apprenticeship than in the workforce as a whole. The average female apprentice earns just 74% of the average male apprentice wage (TUC p 74). Young women are far more likely to be found in service sector apprenticeships, which yield lower returns than apprenticeships in manufacturing. Young women in apprenticeship fail to benefit from improved wage returns as a result of apprenticeship to the same extent as young men; wage returns to an apprenticeship are negligible for

⁵³ The LSC has published Annex K: Apprenticeship Blueprint to *Requirements for Funding Work-Based Learning for young people 2006–07*, July 2006. This does not guarantee access to off-the-job training; apprentices are entitled to work for qualifications which must include a competence-based element, a knowledge-based element, Key Skills, Employment Rights and Responsibilities. Considerable flexibility is allowed to SSCs in the interpretation of these requirements

⁵⁴ Apprenticeship in Scotland has always required a Level 3 qualification as the study aim; historically, completion rates in Scotland have been higher than in the rest of the UK and are currently 64 %. Gallacher J, Whittaker S, Crossan B and Vince Mills, *Modern Apprenticeships: Improving Completion Rates*, Scottish Executive Social Research 2004; Information supplied by Scottish Enterprise

⁵⁵ Miller M, Pollard E, Neathy F, Hill D, Ritchie H, *Gender Segregation in Apprenticeships*, Equal Opportunities Commission Working Paper No. 25, 2005, page iii

young women, except for Advanced apprenticeship, which does raise young women's wages.⁵⁶ In their evidence, the TUC referred to research which also suggests that many young women might have made a different decision on apprenticeship if they had known more about pay rates (p 74). This is a further argument for better advice and guidance on earnings and training opportunities, which could be of particular benefit to young women.

Minorities under-represented

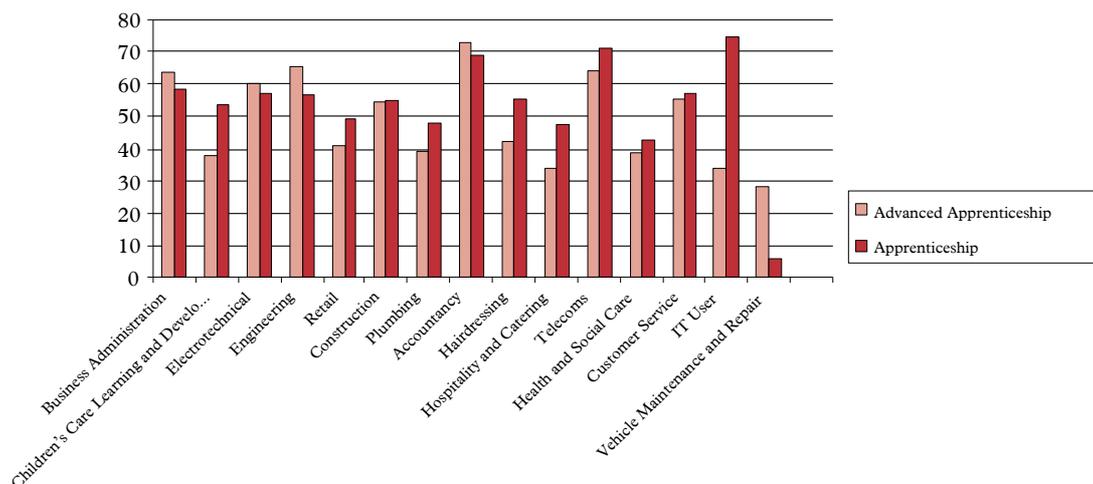
98. In 2005–06, 7% of learners on all work-based learning programmes were from ethnic minorities. The TUC cited research which found that “young people from black and ethnic minority communities are under-represented in Apprenticeships, and less likely to end up in employment upon completion of their Apprenticeship. Disabled people are also under-represented in Apprenticeships, although the data available is limited.” (p 74) This situation requires urgent action. However, the research base available to guide policy is inadequate and should be strengthened as soon as possible.

Poor completion rates

99. Completion rates of apprenticeship frameworks were, until very recently, unacceptably low.⁵⁷ The LSC has used a funding lever (one quarter of apprentice funding to the provider to be retained and paid on completion) which has had the effect of dramatically increasing completion rates in the space of a year (DfES p 130). Overall success rates for framework completion in 2005–06 are 50% for all apprenticeship (2004–05 37%) and 44% for Advanced Apprenticeship (2004–05 34%).⁵⁸ However, these averages mask large variations by sector (Figure 2).

FIGURE 2

Success rates on Advanced Apprenticeships (Level 3) and Apprenticeships (Level 2) in 15 large sector frameworks, 2005–06



Source: <http://www.apprenticeships.org.uk/partners/frameworks/apprenticeshipsdata/>
accessed 13 February 07

⁵⁶ McIntosh, 2007, op.cit p. 23

⁵⁷ West J, *Improving Completion Rates In Apprenticeship: A Comparative And Numerical Approach* http://www.employersforapprentices.gov.uk/docs/research/Research_1_309.doc, accessed 9 May 2007

⁵⁸ National Statistics, *ILR/SFR*, 17 April 2007, Table 7

100. **It is welcome that successive governments have persevered with promoting and supporting apprenticeship. However, too much emphasis has been placed on quantity of apprenticeships, and not enough on quality and subsequent destinations, including progression to Foundation Degree. Some service sector apprenticeships are of poor quality with little or no time release for training, and unchallenging content. Rates of completion have improved but remain variable and unacceptably low for Advanced Apprenticeship.**
101. **More young people should aim for an Advanced Apprenticeship (Level 3) or progress on to one. Young women in apprenticeship experience gender stereotyping and lower earnings, which may be in large part the result of a lack of information and guidance before starting apprenticeships. Young people from ethnic minority groups are under-represented in apprenticeship. Research and proper monitoring of demand from these young people is urgently needed as a basis for action.**
102. **The quality of apprenticeships should in many cases be improved. They should satisfy basic minimum requirements. These should include at least a day-a-week equivalent of off-the-job training, certificated through a separate certificate, and the further development of functional skills. Apprenticeships should last long enough to provide adequate scope for learning. Young people who already have a Level 2 qualification should normally take a Level 3 rather than marking time at Level 2. There should be more progression from one apprenticeship level to another, and more progression from apprenticeship to higher education.**
103. **It is the job of Sector Skills Councils to bring about these improvements in quality. If they are not forthcoming, the case for introducing a statutory framework should be re-examined.**

CHAPTER 8: APPRENTICESHIP WITHIN THE BROADER GOVERNMENT POLICY FRAMEWORK—AN UNSETTLED LANDSCAPE LACKING IN COHERENCE

104. Apprenticeship has the potential to make a real contribution to improving workforce skill and productivity and to transforming the life chances of many more young people. It provides a fresh learning environment which many young people find rewarding and stimulating.
105. However, there has been no discernible consistent purpose in government policy on apprenticeships, apart from a desire to increase numbers in training and—very recently and belatedly—to increase numbers completing. On several fronts, important policy initiatives to improve quality, progression and employer engagement have been allowed to falter because of a failure in implementation. In particular, there has been a failure to follow through initiatives in four crucial areas: broadening and strengthening the content of the apprenticeship framework; engaging employers; progression within apprenticeship and from apprenticeship to Foundation Degree; and improving the basic skills of numeracy and literacy of school leavers.

No one organisation in charge

106. Responsibility for policy decisions on apprenticeship and their implementation is shared by a number of government agencies, all of which have, in addition, a wider set of responsibilities. In England and Wales, these have been principally the Treasury, the LSC, the Sector Skills Development Agency (SSDA), the SSCs, the Qualifications and Curriculum Authority (QCA) and, until its recent disbandment, the DfES.
107. These agencies have all undergone upheaval and change in the recent past with the inevitable loss of experienced personnel and institutional memory. Organisations set up to give support to those implementing post-16 education and training policy—the LSDA and the ALI—have recently been dissolved and reconstituted with new personnel (the LSDA replaced by the Learning and Skills Network (LSN) and the Quality Improvement Agency (QIA)), or merged to become part of a larger organisation (ALI has been merged into Ofsted). No one government agency has sole responsibility for apprenticeship. In our view, frequent reorganisations and the fact that no one agency or departmental unit ‘owns’ apprenticeship have been damaging for its development and have held back necessary improvements.

Sector Skills Councils (SSCs) may be unable to cope

108. A number of witnesses expressed doubts to us about the competence in particular of SSCs. Like practically every other organisation or agency in the training field, these are recently constituted organisations, having been created to take the place of what were known as National Training Organisations (NTOs). Some of these Councils are experienced and, in their various former incarnations (Industrial Training Boards, NTOs) have a tradition of service in their sector. Others are new and untried and only recently brought into being. Lord Leitch emphasised that the SSCs “are not good enough to deliver [the changes he proposes]; they have to be reformed and relicensed”. (Q 392)

109. Doubts concerning the capacities of some SSCs were also expressed by the Chief Inspector of the ALI (Q 209). Despite doubts over the competence of SSCs, increasing responsibilities are being laid upon them by government. In addition to responsibilities with regard to the proposed Diploma and employer training, they are expected to represent the views of employers in their sector and advise on the content of apprenticeship frameworks. They are also expected to provide information on numbers of apprenticeships that employers in their sector would be prepared to offer and to reach out to employers and deliver more apprenticeship places. Yet the British Chambers of Commerce have said in evidence submitted to us:

“Only one in six SMEs [surveyed] think that SSCs are articulating the needs of the business community well. Only 17% of respondents have been contacted by their SSC.”⁵⁹

We are concerned that too much responsibility is being devolved too fast to SSCs, which require more time and resources to operate effectively.

The fate of the Technical Certificate

110. In November 2001, the then Education and Skills Secretary, together with the Chancellor and the Trade and Industry Secretary, announced plans to make on-the-job training for young people in England match the best in the world. This initiative followed publication of the report of the Modern Apprenticeship Advisory Committee earlier in 2001, which had drawn attention to the much more demanding technical content of apprenticeship in continental Europe. Ministers announced the introduction of new Technical Certificates for Modern Apprenticeships which “ensure in-depth technical knowledge is a key component of the Apprenticeship Diploma”.⁶⁰ This certificate would be in addition to the NVQ and the Key Skills (numeracy and literacy) that apprentices were required to “be working towards”; the three elements together would form the apprenticeship framework for each sector.
111. The QCA spent two years overseeing the introduction into the apprenticeship framework of Technical Certificates, advised by the SSCs. The Technical Certificates were described as stand-alone qualifications certifying underpinning occupational knowledge, separately assessed and distinct from the NVQ assessment of practical competence already in place. However, Technical Certificates had hardly been established when, in September 2005, a document entitled *The Apprenticeship Blueprint* was produced by an Apprenticeship Ministerial Steering Group.⁶¹ This document gave guidance to SSCs on what should be included in the apprenticeship framework for which they were responsible. The Blueprint re-designated the Technical Certificate as the ‘knowledge component’ of apprenticeship and withdrew the requirement that it should be a separate component of the apprenticeship qualification. Instead, SSCs were permitted to include the knowledge-based element in the existing NVQ qualification.
112. By 2005, shortly after it had been introduced, the Technical Certificate had effectively become optional and in a number of sectors there is now no

⁵⁹ British Chambers of Commerce, *UK Skills: Making the Grade*, March 2007, p.6

⁶⁰ DFES Press release, 29 November 2001

⁶¹ DfES and LSC, *Blueprint for Apprenticeships*, September 2005

separate assessment of the knowledge-based element outside of the NVQ. The then Secretary of State defended this development, arguing that it was merely a matter of eliminating duplication which occurred as a result of the Technical Certificate specifying what was already in the NVQ (Q 342). However, the Institute of Directors deplored the downgrading of the Technical Certificate:

“... it is important to retain the technical certificate ... it is really about off-the-job training. It really adds a balance to the apprenticeship framework ... and also to the apprentices’ opportunity for progression at a later date, because you are building in both the underpinning technical knowledge as well as the on-the-job competence skills. As a general theory, it is good to protect that as a feature of our apprenticeship because it is very much a feature of continental apprenticeships.” (Q 177)

Professor Paul Ryan considered the abandoning of the Technical Certificate in some sectors, and the downgrading of technical content more generally, symptomatic of a lack of commitment by government to maintaining acceptable minimum standards of training in apprenticeship. (Q 299)

The Apprenticeship Diploma

113. Another recommendation of the Modern Apprenticeship Advisory Committee was that an Apprenticeship Diploma should be developed to recognise achievement in completing the apprenticeship framework. This recommendation was accepted by the Government in 2001. However, the proposal appears to have been put aside since the decision to develop 14–19 full-time Diplomas and to develop them without building in institutional links to and from apprenticeship. Again, this constitutes a failure to carry through to implementation a policy considered to be vital to improving apprenticeship. The Apprenticeship will not have a Diploma and will remain separate and different from the Diploma “in order to maximise choice and diversity for young people”. (Secretary of State Q 341)
114. We have not been able to establish whether there are any plans for mutual recognition of qualification components for those with apprenticeship and those with Diploma qualifications wishing to switch from one route to another. The Secretary of State took the view that “from age 14 onwards there is the opportunity: there is the GCSE and A-level route there, there is the apprenticeship route and there is the Diploma”. (Q 341)
115. Early in 2006, the Secretary of State asked the QCA to consult and report on “a qualification for apprentices.”⁶² The QCA recommended a modular structure (on the lines of the Qualifications and Credit Framework currently being developed by QCA) which would allow greater flexibility than the existing framework and need not specify either a separate Technical Certificate or separate Key Skills. The proposals are currently being piloted, with a final decision due in 2009.
116. From the ambition of an apprenticeship qualification consisting of three distinct elements—an NVQ, a Technical Certificate and Key Skills achievement based on a separate test—the apprenticeship qualification may now be reduced, again, to a single competency test which ‘incorporates’ the

⁶² QCA, *A qualification for apprentices*, Report to the DfES, July 2006 p.1

technical knowledge and key skills. These concessions have been made in the name of demand-led training, as a result of SSCs pressing for qualifications which, they claim, match the requirements of their sector. There is a clear danger in handing over responsibility for defining skills qualifications, which are supported by public funds, to employer interests as represented by SSCs. While many sectors continue to demand good standards, a minority are lowering standards to a point where the public good is not served and public money not well spent. Safeguards are needed, as pointed out by the TUC and Professor David Ashton (TUC Q 220, Ashton p 2)

Policy to engage employers

117. Policy to engage employers in apprenticeship has likewise been subject to changes of direction and confusion of purpose. The Modern Apprenticeship Advisory Committee Report (2001) identified the marginalisation of employers by apprenticeship administrative procedures as a key weakness requiring action.⁶³ As a first step towards greater employer responsibility for apprenticeship, the report recommended that training providers should become advisers to apprentice employers and should be known as ‘apprenticeship agents’ with their role clearly spelt out. This recommendation was explicitly taken up by the Government. In 2002, the LSC announced that an action plan had been developed in response to the report, including the establishment of Apprenticeship Agents.⁶⁴
118. Nothing, however, appears to have come of this plan. The ALI and the LSDA, two of the organisations responsible for the plan, are now no longer in existence and there was no mention of apprenticeship agents in the LSC’s evidence to us. Employer engagement cannot be said to have improved, as the DfES told us in reply to an inquiry that it had no records of how many employers contract directly for apprenticeship with the LSC.
119. Recently, a more serious confusion of purpose appears to have arisen in government policy to recruit more employers to offer apprenticeship. Since 2006, the ‘Train to Gain’ programme has been extended, offering employers publicly-funded training to Level 2 for employees aged 19+. Unlike apprenticeship, where there is no compensation to employers for time away from the workplace, small employers on Train to Gain can be compensated for time taken by employees in training. This looks like a clear competitor to apprenticeship which cannot offer the same cost advantages as Train to Gain.
120. Neither the DfES nor other official witnesses told us about a further disincentive to employers to take apprentices, namely that employers taking on apprentices aged 19+ are now required under LSC funding rules to make a payment towards apprentices’ training costs previously covered by government funding.⁶⁵ It is difficult to imagine employers choosing apprenticeship over what is offered on Train to Gain, when Train to Gain covers training costs and time away from the workplace. Indeed, many employers may be deterred from offering any apprenticeships at all, if required to pay for training in addition to the other costs they already bear.

⁶³ Report of the Modern Apprenticeship Advisory Committee, *Modern Apprenticeships: the Way to Work*, op.cit paragraph 6.13

⁶⁴ DfES Press Release, *Work-Based Learning For Young People Must Improve: Hodge*, 11 June 2002

⁶⁵ LSC *Requirements for Funding Work-Based Learning for Young People*, 2006–07, para 23

121. Recruiting many more employers to offer good quality apprentice placements is fundamental to maintaining and expanding apprenticeship. Lord Leitch has proposed a target of half a million in apprenticeship and the Government has broadly welcomed this. However, all the evidence indicates that finding employers to offer apprenticeships is an enormous challenge and that there is a chronic shortage of places. This is masked to some extent by the widespread practice of recruiting existing employees on to much-truncated apprenticeships which count as an apprentice start but add little value to the pool of skills (para 64 above). This practice diverts government funds from young people who require full apprentice training.
122. We were unable to find any new thinking from those responsible for policy in this area as to how to attract more employers to offer apprenticeships. Exhortation, marketing drives and the admirable efforts of a small number of apprenticeship ambassadors, all tried and not particularly successful, judging by results of over recent years, appear to be the strategies to be adopted when trying to double the number of places. Exaggerated trust is placed in the capacities of SSCs to find apprentice places. We have no confidence that with these measures genuine additional places can be found.
123. We have been left with the impression that the current raft of policy initiatives around the education and training of young people—in particular the proposed Diplomas for 14–19 year olds, Train to Gain and increases in the costs of apprenticeship to employers—has been developed with insufficient attention to their likely impact on apprenticeship. The DfES has failed to implement a number of important initiatives designed to improve apprenticeship. It has also failed in its task of co-ordinating and harmonising policy initiatives with the result that apprenticeship could be adversely affected. This suggests the need for a dedicated team or unit to act as advocate and adviser and see through the implementation of policy on apprenticeship.
124. Numbers on Level 3 Advanced apprenticeship have been declining for a number of years (Figure 1 above) and several witnesses wanted far more apprenticeships to lead to a Level 3 qualification (para 17 above). In many countries of continental Europe this has long been the norm. We have already noted that many who enrol on apprenticeship at Level 2 are already at that level and that their apprenticeship is not adding value to the pool of skills. The Secretary of State and the Institute of Directors also stressed the need for more progression from apprenticeship to Advanced Apprenticeship (SoS Q 346; IoD written submission). While the Secretary of State considered that there was quite a lot of progression in some sectors, it is impossible to be more precise on this point since reliable data have not been collected to show how much progression in fact occurs (Q 346).
125. A preliminary exploratory survey, published by the LSN quoted above and using available data, suggests that some 20% of those who complete Level 2 may continue on to a Level 3 apprenticeship.⁶⁶ There is no record of how many are successful. Higher costs for apprentices aged 19 or over, relative to younger apprentices, is thought to inhibit providers from encouraging progression. Better data are urgently needed. In the case of progression from Advanced apprenticeship to Foundation Degree, no information is available as the relevant data are not collected.

⁶⁶ Shirley T, Montiero H, *Progression in Apprenticeships: Overcoming barriers to progression between Apprenticeship at level 2 to Advanced Apprenticeship Learning and Skills Network*, June 2006, p. 3

Apprenticeship entitlement—a long history

126. In 2001, the Modern Apprenticeship Advisory Committee recommended an entitlement to apprenticeship for any young person with 5 or more GCSE passes at Grades A*–G including Maths and English. Ministers welcomed this proposal and proposed that the entitlement should come into effect in 2004.⁶⁷ Little was heard about the entitlement, however, until the announcement in the Government's 2007 Green Paper, which proposed an entitlement for all those whose qualifications satisfy the criteria set by the individual SSC, to be effective from 2013.⁶⁸ We welcome this commitment, and hope that apprenticeship will become the standard method for a combination of work and learning to contribute to the Government's goal that all young people aged 17 and 18 should participate in some form of education and training.
127. However, we are concerned that the Green Paper appears to suggest the recognition of a much wider variety of work-based training than at present, most of which is less rigorous than apprenticeship training. We fear that the proposals in the Green Paper to 'regularise' other forms of employer training—with funding, accreditation and promotion by governmental agencies—will encourage employers to ignore apprenticeship and dilute even further the skills training available to young people. In none of the other forms of work-based training outlined in the Green Paper are there the three components—an occupational qualification, functional skills and relevant theoretical knowledge—which characterise apprenticeship. This seems to send the wrong message, namely that 'anything goes'. We hope that the elements of the apprenticeship framework can be retained for all work-based training for 16–18 year olds while allowing greater employer freedom to determine content.
128. **Apprenticeship has an unfortunate history of initiatives announced but not implemented and of decisions taken and then changed or reversed. No one government agency has sole responsibility for apprenticeship. In our view, the frequent reorganisations and the fact that no single agency or departmental unit 'owns' apprenticeship have been damaging for its development and held back growth and necessary improvements. In particular, we consider that policy for encouraging employers to offer good quality apprenticeships has suffered from the sharing of responsibility, and that a fresh approach is required if there is to be any chance of achieving the Leitch target of doubling numbers on apprenticeship.**
129. **Successive governments have, despite the best intentions, provided poor leadership in developing skills. As a result, millions of youngsters have missed out. This represents a serious and longstanding failure of the DfES.**
130. **The Government has now decided to disband the DfES and divide its responsibilities between two new departments. But it remains to be seen what the new division of responsibility means for apprenticeship. There is a real risk that, once again, it will not get the undivided attention it so badly needs. We therefore believe that there is a compelling case for the establishment of a powerful Unit, reporting directly to a Cabinet minister, to 'own' and take responsibility for apprenticeship. The purpose of this Unit would be to ensure that all the agencies concerned with apprenticeship perform with the urgency and effectiveness needed to improve the present unacceptable situation.**

⁶⁷ DfES Press Release, *Morris, Brown and Hewitt announce new plans for Modern Apprenticeships*, 29 November 2001

⁶⁸ DfES, *Raising Expectations: staying in education and training post-16*, 2007, p. 27

CHAPTER 9: CONCLUSIONS AND RECOMMENDATIONS

Introduction

131. Productivity in Britain continues to lag behind that of our main European competitors. One important reason is the large number of workers in Britain who have low skills and, consequently, low productivity and low pay. Many young people still fail to acquire any adequate level of skill. Young people with low skills on the UK labour market are faced with restricted employment opportunities, and the prospect of a poor quality job. (Para 1)

Broad trends in skill demand, and implications of low skills of young people for the UK economy

132. UK productivity could improve if the pool of skilled labour could be increased, and the cost to the economy and to society of failure to achieve this would be high. To increase the stock of skills in the UK requires flows of better-qualified young people to replace those retiring workers who have lower skills. As young people with low skills face poor job prospects, it is important to ensure that as many as possible of those who are able to do so acquire a recognised skill. (Para 19)

The case for investment in apprenticeship training for low-skilled young people

133. Apprenticeship is a prime source of intermediate skills in craft, technician and associate professional occupations, required both for economic growth and the replacement of employees with specialist skills who leave or retire. Apprenticeship brings high wage returns. Young people who complete an apprenticeship which includes an NVQ 2 or an Advanced Apprenticeship with an NVQ 3 earn significantly more than those who gain the same qualifications outside an apprenticeship framework. Good quality apprenticeship places are highly sought after and the available evidence indicates that the supply of young people seeking a place outstrips demand. (Para 39)
134. Apprenticeship should be established as the main route to skills below graduate level. It should be the standard method for a combination of work and learning to contribute to the Government's goal that all young people aged 17 and 18 should participate in some form of education and training. (Para 40)
135. By 2013, any young person who can demonstrate the appropriate level of functional literary and numeracy and a positive commitment to apprenticeship should be eligible for the Government's apprenticeship entitlement. (Para 41)

Training of low-skilled young people abroad—apprenticeship in Switzerland and Germany

136. Apprenticeship places in Germany and Switzerland are highly sought after by young people. Employers in both countries provide three-year apprenticeships for more than half the cohort, but recently the supply of young people seeking apprenticeship has exceeded demand from employers.

At least 75% of German apprentices complete their three-year training successfully, compared to around half in the UK, where apprenticeship lasts only one year on average. In both Germany and Switzerland, employer demand for apprentices is highly sensitive to the costs of employing them. As in the UK, the quality of young people applying for apprenticeship is improved by good progression prospects within the firm or sector, but in Switzerland and, to a lesser extent, in Germany, apprentices can and do continue on to higher education. (Para 51)

Apprenticeship: barriers to participation by young people

137. Many school leavers in the UK have not acquired the minimum level of functional numeracy and literacy and social skills necessary to benefit from apprenticeship training. In our view, the improvement of levels of functional skills in mathematics and English is fundamental and should be given much higher priority by schools. The Government should take this forward with much greater urgency. (Para 73)
138. Of those who could benefit, many are failed by wholly inadequate or non-existent careers advice and guidance, and by ignorance of or indifference to apprenticeship opportunities in schools. By the age of 14, all school pupils should be informed about the opportunities offered by apprenticeship, and about the work needed to qualify for one. Careers teachers and the Connexions—which is failing to reach a great many of those who need its services—service should explain the advantages of vocational as well as academic education. Special attention should be paid to informing girls about non-traditional apprenticeships and to providing information on earnings in different sectors. (Para 74)
139. It is clear that many young people who have the capacity to benefit from apprenticeship fail to find a place. There should be an effective clearing house where all apprenticeship places are advertised and through which young people can apply—as for university entry. It should be operated by the LSC. (Para 75)
140. The DfES has neglected to compile any record of young people who unsuccessfully seek an apprentice place and keeps no central record of employers seeking apprentices. No reliable data are compiled on prior qualifications. Urgent measures are needed to ensure both the production of proper statistics on apprenticeship and also effective monitoring. (Para 76)
141. Apprentices are frequently working at a level that is not appropriate, given their prior qualifications. Some apprentices are working at too low a level, while others are not well enough qualified for the level they are aiming for. In these cases, resources are being used inappropriately and are failing to add value. (Para 77)

Employers: marginalised at the end of a long chain of administration

142. We consider that the distribution of post-16 funding is unbalanced and that there should be a substantial shift of resources away from other post-16 provision in favour of apprenticeship. (Para 81)
143. The DfES failed to build connections between key partners in apprenticeship—schools, young people and employers. The current procedures for providing apprenticeships have the perverse result of discouraging employers from taking responsibility for apprentice training.

The use of intermediaries to negotiate apprenticeships with the LSC on behalf of employers should have been a transitional ‘learning’ stage, leading to employers taking full responsibility for the recruitment and training of apprentices. Instead, these arrangements have become entrenched, preventing employers from developing the structures and capacity to train young employees. (Para 89)

144. Employers should be at the centre of all apprenticeship provision. In our view, all funding for apprenticeships—the current average yearly spend per apprentice is £3,250—should, within five years, be re-routed directly to employers. Employers would then sub-contract any off-the-job training or other services which they did not themselves provide. This direct financing would act as a powerful incentive for employers to provide more places. (Para 90)

Quality and variability of apprenticeship frameworks, equity, aspirations and progression, completion of apprenticeship framework

145. It is welcome that successive governments have persevered with promoting and supporting apprenticeship. However, too much emphasis has been placed on quantity of apprenticeships, and not enough on quality and on subsequent destinations, including progression to Foundation Degree. Some service sector apprenticeships are of poor quality with little or no time release for training, and unchallenging content. Rates of completion have improved but remain variable and unacceptably low for Advanced Apprenticeship. (Para 100)
146. More young people should aim for an Advanced Apprenticeship (Level 3) or progress on to one. Young women in apprenticeship experience gender stereotyping and lower earnings, which may be in large part the result of a lack of information and guidance before starting apprenticeships. Young people from ethnic minority groups are under-represented in apprenticeship. Research and proper monitoring of demand from these young people is urgently needed as a basis for action. (Para 101)
147. The quality of apprenticeships should in many cases be improved. They should satisfy basic minimum requirements. These should include at least a day-a-week equivalent of off-the-job training, certificated through a separate certificate, and the further development of functional skills. Apprenticeships should last long enough to provide adequate scope for learning. Young people who already have a Level 2 qualification should normally take a Level 3 rather than marking time at Level 2. There should be more progression from one apprenticeship level to another, and more progression from apprenticeship to higher education. (Para 102)
148. It is the job of Sector Skills Councils to bring about these improvements in quality. If they are not forthcoming, the case for introducing a statutory framework should be re-examined. (Para 103)

Apprenticeship within the broader government policy framework—an unsettled landscape lacking in coherence

149. Apprenticeship has an unfortunate history of initiatives announced but not implemented and of decisions taken and then changed or reversed. No one government agency has sole responsibility for apprenticeship. In our view, the frequent reorganisations and the fact that no single agency or

departmental unit 'owns' apprenticeship have been damaging for its development and held back growth and necessary improvements. In particular, we consider that policy for encouraging employers to offer good quality apprenticeships has suffered from the sharing of responsibility, and that a fresh approach is required if there is to be any chance of achieving the Leitch target of doubling numbers on apprenticeship. (Para 128)

150. Successive governments have, despite the best intentions, provided poor leadership in developing skills. As a result, millions of youngsters have missed out. This represents a serious and longstanding failure of the DfES. (Para 129)
151. The Government has now decided to disband the DfES and divide its responsibilities between two new departments. But it remains to be seen what the new division of responsibility means for apprenticeship. There is a real risk that, once again, it will not get the undivided attention it so badly needs. We therefore believe that there is a compelling case for the establishment of a powerful Unit, reporting directly to a Cabinet minister, to 'own' and take responsibility for apprenticeship. The purpose of this Unit would be to ensure that all the agencies concerned with apprenticeship perform with the urgency and effectiveness needed to improve the present unacceptable situation. (Para 130)

APPENDIX 1: ECONOMIC AFFAIRS COMMITTEE

The members of the Select Committee which conducted this inquiry were:

Lord Griffiths of Fforestfach**
Lord Kingsdown
Lord Lamont of Lerwick
Lord Lawson of Blaby
Lord Layard
Lord Macdonald of Tradeston
Lord MacLaurin of Knebworth* †
Lord Oakeshott of Seagrove Bay
Lord Paul
Lord Sheldon
Lord Skidelsky
Lord Turner of Ecchinswell*
Lord Vallance of Tummel
Lord Wakeham

* since 22 November 2006

† until 16 April 2007

** since 16 April 2007

The Committee records its appreciation to Dr Hilary Steedman, London School of Economics, for her work as Specialist Adviser for the inquiry.

APPENDIX 2: LIST OF WITNESSES

The following witnesses gave evidence. Those marked * gave oral evidence.

- * Adult Learning Inspectorate
Amicus
- * Apprenticeship Ambassadors Network
Professor David N Ashton, University of Leicester
Association of Learning Providers
Aylesbury Training Group
British Chambers of Commerce
- * Professor Ernst Buschor, Swiss Federal Institute of Technology
Centre for Public Policy Research
City of London Corporation
Professor Linda Clarke, University of Westminster
- * Confederation of British Industry
Connexions
- * The Lord Dearing
Department for Work and Pensions
Electrical Contractors Association
Eric Johnson of Northwich Ltd
Professor Andy Furlong, University of Glasgow
Institute of Career Guidance
- * Institute of Directors
Institute of Occupational Safety and Health
Institute for Public Policy Research
- * The Rt Hon Alan Johnson, the Secretary of State, and Mr Jon Coles,
Director of 14–19 Reform, Department for Education and Skills
- * Sir Digby Jones
- * Learning and Skills Council
- * The Lord Leitch and officials, Leitch Review on Skills
- * Professor John Martin, OECD
National Youth Agency
- * Professor Stephen Nickell, Nuffield College, Oxford University
- * Office for Standards in Education (Ofsted)
- * Professor Paul Ryan, King’s College London
Sector Skills Development Agency
- * Trades Union Congress
- * Professor Lorna Unwin, University of London, and Professor Alison Fuller,
University of Southampton
- * Dr Anna Vignoles, University of London
VT Careers Management
Professor Karin Wagner, University of Applied Sciences, Berlin
- * Mr John West

APPENDIX 3: CALL FOR EVIDENCE

The Economic Affairs Committee has decided to conduct an inquiry into 'Employment and Training Opportunities for Low-Skilled Young People'.

Evidence is invited by Monday 8 January 2007. The Committee will welcome written submissions on any or all of the issues set out below.

The overall aim of current economic policy in the UK is to raise national prosperity by promoting higher employment and faster labour productivity growth. In comparison with its competitors, the UK appears to have been fairly successful in generating higher employment over recent years, but productivity growth remains relatively low and there is still a significant adverse productivity gap between the UK and other large European economies such as France and Germany. In this context, it has been suggested that the productivity gap between the UK and its competitors is particularly pronounced for younger, unskilled members of the labour force. While government policy aims to secure university places for up to 50% of young adults, there are concerns about whether the remaining 50% will be adequately equipped with appropriate qualifications and skills. A particular concern here is that the policy initiatives of successive governments have failed to stimulate productivity and employment opportunities for younger, less-skilled members of the labour force.

Against this background, the Economic Affairs Committee has decided that appropriate evidence is needed to inform policy in this area and that an inquiry into education and training opportunities for the unskilled young is warranted. The Committee will examine the scale of the problem, by collecting relevant evidence on productivity and employment performance among the skilled and unskilled young, and how they compare with the performance of similar groups in other countries, particularly the United States and other EU countries. It will also examine the rationale of previous government initiatives and whether or not they have been successful. The overall objective of the inquiry will be to determine what policies, if any, are needed to stimulate employment and productivity among young adults. The inquiry will seek answers to questions of the following kind.

1. How do skill levels, productivity and employment rates compare across different sections of the labour force and how do they compare with other countries, such as the United States, Japan, France, Germany, Italy and Spain?
2. Is there a particular problem concerning productivity and employment levels among the unskilled young? If there is a problem, is it different to the problems faced by all unskilled workers, irrespective of their age?
3. Does the evidence suggest that employment rates and earnings among young people are limited by a lack of appropriate skills?
4. Have wage and employment opportunities for young people been affected significantly by labour migration from Eastern Europe to the United Kingdom over recent years?
5. How accurately can we predict the likely future pattern of employment? Which areas of activity are likely to see the greatest expansion of employment opportunities for young people over the next 10 or 20 years?
6. What is the rationale of government policy in this area? Has policy been based on a proper diagnosis of the problem and does it identify appropriate remedies? How do UK policy initiatives compare with policies adopted in other EU countries and the United States? Do we have anything to learn from those countries?

7. Have existing training programmes failed to provide young people with appropriate skills? Or does the problem lie elsewhere? Is it possible to predict what specific skills will be needed in the future or should training focus on numeracy, literacy and adaptability? How should policy initiatives allow for uncertainties about the future pattern of labour demand?

8. How effective are current apprenticeship arrangements in improving skills and employability? Why are employers not more involved in the provision of apprenticeships? Do apprenticeships help to meet employers' skill needs? Are new approaches needed?

9. How should training provision for young people be organised? Should it be linked to part-time education? How can training best respond to business needs?

10. Are there any general labour market reforms that would help to promote increased employment and productivity for unskilled workers in general and younger unskilled workers in particular?

APPENDIX 4: VISIT TO AYLESBURY TRAINING GROUP, 1 MAY 2007

Members visiting Aylesbury Training Group were Lord Layard, Lord Sheldon, Lord Vallance of Tummel and Lord Wakeham (Chairman), with Robert Graham-Harrison (Clerk), Dr Hilary Steedman (Specialist Adviser) and Stephen Seawright (Committee Specialist) in attendance.

The Committee was welcomed at ATG by David Granshaw (Chairman), Ray Ball (Chief Executive) and Lynne Saint (Head of Business Development).

ATG is a not-for-profit group training organisation that was founded in 1967 to train engineers. But the group has broadened with 40% of its work now in other areas ranging from IT to care for the elderly. ATG has training centres in Aylesbury and Manchester and plans to expand to London and Birmingham later this year.

Overall, ATG has more than 1,000 learners of whom 720 are apprentices. Approximately 60% of the ATG's 720 apprentices are already employed when their company puts them on an apprenticeship scheme. This compares to a figure of 46% nationally which was given in a recent survey.

Mr Ball said the Aylesbury centre takes on 120 unemployed young people aged 16–18 each year and gives them six months' full time training in engineering or computers. The trainees are also taught how to write CVs and handle interviews. For those who have left school without basic literacy and numerical skills, ATG provides lessons in these areas, either in small groups, or one-to-one, which have a high success rate.

At the end of the six months, ATG seeks out companies willing to take the trainees as apprentices. It arranges job interviews and 90% of the trainees move into full time work as apprentices. ATG continues to be involved in their training while they work as apprentices.

Mr Ball said ATG is "very employer-led". The group works with 328 companies and focuses on their staffing needs.

While ATG's training schemes have been successful, the group still battles to convince employers unfamiliar with their work to join their schemes, interview the trainees and provide apprenticeships. Mr Ball said even managing directors who started their own careers on apprenticeships can be unwilling to sign up.

Many employers simply did not know about apprenticeship schemes and how they could be introduced at their companies. The suggestion that excessive bureaucracy may have deterred employers from setting up apprenticeships was disputed, with ignorance considered a bigger problem.

Even when employers accept the idea of apprenticeship schemes, many are reluctant to pay for them, which leaves organisations like ATG reliant on government funding which is provided through the Learning and Skills Council.

This highlighted the need to win over the "hearts and minds" of employers, according to Mr Ball, if a training system is to be driven by demand from employers, as envisaged in the Leitch Review.

However, the level (or lack) of enthusiasm amongst employers varies between sectors. Engineering companies are much more willing to use apprentices than IT and construction firms, according to Mr Ball.

In 2001 ATG set up a successful national training and apprenticeship programme in cycle maintenance. The scheme operates in Manchester and Aylesbury and attracts entrants from across the country with national funding from the LSC. Centres will be set up in London and Birmingham later this year.

However, Mr Ball said such a national scheme will be much more difficult to set up in the future under changes to the LSC's funding arrangements which take effect in August 2007. The cycle industry is highly fragmented with many small companies the length and breadth of Britain. So ATG's training scheme was only viable as people from across the country could sign up.

Yet under the LSC's new arrangements training schemes aimed at small companies will be funded by regional contracts—the option of a single national contract will be scrapped. Such arrangements would have meant higher set-up costs for ATG's national cycle maintenance scheme on the back of more negotiations and more paperwork.

Moreover, the cycle industry would hardly have been a high priority for any region. Some regional LSC offices would most likely reject ATG's funding applications in favour of larger industries in their local areas.

Without being able to offer cycle maintenance training nationally, combined with the higher set-up costs, ATG would have found it much more difficult to get the scheme on the road under the LSC's new arrangements.

In addition to employers, schools have also been reluctant to get involved with apprenticeships. Many Aylesbury schools in recent years have become more reluctant to let ATG staff talk to students about apprenticeships as an option for when they leave.

This has left school leavers initially uninterested in apprenticeships. A mail shot by ATG to 13,900 school leavers informing them of apprenticeships resulted only in around 20 actually taking up such training.

However, the move towards specialist diplomas with more vocational choices is starting to prise school doors open again. ATG believes schools and further education colleges will need to work much more closely with training providers to deliver the Diploma.

Halina Simpson, the head of ATG's learning and skills directorate, believes more young people could stay at school past the minimum leaving age of 16 if the diplomas are properly structured, with more people moving on to apprenticeships at 18.

Engineering apprentices at ATG's workshop and at St Leonard's Residential Care Home for the Elderly in Aylesbury all said they were told little at school about apprenticeships as a possible route to work and further education. Most of the engineering apprentices had come across ATG through advertising and one through the Government's Connexions careers advice service. All wished they had been told more about this route during their school years.

Two of the staff at the residential home were studying for NVQ 2 qualifications in care and had signed up for the apprenticeship course after they were already employed at the home. It was not clear if they viewed their courses as apprenticeships as they had almost no-off-the-job training, in one case half a day a month at ATG's centre. They studied for their qualifications in their spare time, sometimes after working 12 hour shifts. They were not required to sit basic skills tests as these had been incorporated into their NVQ. Their work was assessed on the basis of assembling a portfolio of evidence.

James Peacock, the Care Home manager, said in his experience staff found the NVQ courses more appealing as they used on-going assessment rather than written examinations at the end. Trainees can use the NVQ courses and their work as carers as stepping stones to further studying and other careers. One of the carers told the committee she intended to continue studying and aimed to go into nursing.

Both the engineering and the care apprentices found appealing that what they were taught during their ongoing training could be applied in their workplaces.

APPENDIX 5: GLOSSARY

ALI	Adult Learning Inspectorate
ALP	Association of Learning Providers
BT	British Telecom
BTEC	Business & Technology Education Council
CBI	Confederation of Business Industry
CPPR	Centre for Public Policy Research
DfES	Department for Education and Skills
E2E	Entry to Employment
ICG	Institute of Career Guidance
ICT	Information and Communications Technology
GCSE	General Certificate of Secondary Education
GNVQ	General National Vocational Qualification
JAR	Joint Area Review
LLSC	Local Learning and Skills Council
LSC	Learning and Skills Council
LSDA	Learning and Skills Development Agency
LSN	Learning and Skills Network
NEET	Not in Education, Employment, or Training
NTO	National Training Organisation
NVQ	National Vocational Qualification
NYA	National Youth Agency
OECD	Organisation of Economic Co-operation and Development
Ofsted	Office for Standards in Education
PISA	Programme for International Student Assessment
PSA	Public Sector Agreement
QCA	Qualifications and Curriculum Authority
QCF	Qualifications and Credit Framework
QIA	Quality Improvement Agency
SME	Small and Medium Enterprise
SSC	Sector Skills Council
SSDA	Sector Skills Development Agency
TUC	Trades Union Congress
UCAS	Universities and Colleges Admissions Service
VET	Vocational Education and Training