

Department for
**Innovation,
Universities &
Skills**

Investing in our future



**World-class
Apprenticeships:
Unlocking Talent,
Building Skills for All.**

**The Government's
strategy for the future of
Apprenticeships in England**

department for
children, schools and families



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Foreword

This country has a long and proud tradition of Apprenticeships stretching back over centuries. For millions of young adults, they have provided a prized pathway to valued skills and a good job. For businesses, they provide a premium route for unlocking talent and for commercial growth.

The economic changes and industrial dislocation of the 1970s and 1980s, however, triggered a severe decline in Apprenticeship numbers. This Government has been determined to reverse that trend. Since 1997, the numbers of Apprentices and the quality of their Apprenticeships have improved significantly. Around 100,000 Apprentices now complete their Apprenticeships each year in England compared to 40,000 in 2001/02. This is unprecedented in this country in the modern era.

But we recognise that this figure needs to grow enormously over the next decade if we are to meet the challenges of the global economy. The Government's role in improving the skills of individuals is clear. We need to ensure that our employment and training systems are able to respond effectively to all levels of need – not only helping people into work, but also enabling them to *get on* at work.

Businesses also have a crucial part to play and many are already working closely with us to unlock talent, build relevant skills and expand opportunities for people to work including around 130,000 businesses offering Apprenticeships. But we need to build an even stronger partnership between the Government, the private sector, the third sector and individuals if we are to support more British people into sustainable employment, to help British businesses

develop their workforce and succeed in increasingly competitive markets, and to achieve our ambition of a workforce with world-class skills.

The social benefit of an expanded Apprenticeships programme is as clear as the economic need for these skills. For those Apprentices lucky enough to have secured places with some of the country's world-class employers, their career prospects and entire lives have in very many cases been made better for that experience. We owe it to our young people, and to the adults trying to make a step-change in their career, to expand the scale of this important opportunity. As we raise the participation age for education and training, we will need to offer the benefits of genuine choice between work-based and classroom-based learning to more of our young people. For adults in a variety of circumstances – whether changing career or coming into the labour market later in life – an Apprenticeship is often an excellent way to make that transition.

The Government, therefore, commissioned a review of all aspects of the Apprenticeship programme in England. The conclusion of that review is unequivocal: Apprenticeships will play a central role in our plans for growing skills in the economy. Their combination of theoretical and applied knowledge, technical competence and wider skills for employment



– all as part of a real job – benefit employers, Apprentices and the country alike.

This report sets out our plans for expanding and strengthening what is available. We are committed to providing high quality employer places, and to ensuring that our persistent focus is on doing this so that we build the number of skilled, productive people in the economy. Central to our proposals is new, focused leadership for the Apprenticeship programme, which will bring together a wide range of services and operations that are currently dispersed among a range of agencies. We have also set out a comprehensive package of measures designed to make it easier for employers to take on Apprentices. And we have listed a range of actions to improve further the quality of Apprenticeships so as to ensure that they are fit for the needs of the 21st century, including measuring what matters most: the number of people who start and complete their Apprenticeship.

We commend this report to you, and look forward to hearing your views on the steps we plan to take.

John Denham
Secretary of State for
Innovation, Universities
and Skills

Ed Balls
Secretary of State
for Children, Schools
and Families



Executive summary

Context

- The Apprenticeship¹ programme has undergone a renaissance in the past decade, with the numbers of Apprentices in learning having risen dramatically since 1997, and completions at unprecedented levels. The country's leading companies – including Rolls Royce, British Telecom, Centrica and Tesco – today offer sizeable Apprenticeship programmes.
- The Government has introduced a requirement for all young people to be in education or training until the age of 18, by 2015. It will be extremely difficult to achieve this without significant expansion of the Apprenticeship programme.
- There is untapped and growing demand for Apprenticeships. England could and should have a greatly expanded Apprenticeship programme.

Objectives and indicative targets

- With the new participation age in mind, the Government has introduced an entitlement to an Apprenticeship place for each suitably qualified young person from 2013.
- We want Apprenticeships to be a mainstream option for 16- to 18-year-olds, and will ensure that by 2013 every suitably qualified young person who wants to take up an Apprenticeship place will be


able to do so. To deliver this entitlement, we have already announced that we will increase the number of 16–18 Apprentices significantly by 2013. This will play a major part in achieving our objective of raising the education and training participation age, first to 17 and then to 18.

- As we grow a high-quality programme on this scale, taking up an Apprenticeship may become attractive to even more young people. We will maintain our commitment to meeting the demand from suitably qualified young people, so that if more come forward we will work with employers to expand the programme further. On this basis we anticipate that around one in five of all young people will be undertaking an Apprenticeship within the next decade, so that an Apprenticeship place will be a mainstream post-16 option.
- Our starting point for this review has been Lord Leitch's aspirations for 400,000 Apprentices in England by 2020,² and published budgets reflect this anticipated trajectory.³ This would mean over 250,000 starts and 190,000 successful completions. Given the Government's strong support for the Apprenticeship programme, if employer demand surpasses this, the Government's priority will be to find the resources to meet that demand within the budgets available.

¹ Although commentators sometimes refer to 'Apprenticeships' in a broad context, in this document, unless otherwise indicated, 'Apprenticeship' is defined as a programme that the Government will fund against a Sector Skills Council-specified framework.

² DIUS (2007) *World Class Skills: Implementing the Leitch Review of Skills in England*, London: DIUS (the Leitch implementation plan). (This figure refers to adults and young people, counted as 'average in learning'. Counting methods for Apprenticeships are detailed in paragraphs 2.5 and 2.6.)

³ LSC grant letter 2008/09, *Priorities for Success 3*.

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- To achieve our aims, and in line with the objectives laid down by Lord Leitch to increase the skills of those who have already completed their compulsory education, we will also be aiming for significant growth in Apprenticeships for those aged 25 or over.⁴ We need to respond to the high employer demand for places in this category, and we need to assist adults who are seeking the skills to make a step change or transition in their career.
 - Also in line with the increasing demand for Level 3 skill anticipated by Lord Leitch, we anticipate that there will be increasing employer demand for Advanced Apprenticeship (Level 3), and we will cater for that to meet expected need over the next decade.

Strengthening Apprenticeships

- **We will define the Apprenticeship experience**, improving the ‘blueprint’ to incorporate expectations of mentoring, progression, entry requirements and time off-workstation to train. We will remove the ambiguity in the legal status of Apprentices.
- **National completion certificates** will be issued to Apprentices at the end of the programme, with a consistent national brand and format. These will provide future employers with clearly recognisable statements of the Apprentice’s competency and training. The certificates will carry the appropriate Sector Skills Council branding to communicate the sectoral relevance of each Apprenticeship.
- **We will increase the quality of the Apprenticeship experience**, with all Apprenticeships being robustly quality-assured against the revised blueprint to create a consistently high standard across the programme. The split in Apprenticeships provision between Level 2 and Level 3 will be adjusted to suit the increased employer demand for Advanced Apprenticeships that we anticipate.
- **We will integrate Apprenticeships with the rest of learning:** Apprenticeship component qualifications will be included in the Qualifications and Credit Framework (QCF), enabling easier movement between the new 14–19 Diplomas and Apprenticeships, and providing the supporting advice to make young people fully aware of their options.
- **We will protect the Apprenticeship brand**, reforming so-called Programme-led Apprenticeships to strictly specify the acceptable minimum level of tie-in with employers. These conditions will need to be fulfilled in order to allow any marketing in association with the Apprenticeship brand. We will maintain the existing practice of only counting as Apprentices those who have had an employed status.

A new delivery system

- **We will introduce a separately branded, customer-facing National Apprenticeship Service (NAS)** with the senior leadership and resources to have end-to-end accountability for the Apprenticeship programme.

⁴ Lord Leitch (2006) *Prosperity for all in the global economy – worldclass skills*, London: HM Treasury (Lord Leitch’s report).

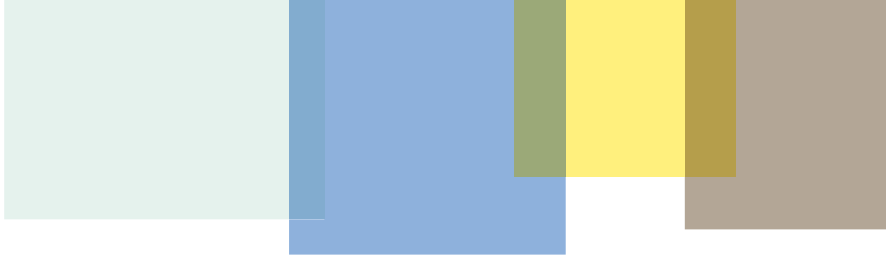


- **We will create a dedicated field force** to support employers and Apprentices through an Apprenticeship, from initial interest to completion and progression. This field force will also be available to support the providers of information, advice and guidance where appropriate.
 - **There will be significant staffing at regional and sub-regional level** to manage relationships with other stakeholders in the system, including working in partnership with local authorities as they fulfil their obligations to young people.
 - **A director of the Apprenticeship programme** will be appointed, bringing – for the first time – leadership at the most senior level that is solely focused on the delivery of Apprenticeships.
- Boosting employer supply**
- **There will be greater range and flexibility for Apprenticeships:** a more flexible and responsive model will be developed for Apprenticeship frameworks.⁵ Employers will be allowed to submit their own frameworks for funding, by drawing from a Sector Skills Council ‘bank’ of qualifications.
 - **All Apprentice experience will be recognised as ‘an Apprenticeship’:** Apprenticeship training that does not rely on public funds will still be recorded and recognised.
- **Direct incentives payments will be introduced** (in addition to formal training costs) for some businesses to encourage growth in Apprenticeship places. Similar incentives will be introduced to encourage large companies to ‘over-train’ for their supply chain. Pilots will be set up to increase the age ceilings for fully-funded Apprenticeships for sectors with barriers to recruiting under-18s, and there will be statutory backing for an Apprenticeship Agreement to clarify employer and Apprentice expectations.
 - **We will be responsive to demand:** there will be additional funding for Apprenticeships for those aged 25 or over,⁶ flexibility in adult learning budgets, an Apprenticeship ‘credit’ delivered via skills accounts to improve transparency for employers and learners, funds to cater for unanticipated demand.
 - **There will be support for more employer ‘ownership’ of Apprenticeships.** More employer-led organisations (such as group training associations⁷ and others) will deliver Apprenticeships, and there will be more support for those organisations that already exist.
 - **Public sector targets and duties will be introduced.** We are committed to addressing the inconsistencies in the public sector’s usage of Apprenticeships. The

⁵ An Apprenticeship framework outlines a programme of learning against which the Government will provide Apprenticeship funding.

⁶ LSC grant letter 2008/09.

⁷ Typically, not-for-profit companies, which may charge a membership fee to small and medium-sized businesses in a sector, that design training programmes delivered in the training associations’ dedicated plant or in a range of ‘host employers’. Today, these tend to predominate in the traditional manufacturing, construction and engineering sectors. Proposals to increase the numbers of these and similar employer-led arrangements are outlined in paragraph 5.25.



Secretary of State for Innovation, Universities and Skills will work with Cabinet colleagues to formulate targets for each component of the public sector to reflect its particular circumstances.

- **We will promote Apprenticeships in strategic projects:** as part of this public sector drive, the Government will complete a systematic investigation of the potential to provide Apprenticeship places through large strategic government projects such as the Olympic and Paralympic Games, Crossrail, the further education capital projects programme and the Building Schools for the Future programme.

Culture change around the value of Apprenticeships

- **Dedicated information channels will be set up for Apprenticeships.** Transparent information on opportunities will be available via a national matching service, and regional field forces will support schools and other services in the provision of specialist information on Apprenticeships to young people and adults. The 'taster' work experience opportunities available for key stage 4 pupils will be increased.
- **Investment will raise the profile of the Apprenticeship programme.** An annual calendar of high-profile events will celebrate the achievements of Apprentices.

- **Clear progression routes to higher education will be built.** The current work of the Learning and Skills Council (LSC) will be extended to mapping all Apprenticeships frameworks to Universities and Colleges Admissions Service (UCAS) tariff points.

Addressing inequality

- **Positive action will be taken** for under represented learners, and increased funding will create places for those learners.
- **Pilots will be used to drive a 'critical mass'** of under represented learners at certain sites, to encourage more applications from them.
- **'Super-mentors' will be appointed** to support under represented Apprentices through their experience.
- **Contractual wage regulations set by the LSC will be fully enforced** pending the results of the investigation of Apprenticeship wages by the Low Pay Commission.



1. Introduction

1.1 This report sets out the conclusions of the Government's review of Apprenticeships in England. This was a joint review between the Department for Innovation, Universities and Skills (DIUS), the Department for Children, Schools and Families (DCSF), the Cabinet Office (the Strategy Unit) and the LSC.

1.2 Ministers in Wales will consider the report in the context of the recently launched consultation on a new skills and employment strategy for Wales. In doing so they will consider any implications for the current system of Apprenticeships across Wales and England, based on the ministerial-approved *Blueprint for Apprenticeships* (published by the LSC in 2005).

1.3 The objectives of this review have been twofold.

- To assess whether the programme and delivery systems in their current form are likely to deliver the Government's ambitious targets for growth in Apprenticeship numbers (400,000 Apprentices in learning in England by 2020⁸) and to assess whether our approach to counting Apprenticeships captured the critical data that matters to people. This has been the starting point for this review, but the Government's strong support for the Apprenticeship programme means that, if employer demand surpasses this anticipated trajectory, the Government will make it a priority to find the resources to meet that demand within the budgets available.

- To assess whether the programme and system are fit to deliver the entitlement to an Apprenticeship place to each suitably qualified young person from 2013 (this is referred to throughout this report as simply 'the entitlement').

1.4 As indicated by these goals, Apprenticeships are a priority for the Government. They bring significant benefits to businesses and the economy at large (these are discussed in more detail in Section 4) and are responsible for significant wage returns. These drive an overall rate of return at both Level 2 and Level 3 (summarised in Figure 1).

1.5 Apprenticeships are a popular choice for both young learners and adults, and it is our aim that by expanding the programme we will bring the benefits of choice to more individuals. This will be particularly important as we implement the new participation age for compulsory education, as it will make work-based learning a mainstream option for 16- to 18-year-olds.

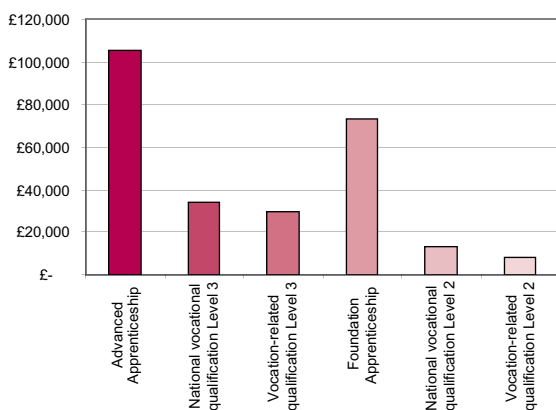
1.6 Since the review began, the Government has made a number of announcements about Apprenticeships. On 30 October 2007 the Prime Minister announced a range of measures designed to reinforce and strengthen the Apprenticeship programme.

- A new matching service, meaning that vacancies for Apprenticeship places can be matched with suitably qualified people wishing to take them up.

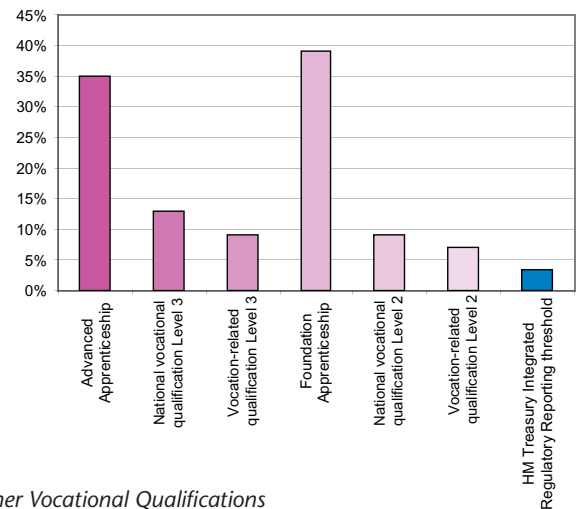
⁸ DIUS (2007) *World Class Skills: Implementing the Leitch Review of Skills in England*, London: DIUS. (This figure refers to adults and young people, counted as 'average in learning'. Counting methods for Apprenticeships are detailed in paragraphs 2.5 and 2.6.)

Figure 1: Returns to Apprenticeships versus other vocational qualifications⁹

Net present value of Apprenticeships and other vocational qualifications



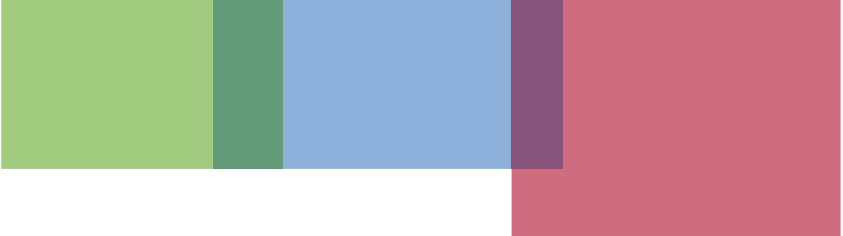
Rates of return to Apprenticeships and other vocational qualifications



Source: McIntosh (2007) *A Cost-Benefit Analysis of Apprenticeships and Other Vocational Qualifications*

- An intention to expand in the number of employers that join the Apprenticeship programme, building on the 130,000 that have already signed up across Britain.
- A new focus on making the public sector – including central government – a better partner in Apprenticeships.
- A proposed new legal duty (to go before Parliament this year) on the LSC to provide sufficient Apprenticeship places in every area.
- A commitment to ensuring that all those reaching 18 or 19 who want to go on to an Advanced Apprenticeship or further education and training have the resources that they need.
- An Apprenticeship ‘credit’ for people over the age of 18 (delivered through skills accounts) – part of the expansion of individual and employer purchasing power for training. This will make potential Apprentices and employers aware of the

⁹ The net present value (NPV) calculates the NPV of the benefits (including increased earnings for the individual, employment gains and an uplift for non-wage labour costs – but not including the wider social benefits of people doing Apprenticeships, e.g. improved health, reduced crime) minus the costs (including estimates of productivity costs for the length of time a young person spends out of work) plus employer costs (providing equipment and materials) and government costs (subsidy element). These are discounted over time using the Treasury-approved discount rate according to when the costs and benefits are incurred (benefits are assumed over working life – around 40 years – and costs are assumed over the duration of the Apprenticeship). Rate of return is also known as an internal rate of return – the discount rate that serves to drive the NPV of an investment to zero. The higher the rate of return, the more attractive the investment appears to be against a risk-free investment that provides – according to the Treasury’s Green Book – a rate of return of 3.5%.



value of their training, and it will make it easy for them to access funds (see paragraph 5.21).

- More Apprenticeships delivered through Train to Gain – the Government’s primary skills service for employers in England.

1.7 The Queen’s Speech on 6 November 2007 confirmed that the Government intends to legislate to implement the results of this review. We will bring forward draft legislation during the current Parliamentary session.

1.8 On 16 November 2007 the Secretary of State for Innovation, Universities and Skills announced significant expansions in both funding and places for the Apprenticeship programme during the current Comprehensive Spending Review period. Funding for Apprenticeships will increase by almost a quarter between 2007/08 and 2010/11 – to over £1 billion. Funding will be available specifically for expanding Apprenticeships for those aged 25 or over. This reflects the Government’s recognition of the high employer and learner demand for Apprenticeships for this group, and its recognition of the value that an Apprenticeship can bring to a range of adults making a labour market transition for various reasons.

1.9 This review has drawn on the contributions of many agencies, employers, training providers, academics and officials of overseas government departments. We are grateful for the time given by all of these parties to this process. Our invitation to comment on the conclusions of this review is set out in Section 8.



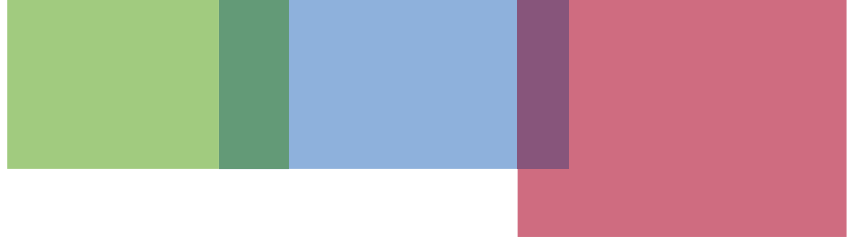
2. Context

2.1 An Apprenticeship is a form of vocational training based on a mixture of work-based and theoretical learning. For the Government to count training as an Apprenticeship and to be able to provide the relevant funds, an Apprentice must have spent a period of time as an employee during the Apprenticeship, and have an employed status at the time of completion.

2.2 There are four core participants in any government-funded Apprenticeship.

- The employer offers a place, is the primary provider of learning in the workplace, pays the Apprentice a wage, and supports their learning time requirements.
- The Apprentice is expected to contribute to the productivity of the employer and to undertake the requisite learning.
- The training provider (which might be a further education college, group training association or other work-based-learning provider) provides off-the-job tuition and often takes on much of the bureaucratic workload associated with the Apprenticeship on behalf of the employer.
- The Government – via the LSC – provides funds to cover the training costs of the Apprenticeship, although typically not the wage costs of training time.

2.3 Employers will always be at the heart of the Apprenticeship programme: their willingness to offer a place is a necessary condition for any Apprenticeship to happen. However, in Apprenticeship programmes the world over, there is a significant role for a third party to play in the delivery of training (in this country, we refer to these as training providers). Most employers, particularly smaller employers, find their training provider to be an essential partner in offering Apprenticeships. The training provider can help with managing the recruitment and ongoing paperwork, designing structured off-the-job training and providing the elements of the Apprenticeship that are most efficiently delivered ‘at scale’ (like training in the transferable skills that might not be adequately picked up on the job in a small company). The role of group training associations is known to be particularly beneficial in those sectors where they predominate. Nonetheless, employers today have the option to run their own Apprenticeship programmes, and that will continue. However, we are aware that elements of the English system can be improved on, and this is addressed throughout this report.



2.4 An Apprenticeship is not a qualification in itself, but it contains the following separately certified elements.


- A knowledge-based element (the theoretical knowledge underpinning a job in a certain occupation and industry, typically certified via a Technical Certificate).
- A competence-based element (the ability to discharge the functions of a certain occupation, typically certified via work-based assessed national vocational qualifications (NVQs)).
- Transferable or 'key skills' (literacy and numeracy).
- A module on employment rights and responsibilities.

2.5 There are various ways of counting the number of Apprenticeships in the country. These methods have evolved over time as the programme has developed, and variability in the timing of Apprenticeship training has also created complexity. The number of starts can be used with data on average lengths of stay and completion rates to determine the 'average in learning' figure, the number of framework completions and overall 'learner numbers'. The figures cannot be immediately related to each other in the same year, as there is a time lag between increasing the number of starts and the number of framework completions increasing.

2.6 We have tried to ensure that we can make accurate comparisons between numbers over time, while developing methods of counting and planning that can easily be reconciled with other types of provision. One example is the recent change in how

16–18 Apprenticeships are counted, in line with the ways of counting school and college provision for young people (learner numbers). However, we want to ensure complete clarity in our measures in the future so that we can accurately set targets and report on progress against them. We will therefore be focusing on the two most instructive metrics: the number of people starting an Apprenticeship in the year ('starts') and the percentage of those who complete that Apprenticeship ('completion rate'). Starts are an easily understood concept and express the growth challenge for the programme for a year. Completion rates are a mechanism for driving up the quality of delivery and recruitment in the system. Throughout this document, where the old 'average in learning' measure is used to present historical statistics, this will be indicated.

2.7 A combined focus on completion rates and quality assurance has been integral to the recent growth of Apprenticeships, and the Government is clear that these are both an absolutely essential part of our growth strategy for the future. It is only by being firm about quality, and by driving each Apprentice through to the completion of their framework, that employer and learner respect for the programme will be maintained, and long-term economic demand for Apprenticeships assured. Compromising on either completion rates or quality assurance will mean that we will not achieve our ultimate objective for the programme – to increase the number of skilled workers in the economy. In line with the conclusions of Lord Leitch's report that employer demand for Level 3 qualifications will grow, we anticipate employer demand



for Level 3 Apprenticeships (Advanced Apprenticeships) will grow, and we will plan for Apprenticeships provision to move in line with that demand.

A brief history of Apprenticeships

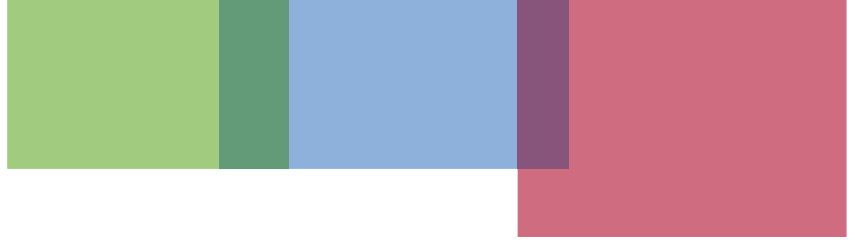
2.8 Britain has a long history of Apprenticeships, which stretches back to the guilds of the Middle Ages. In 1563 the system became more prescribed and regulated: the Elizabethan Statute of Artificers set out terms and conditions for training (including a duration of seven years) and for the master–Apprentice relationship. Apprenticeships expanded in the following two centuries, with new legislation on working conditions, environment and the conduct of Apprentices in their leisure time.

2.9 Another milestone of legislation was passed in 1802 – the Health and Morals of Apprentices Act, whose provisions included a 12-hour working day and a requirement that factory Apprentices were taught reading, writing and arithmetic. These developments led to the repeal of the 1563 Statute in 1814. After that year, practising a skill although un-Apprenticed was no longer illegal. The new act also loosened statutory controls over Apprenticeships, by removing the requirement for a minimum of seven years to be spent on one.

2.10 By the late nineteenth century, Apprenticeships had spread from artisan trades such as building and printing to the newer industries of engineering and shipbuilding – and later to plumbing and electrical work. Although there were approximately 240,000 Apprentices by the mid 1960s, there were growing concerns about the effectiveness

of Apprenticeship training. It was criticised for its exclusivity, for being male-dominated, for focusing on serving time rather than on outcomes, and for a failure to embrace new and expanding occupations. Numbers had decreased to some 53,000 (‘average in learning’ figure) by 1990 – the decline was exacerbated by rising post-16 participation in full-time education, a lack of public funding for Apprenticeships, and the effect of the Youth Training Scheme and Youth Training programme. These initiatives catered for young people who might otherwise have done an Apprenticeship, but the quality of provision was often questionable and both programmes contributed to a poor perception of vocational training generally.

2.11 Since the mid 1990s, governments have been rebuilding the programme in an adjusted economic and institutional context. This has required state support, as has been the case in almost all countries with a sizeable Apprenticeship programme (the level of state intervention in this country has varied over recent decades, from levy-funded programmes via the industrial training boards in the 1960s and 1970s, to no support or intervention at all in the early 1990s). In response to concerns about skills shortages, especially at intermediate levels, in 1993 the Government announced plans for a new Apprenticeship scheme at Level 3 – Modern Apprenticeships. Prototypes were introduced the following year and the scheme became fully operational in 1995. The Modern Apprenticeship was focused almost entirely on occupational competence, and did not require specific technical learning.



2.12 Since 1997 a number of the programme elements have been reformed.

- In 1998, the Training Standards Council (subsequently the Adult Learning Inspectorate) began an inspection of work-based learning providers. In 2007, responsibility for inspection was transferred to Ofsted.
- Level 2 Apprenticeships were introduced in 2000.
- In 2000, the LSC took on responsibility for funding Apprenticeships from the Training and Enterprise Councils.
- The technical certificate was introduced in 2003/04 to explicitly require theoretical knowledge from Apprentices (and, implicitly, structured off-workstation training).
- The Apprenticeships family was rebranded in 2004.
- The Apprenticeships blueprint was introduced in 2005 to provide updated guidance for Sector Skills Councils on how to define their Apprenticeship frameworks.

2.13 The result of these changes, coupled with the increased investment made by the Government since 1997, has been a major improvement in the number of Apprentices and in the quality of Apprenticeships. The number of learners of all ages starting on the programme has more than doubled from around 75,000 to around 180,000 today. Completion rates – which once indicated severe problems with recruitment practice and

quality – have been transformed. In 2001 only 24% of learners completed the full framework, and today the figure stands at 63% (and this is rising). More than 100,000 learners now leave the programme each year having passed all elements of the framework for their chosen occupation. This is unprecedented in this country.¹⁰ By 2010/11, more than 900,000 learners will have completed a full Apprenticeship.

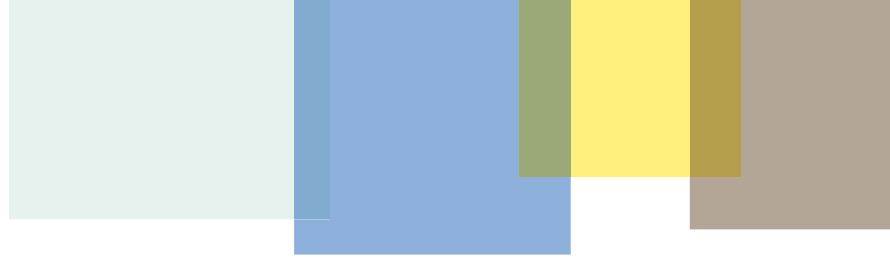
Why more?

2.14 Our belief is that this country could and should have an expanded Apprenticeship programme. There is clear evidence that many more people would like to take up an Apprenticeship than currently are able to; that the economy needs the skills and knowledge conferred by Apprentices at both Level 2 and Level 3; and that reforms to the current programme could unlock many more Apprenticeship places than are currently available. This growth potential is discussed in more detail in Section 4.

2.15 In addition, there are clear social benefits to a successful Apprenticeship programme. It provides choice for learners and is an important option for those who learn most successfully in work-based learning environments. Apprenticeships have been shown to facilitate the often-difficult transition between full-time learning and work.¹¹ Many young people find the prospect of earning while learning to be extremely attractive. For certain groups of adults – those facing a career change, those entering the labour

¹⁰ See www.Apprenticeships.org.uk/partners/frameworks/Apprenticeshipsdata.

¹¹ OECD (2000) *From Initial Education to Working Life: Making Transitions Work*, Paris: OECD.



market for the first time or those coming back to work after an extended break due to caring responsibilities – an Apprenticeship can be a highly effective way of making such a transition.

The entitlement

2.16 The entitlement to an Apprenticeship place for each suitably qualified young person from 2013 is a particularly ambitious objective. Announced in 2006, it commits the Government to Apprenticeships as a major route to initial skill formation for young people, and it commits the Government to matching high learner demand with a supply of places.

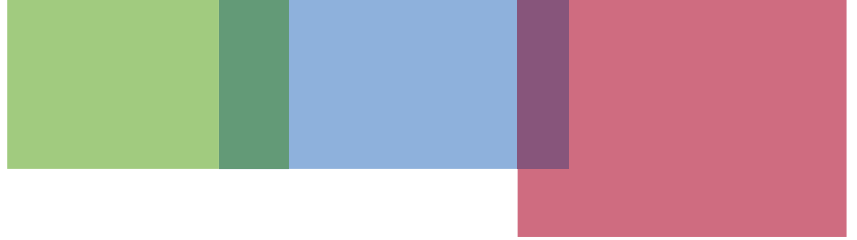
2.17 The following is specified by the entitlement.

- The threshold for ‘suitably qualified’ for a Level 2 Apprenticeship will be either a Foundation Diploma or five GCSEs at A*–G (or equivalent), plus English and maths functional skills at Level 1 or above. The threshold for ‘suitably qualified’ for a Level 3 Apprenticeship will be either a Higher Diploma or five GCSEs at A*–C (or equivalent), plus English and maths functional skills at Level 2. In either case, an Apprentice will also need to meet any supplementary criteria laid down for the relevant separate Apprenticeship frameworks.

- The young person will be guaranteed an Apprenticeship place at an appropriate level, within the travel-to-work area of his or her home, or an Apprenticeship place in his or her first- or second-choice sector,¹² but with an expectation that travel might be necessary.
- If no place is immediately available, the young person will be placed in a Programme-led Apprenticeship, which will initially focus on learning that develops generic employability skills – with a view to placing them with an employer as soon as possible. Young people on Programme-led Apprenticeships will not be counted as having received their entitlement until they are placed with an employer.
- If a young person fails to meet the ‘suitably qualified’ threshold but has expressed an interest in an Apprenticeship, they have the guaranteed option of a place on a programme that prepares young people for employment (sometimes known as Entry to Employment) and that will improve their employability as a potential Apprentice.

Section 4 contains further details on the implementation of the entitlement.

¹² Defined as one of the 14 ‘Diploma sectors’. For a full list of Diploma lines and the roll-out schedule, see Annex B.



The way forward

2.18 Our review has identified a number of potential barriers to further growth, which can be grouped into five themes. These are clearly linked – a measure to address one barrier alone must be seen in the context of a complete strategy.

- **The quality of Apprenticeships:** in England, we have a product that is world-class in some cases, but the experience of the learner and the standard of delivery can be too variable. Apprenticeships only sometimes offer clear progression paths. This is discussed in Section 3.
- **The planning and delivery system:** our findings show that the current systems are distracted by competing policy priorities. They are not adequately resourced, well organised or sufficiently accountable to deliver the type of mainstream growth that we are looking for. This is discussed in Section 4.
- **The supply of employer places:** overall, there are not enough places to meet demand, and an uneven distribution of places makes this particularly pronounced in some sectors and regions. This is discussed in Section 5.

- **The status of Apprenticeships:** a culture that has always been inimical to work-based learning has tended to dissuade the highest-performing learners from vocational and work-based routes. This, in turn, has affected employers' willingness to offer places. This is discussed in Section 6.

- **Inequality of access to Apprenticeships:** English Apprenticeships suffer from serious diversity problems, which are more marked than labour market patterns in general. This feeds the disinclination among some learners towards Apprenticeships. This is addressed in Section 7.

2.19 In putting forward the proposals that are set out in this document, we have drawn on examples of best practice from across the world. The experience of countries with labour markets structured like the UK's has been especially valuable. The recent history of Apprenticeship programmes in these countries gives cause for optimism that there is much we can do. Countries implementing measures including those set out in this document have significantly higher penetration rates for their Apprenticeship programmes than is the case in England. Some of the key general lessons are set out here.



- High quality is integral to the long-term success of any Apprenticeship system. As part of this, a clear system of accountability and oversight is critical – particularly in systems that make significant use of private training providers.
- Significant employer incentive arrangements (whether financial, statutory or otherwise) underpin every successful programme that we have examined.
- Successful systems tend to formalise the expectations of support to both learner and employer throughout the Apprenticeship. Support might be provided by workplace mentors, contracted third parties, state agencies or all of the above.
- In many countries, adult learners are a major participant group in Apprenticeships. In countries with high skills shortages adults are quite aggressively encouraged to participate.
- In countries where a concerted renewal of the Apprenticeship programme has been achieved, a culture change around the value of Apprenticeships has been a major part of this process.
- Successful programmes in labour markets that are structured like ours generally integrate the Apprenticeship closely with other qualifications and pathways.



3. Strengthening the Apprenticeships

Defining the Apprenticeship experience


3.1 Apprenticeship frameworks are defined by Sector Skills Councils in accordance with the basic guidelines laid down in the national Apprenticeships blueprint. This blueprint is intended to encapsulate the Government's, Apprentices' and employers' expectations of what an Apprenticeship is: a work-based programme of vocational learning that allows individuals to make a step change in their competence in a particular occupation. The blueprint specifies the requirements for the training which, in all cases, must comprise the elements outlined in paragraph 2.4 (a knowledge-based element, a competence-based element and technical learning, plus a module on employment rights and responsibilities).

3.2 We have reviewed the blueprint, and have concluded that this mix of learning remains relevant and should continue to be included in all Apprenticeships. However, we feel that it is also essential for Apprentices to develop their generic employability skills as part of their Apprenticeship experience as learners on 14–19 Diplomas do. The Qualifications and Curriculum Authority (QCA) has published a set of 'personal learning and thinking skills' that are designed to apply to all ages of learner, and which capture what are commonly referred to as 'soft skills'. Together with functional English and maths, personal learning and thinking skills cover the areas of competence that are most often demanded by employers. Integrating these skills into the curriculum and into qualifications will provide learners with a platform for employability

and further learning. Personal learning and thinking skills include team working, independent enquiry, self-management, reflective learning, effective participation and creative thinking. We believe that the blueprint should incorporate the development of these skills in all Apprenticeships, as current and potential employers of Apprentices sometimes report that applicants – particularly very young applicants with no work experience – can fall short in these areas. As with Diplomas, it will be important that the assessment of personal learning and thinking skills is integrated with the assessment of the main knowledge and skills of the Apprenticeship, and not taught through stand-alone units. We also see value in including the module on employment rights and responsibilities in formal learning for the Apprenticeship – so that the Apprentice can receive 'credit' for their learning. This is best achieved by embedding formal learning in the knowledge-based elements of the Apprenticeship.

3.3 Beyond the immediate updating of the blueprint, the creation of the QCF provides an opportunity for these changes to be made, as existing qualifications come up for re-accreditation. We will work with the representative bodies of awarding organisations to plan and manage this. The QCF is already in operation, incorporating around 300 qualifications. It will be developing rapidly to full completion by 2010.

3.4 Our review of the blueprint has identified three other changes that we believe will strengthen Apprenticeships. The first of these is that the blueprint should set out the rights



and responsibilities of both employers and Apprentices. In particular, there should be a signed Apprenticeship Agreement between the employer, the Apprentice and, if desired or appropriate, the employer's appointed training provider (defined in paragraph 2.2). The agreement should:

- set out the on-the-job training and off-the-job learning that will be delivered and, in return, the standards of attendance and effort expected of the Apprentice;
- make clear what job role Apprentices will be qualified to hold on successful completion of the Apprenticeship; and
- stipulate the supervision that an Apprentice will receive (to include the services of a mentor to guide their development).

3.5 The second change is that the blueprint should require that Apprenticeship frameworks specify their 'inputs and outputs' – the blueprint currently has no requirement that suitability criteria are specified. It is important that an Apprentice is recruited on the basis that they have a good chance of completing the programme successfully. Equally, an Apprenticeship should represent a significant change in the level of skill and knowledge held by the Apprentice – whether in the same sector or in a new sector. (This does not mean that there should be a minimum Apprenticeship length, however, since not every Apprentice will start from the same point.)

3.6 While the current blueprint does address the need for progression routes to the next

level of learning and training, there is a lack of clarity as to how this is to be achieved in practice.

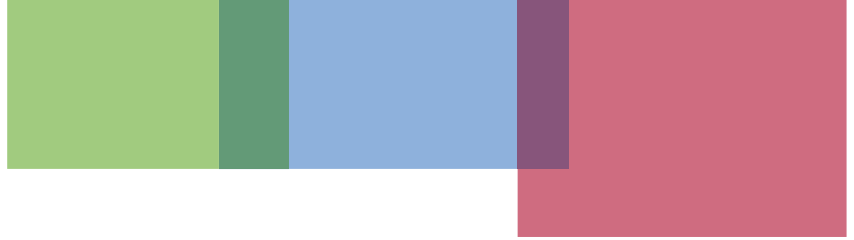
3.7 The following are the requirements proposed by the new blueprint.

- A knowledge-based element.
- A competence-based element.
- Transferable or 'key skills' (literacy, numeracy and personal learning and thinking skills).
- A module on employment rights and responsibilities.
- Key characteristics of an Apprentice.
- Minimum entry requirements.
- Apprenticeship Agreements (including a mentoring requirement).
- Clear progression routes.
- A reasonable absolute minimum for off-workstation learning time.

3.8 We intend to legislate to clarify the legal status of Apprenticeships so as to end any uncertainty in this area. Apprentices will not be considered as having 'contracts of Apprenticeship'.¹³ We will also give statutory force to our expectation that signed Apprenticeship Agreements should be in place in all cases.

3.9 All Apprentices will be issued with a nationally consistent completion certificate at the end of their programme, with a consistent brand and format. These will provide future employers across the country and across

¹³ This will address the ambiguity at the root of the 2006 Flett vs. Matheson case.



sectors with a guarantee that an individual has completed the robust programme of learning and experience specified in the blueprint. The certificates will carry the appropriate Sector Skills Council branding to communicate the sectoral relevance of the Apprenticeship. Further details on responsibilities for the issuing of these certificates are in paragraph 4.10.

3.10 The Queen’s Speech on 6 November 2007 confirmed that the Government will bring forward draft legislation on Apprenticeships. It is proposed that reforms intended to strengthen and clarify expectations of Apprenticeships are incorporated in this draft legislation (see Annex 1).

Improving the quality of Apprenticeships

3.11 The revised blueprint and accompanying agreements will provide more clarity over what is expected of all parties involved in the Apprenticeship. Thorough quality assurance against all of these requirements will mean that all Apprenticeships can move closer to the high bar set by England’s leading world-class Apprenticeships, and the experience will be of a consistently high quality. We are committed to putting in place the resources needed to quality-assure all stages of this revised Apprenticeship experience, and to providing the appropriate support to ensure consistent delivery of all of the new requirements. This is discussed further in Section 4. (This quality assurance will be executed in line with the LSC’s current initiatives to reduce bureaucracy in the administration of Apprenticeships.)

3.12 The Government is committed to adjusting the supply of Level 2 and Level 3 Apprenticeships in line with employer demand for those skills. Lord Leitch’s report anticipated that employer demand for Level 3 qualifications will grow, and we anticipate that employer demand for Level 3 Apprenticeships (known as Advanced Apprenticeships) will grow accordingly. We will aim at least to maintain the current proportion of Level 3 opportunities. We plan that much of the new entitlement to Level 3 learning for 19- to 25-year-olds will be delivered through Advanced Apprenticeships (see paragraph 5.23).

3.13 As detailed further in paragraphs 7.10–7.12, the Government is also reviewing the minimum pay arrangements for Apprentices, and the enforcement mechanisms for current arrangements.

Clarifying usage of the Apprenticeship brand

3.14 Having established a new, strengthened blueprint for what an Apprenticeship is, it is important to ensure that all government-funded Apprenticeship programmes conform to the same expectations. Currently, in addition to the main Apprenticeship programme, there are two programmes that include ‘Apprenticeship’ in their title (Young Apprenticeships and Programme-led Apprenticeships) and a third that is often referred to using the term ‘Apprenticeship’ (pre-Apprenticeships). Most of these are for young people.



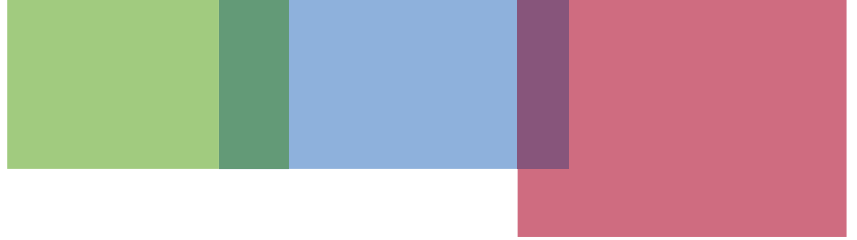
3.15 Young Apprenticeships give 14- to 16-year-old pupils the opportunity to pursue industry-specific applied learning programmes in colleges and in partnership with employers. Young people typically spend the equivalent of one day per week at a college or other training provider, and a second day per week with an employer. Young Apprenticeships are successful and popular: in September 2004, the programme began with a first cohort of 1,000 pupils, and that number has now grown to around 9,000 pupils in selected areas. Young Apprenticeship frameworks are approved by individual Sector Skills Councils (for example the Sector Skills Council for Science, Engineering and Manufacturing Technologies (SEMTE) for the engineering Young Apprenticeship). Ofsted's findings show that the programme is proving a successful alternative to traditional provision, and that students are highly motivated and achieving well: 'a strong characteristic of the programme has been the students' good personal development ... students have been enthusiastic, well motivated and well behaved.'¹⁴ The Government is committed to continuing the high-quality applied learning currently provided by Young Apprenticeships. More broadly, we also consider the use of 'taster' work experience sessions to be examples of best practice in schools. The Young Apprenticeship requirement for extended periods of work experience totalling 50 days should be maintained, as should the brand. We will also pilot how Young Apprenticeship programmes can be delivered through Diplomas from September 2008.

3.16 Programme-led Apprenticeships are courses (normally based in colleges and offered as full-time vocational courses) in which a young person undertakes classroom-based learning that conforms to a named Apprenticeship framework. (This provision is not currently counted in the published statistics on Apprenticeships unless the individual completes their Apprenticeship with the status of an employee.)

3.17 We have reviewed Programme-led Apprenticeships and have concluded that more care is required in the application to them of the Apprenticeship brand. Programme-led provision is not – of itself – undesirable. Indeed, it is a crucial part of the Apprenticeship system in other countries. Moreover, some employers in this country find this type of provision positively helpful insofar as it front-loads the sometimes essential technical preparation for a job. Some employers welcome increases in programme-led capacity, and we expect this demand to continue to grow as we implement measures to improve college facilities in line with employer requirements (discussed in paragraphs 3.27 and 3.28). Programme-led Apprenticeships are a helpful way of catering to the demands of prospective Apprentices where there is not the immediate offer of a job available.

3.18 However, to justify using the Apprenticeship brand in association with such provision in future, we will be tightening requirements. We will stipulate that arrangements need to be in place for

¹⁴ Ofsted (2007) *The Young Apprenticeships programme 2004–07: an evaluation*.



every programme-led Apprentice to have the opportunity for frequent contact with an employer in the relevant sector within six months of starting a course. As far as possible, courses should be designed to replicate the working conditions of the employment sector. We will ask the LSC to prioritise funding for courses that are designed in this way, and to ensure that the performance management of the programme is based on the progression of programme-led Apprentices to an employed Apprenticeship. We want to avoid any confusion over the numbers of Apprentices, and will therefore ask the LSC to distinguish employed Apprentices from programme-led Apprentices in any published statistical data. We will also ask the LSC to revisit the Programme-led Apprenticeship brand with a view to creating a new name to clearly designate the new reformed route.

3.19 For a young person on a Programme-led Apprenticeship, their entitlement will not be deemed to have been met until they have been employed. To reiterate for clarification, all Apprentices will be expected to have a contract of employment with an employer, and not a training provider, to be counted as being on an ‘Apprenticeship’.

3.20 ‘Pre-Apprenticeship’ is often used to describe a range of courses that typically equip learners with the basic skills to progress to a Level 2 pathway, including Entry to Employment. These courses are often called ‘pre-Apprenticeships’, even though they share very few of the characteristics of the blueprint. The Government is strongly committed to maintaining a strong offer for young people for whom a Level 2 programme is not yet

suitable. We are reforming the qualifications and programmes at this level – the Foundation Learning Tier – and trials of four new pathways are under way. One of these is specifically designed for young people who are preparing to progress into the workplace – a successor to Entry to Employment. The Government has concluded that this is valuable provision, and it is committed to increasing its capacity and quality so that it is coherent, effective and fit for purpose. Indeed, by helping to ensure that all Apprentices are ready for their Apprenticeship by the time they begin, pre-Apprenticeship provision will be crucial to those providers taking Apprentices from more challenging backgrounds. The provision will enable them to drive up their Apprenticeship completion rates and receive full payment. However, it is unhelpful to associate this provision explicitly with Apprenticeships, and so we conclude that this term should be removed from any descriptions of this provision.

Integrating Apprenticeships with the rest of learning

3.21 There is a lack of clarity as to how the Apprenticeship relates to other forms of learning. In particular, many do not understand how the learning and training undertaken as part of an Apprenticeship relates to qualifications undertaken at college or university. However, in future, all vocational qualifications will be included in the new QCF, which will register qualifications and units by size, content and level. Learning that is part of an Apprenticeship will be readily identifiable on the national database, meaning that anyone will be able to see at a glance what



learning counts towards an Apprenticeship – and how that relates to the needs of a particular sector. Trials are currently under way in selected sectors to see how best this can be managed, and the Government looks forward to the outcome of these (expected in summer 2008).

3.22 Including Apprenticeships in the QCF will also make it possible for learning in one of the new 14–19 Diplomas to count towards an Apprenticeship (and vice versa). For example, someone with a Diploma wishing to undertake an Apprenticeship would, in terms of qualifications acquired, already have functional skills and personal learning and thinking skills. Depending on his or her choice of additional and specialist learning, the individual may also have a relevant competence qualification. This would leave just a qualification covering the knowledge-based element and employment rights and responsibilities to be completed.

3.23 We are committed to Apprenticeships being a route to higher education where desired. We will ask the LSC to extend its work with UCAS (to evaluate Apprenticeship frameworks in terms of UCAS points) to include all frameworks. Two frameworks have been successfully mapped to date: IT and engineering.¹⁵

3.24 We have concluded that it is not essential for Apprenticeships being ‘qualifications’ themselves: elements of the new defined Apprenticeship experience go beyond a

‘qualification’. The fact that the Apprenticeship is a collection of qualifications makes possible the proposed potential for flexibility between other learning pathways, such as higher education and Diplomas. The national certificate described in paragraph 3.9 will give learners and employers reliable proof of an Apprentice’s competency and training. In future, it will be possible to develop single qualifications that fulfil the requirements of the blueprint if these fit the requirements of particular sectors or groups of employers – although this will not be required.

3.25 To support the initiatives to ensure consistency on the supply side of qualifications, young people must be better informed of the implications of their choices at 16. They should be made aware of the options that are available to them at all stages, but equally they should be made aware that different routes will suit different objectives. For those with a relatively clear idea of their occupational objectives – and a preference for learning in the workplace to achieve high-quality qualifications that are valued by employers in their sector – an Apprenticeship will clearly be a good choice. For those with a preference for structured classroom-based learning, and those who wish to maintain a broad programme of learning while considering a relatively broad range of vocational options, a Diploma would be the more obvious choice. High-quality and impartial information, advice and guidance are required to equip young people with

¹⁵ UCAS (2007) *Towards a Proposed Methodology for the Admission of Advanced Apprenticeships into the UCAS Tariff*.



the information they require to make the right choices. This is discussed further in Section 6.

Improving the quality of Apprenticeship providers

3.26 Our investigations confirm that the perceived variability in the quality of providers available to deliver Apprenticeships can be discouraging to some employers. Much work has been done over the last five years to improve this situation, but more is needed if employers are to have the confidence to expand the number of places they offer. The Government has already announced a comprehensive strategy for guaranteeing access by all employers across all sectors to high-quality, responsive provision.¹⁶ This strategy includes arrangements to measure a provider's responsiveness to both employers and learners through employer and learner surveys. This information will be available to employers to inform their purchasing decisions, and to the Quality Improvement Agency to target quality improvement activities designed to improve performance. We recognise that high-quality training requires high-quality facilities. The LSC has achieved major improvements in the facilities available to colleges through the capital funding programme, and we will ask it to consider improving the facilities for Apprenticeship delivery as part of the review of extending eligibility for capital funding.

3.27 In parallel, we are getting tougher with poorly-performing providers as part of meeting our commitment to eliminating inadequate provision across the FE system this year. By withdrawing delivery contracts from poor providers and awarding them to better providers, the LSC has secured a massive improvement in the consistency and quality of providers, and that will continue. Specifically for Apprenticeship providers, we will, through minimum levels of performance and otherwise, retain our challenging expectations of annually increasing completion rates. This will ensure that the taxpayer, Apprentices and their employers all get good value for money. Where training providers fail to meet minimum levels of framework completion rates, the LSC will intervene and provision will be re-tendered.

3.28 But we do not see the solution here being just about pressure on third-party providers. A key way to increase quality is for more employers, either on their own or as part of consortia, to take responsibility themselves for providing Apprenticeship training. Employer co-ordination to deliver Apprenticeships is desirable and should be encouraged wherever possible. The more employers are engaged in the design of training content and the management of the experience, the more likely they are to see the value of their Apprentices, and to integrate Apprentices into their business strategy. We address this further in Sections 4 and 5.

¹⁶ DfES (2007) *Framework for Excellence – How the Framework Will Work*.



4. A new delivery system

Context

4.1 The Apprenticeship programme is a complex one to deliver, being part of both the education system and the world of work. Each Apprenticeship represents a compact between an employer, an Apprentice, sometimes a training provider and the state to deliver the right mix of work and training that will be productive for the employer, for the individual and for society. These parties have objectives that overlap, but sometimes a conflict of interest can arise over, for instance, the optimal amount of transferable skill for the learner. The fact that most of the learning is physically located across many thousands of workplaces creates formidable challenges for quality control.

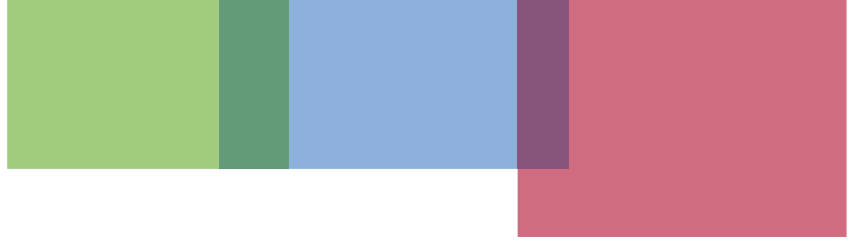
4.2 In England, this has resulted in an extensive network of agencies with a stake in the system: the LSC, and the National Employer Service which sits within the LSC, Sector Skills Councils, the Sector Skills Development Agency (SSDA), Ofsted, commercial awarding bodies, QCA, the Apprenticeships Ambassadors Network, Connexions, trades unions and training providers (and this list is not exhaustive). Breadth of engagement in itself is welcome and indeed necessary insofar as it brings in expertise from the right places. The scale of this network becomes problematic where it confuses and disengages learners and time-constrained employers, and where neither group is clear on 'where to go' or 'whom to call' if they are interested in the Apprenticeship

programme. It is also problematic where it fails to create a clear structure of accountability for the growth of the programme or fails to assign the resources necessary to achieve that.

4.3 The English system has so far had only partial success at resolving these complexities. This has been noted in various reviews of Apprenticeships over the years. Our field research confirms that confusion, complexity and bureaucratic burdens continue to deter employers from engagement with the programme. The situation is equally confusing for learners and, although the aggregate volume of learner demand is not seen to be the primary challenge for Apprenticeships in England, the low transparency of the system often makes finding an Apprenticeship hard work; reliance on 'friends and family' referrals exacerbates the programme's diversity problems.

4.4 Statutory expectations of the system could be sharpened. Functions such as Apprentice-employer 'matching' and management information have too often resided in a diffuse network of training providers, with the result that there are potential efficiency gains from placing these tasks specifically with central agencies. The management information responsibility that is centralised is shared between the Sector Skills Councils and the LSC, and this lack of ownership has been partially responsible for the data inadequacy noted by the House of Lords Select Committee.¹⁷

¹⁷ House of Lords Select Committee on Economic Affairs (2007) *Apprenticeship: a key route to skill*.



4.5 There is also a function that is inconsistently discharged across the English system that we describe as ‘co-ordination’. This refers to end-to-end assistance with the process of recruiting and employing an Apprentice, and includes activities such as regular site visits and ongoing support to both learner and employer to secure a productive outcome. In successful programmes overseas, this function is often formalised. The New Zealand system, for example, pays ‘Modern Apprenticeship Co-ordinators’ to make regular site visits throughout the year, intervening as necessary. In England, this function is informally expected of training providers, and indirectly incentivised by withholding some payment until successful completion of the Apprenticeship. Various pieces of research, including our fieldwork, suggest that this co-ordination is not being consistently delivered.

4.6 Given the scale of our ambitions for Apprenticeships, there is a clear case for making a single organisation responsible for delivery of the programme. Given the free-standing and respected brand of Apprenticeships, and the propensity of Apprenticeships to get ‘lost’ among other skills initiatives, there is also a case for this organisation to be separately branded and customer-facing.

A new, dedicated Apprenticeship service

4.7 The Government will create a new National Apprenticeship Service (NAS) and

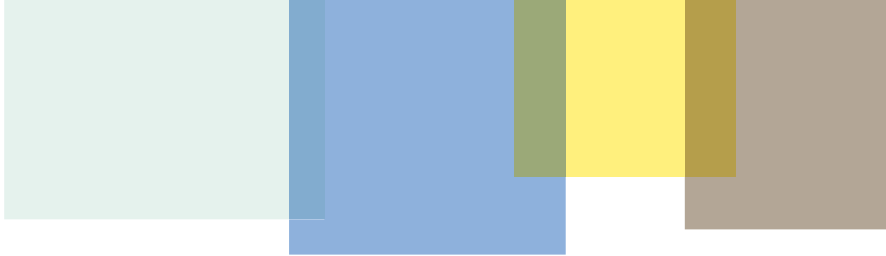
assign to it the end-to-end responsibility for the Apprenticeship programme, including ultimate accountability for the national delivery of targets. We intend that in the immediate future the NAS will be formed as a separate and distinct service within the LSC. We are separately considering the consequences for the longer-term role and operations of the LSC following the Machinery of Government changes announced in June 2007. A consultation paper on these wider issues will be published shortly. The long-term position of the NAS will be set out within that consultation paper.

4.8 The NAS will operate both at national and sub-regional level and will have the following functions.

- **Overall responsibility for delivery of the Government’s policy on Apprenticeships**, including achievement of the targets set by Government. This includes determining and publishing the strategy for expanding places by region, sector and age group consistent with the Government’s published national plans. As part of this effort, the NAS should participate in regional skills partnerships.¹⁸ Regional economic strategies¹⁹ will have an important input in the NAS’s own growth strategy, as they identify areas of job growth and potential skills shortage.
- **Co-ordinating the funding of all Apprenticeship places**. Apprenticeships cross age boundaries and the allocation of

¹⁸ These partnerships bring together the regional development agencies, the LSC and Jobcentre Plus, with other regional partners, to discuss and agree the best delivery of skills, workforce development and other labour market services to support the regional economic strategies. In London, the regional skills partnership is now the Mayor’s London Skills and Employment Board.

¹⁹ The Regional Development Agencies Act 1998 required the regional development agencies to develop a strategic vision for each of their regions, to identify opportunities for regional economic growth and priorities for regional development.

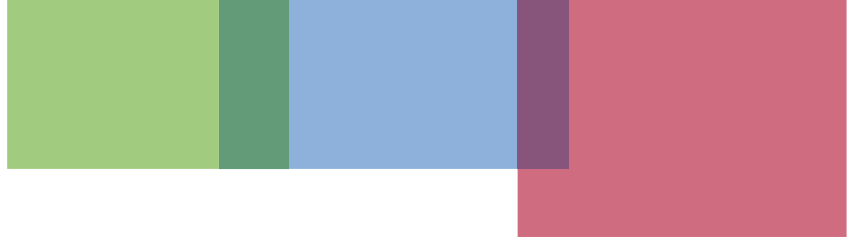


responsibility for funding 14- to 19-year-olds and 19-plus to two separate government departments will mean that there is a need to bring together arrangements for funding Apprentices in such a way that employers experience it as a single co-ordinated whole. In addition to mainstream funding, the NAS will be responsible for all specific initiatives designed to stimulate greater employer involvement in the scheme, such as the proposed direct incentive payment scheme for small and medium-sized enterprises (SMEs), and for addressing the inequalities identified in this report.

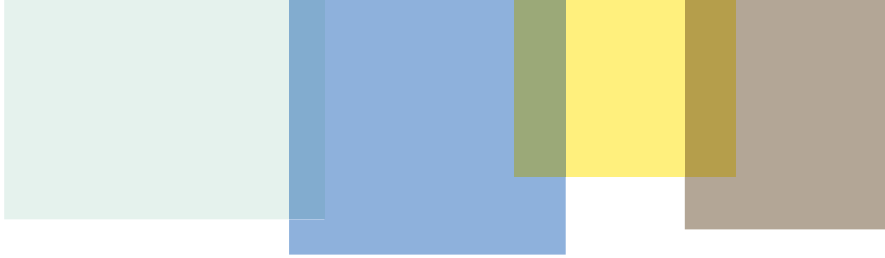
- **Assessing potential providers for quality and value-for-money;** approving those that offer a high standard of delivery and monitoring performance over time using a suite of qualitative and quantitative performance indicators that complement the Framework for Excellence. In addition to monitoring take-up and completion of Apprenticeships, the suite of measures used should include satisfaction surveys among Apprentices and employers, and a new measure to track progression of successful Apprentices. In addition, the NAS will commission the Quality Improvement Agency and other bodies to spread best practice and recommend approaches to maintain and enhance quality. The NAS will share relevant starts and completions data with Sector Skills Councils to help communicate quality assurance messages to employers in their networks.
- **A national information and marketing service.** The NAS will co-ordinate and lead

work, in partnership with other bodies, especially the Commission for Employment and Skills and Sector Skills Councils, to expand knowledge of Apprenticeships among employers, learners, parents and professional advisers. This activity will include preparing materials for prospective Apprentices among both young people and adults, and will also include supporting the work of advisers to young people at a local level, as described in paragraph 4.11. The NAS will also support the new adult advancement and careers service, which will be trialled over the next two years and be fully operational from the academic year 2010/11. This service will bring together the existing learndirect and nextstep advice services, and will work closely with Jobcentre Plus and a mixture of statutory and voluntary advice services, to bring together a range of advice and support on jobs, skills, finance, childcare, housing and personal issues.

- **Establishing and maintaining a national matching service for employers and would-be Apprentices,** to enable employers to advertise their positions and prospective applicants, anywhere in the country, to search for them and apply as appropriate. This includes the initial commissioning and building of a technology platform, based on the successful regional trials currently under way. The NAS will also be responsible for the ongoing management of the full matching service (including dedicated customer service staff).



- **Ownership of the Apprenticeships blueprint.** The Government will ask the NAS to revise the document to address the issues outlined in Section 3. It will do this in dialogue with Sector Skills Councils, employer representative bodies, trades unions and awarding bodies.
 - **Development of a model Apprenticeship Agreement** (see Section 3). The blueprint, with the model agreement, should be expanded into an Apprenticeships Handbook, widely circulated, which contains all the key information for employers, work-based learning providers, colleges, schools and learners and their parents about how the Apprenticeships system works and how to become involved.
 - **Responsibility for administration of the Apprenticeship 'credit' initiative** announced by the Prime Minister to increase transparency to learners and employers on their entitlement to Apprenticeships funding.
 - **The specification and provision of all future management information,** and its dissemination to various partners such as the Commission for Employment and Skills. Management of all data relating to Apprenticeships, including data on contracts, starts, completions, numbers in learning and key diversity-related management information.
 - **Promotion of Apprenticeships.** Much remains to be done to ensure that everyone in England is aware of the benefits that Apprenticeships can bring to employers, Apprentices and the country. Working with the Apprenticeship Ambassadors Network, WorldSkills UK and the Commission for Employment and Skills, the NAS will develop and deliver tightly focused promotional activities to ensure that this is achieved.
 - **Management of a task force initiative to overcome the particular barriers to the growth of the programme in London,** and to quickly remedy the unacceptably low penetration of the programme in that region today. This would be under the leadership of the Minister for Skills, as a priority area in a broader strategy to overcome low penetration of sectors and regions. This task force will comprise a number of interested stakeholders, including but not limited to LSC London, the London Development Agency, the London Skills and Employment Board, the Mayor of London and the Olympic Delivery Authority.
- 4.9** The relationship between the NAS and local authorities will be critically important (given the upcoming local authority duty to ensure participation and quality of provision for 16- to 18-year-olds), and will be elaborated in some detail in the forthcoming consultation document on funding transfer. The basic operating principles are as follows.
- Each local authority will plan post-16 provision, and will notify the NAS of anticipated volume of Apprenticeships demand from young people.
 - Responsibility for finding an Apprenticeship place will be discharged by the NAS, on behalf of the local authority, and funding will be granted to the NAS according to



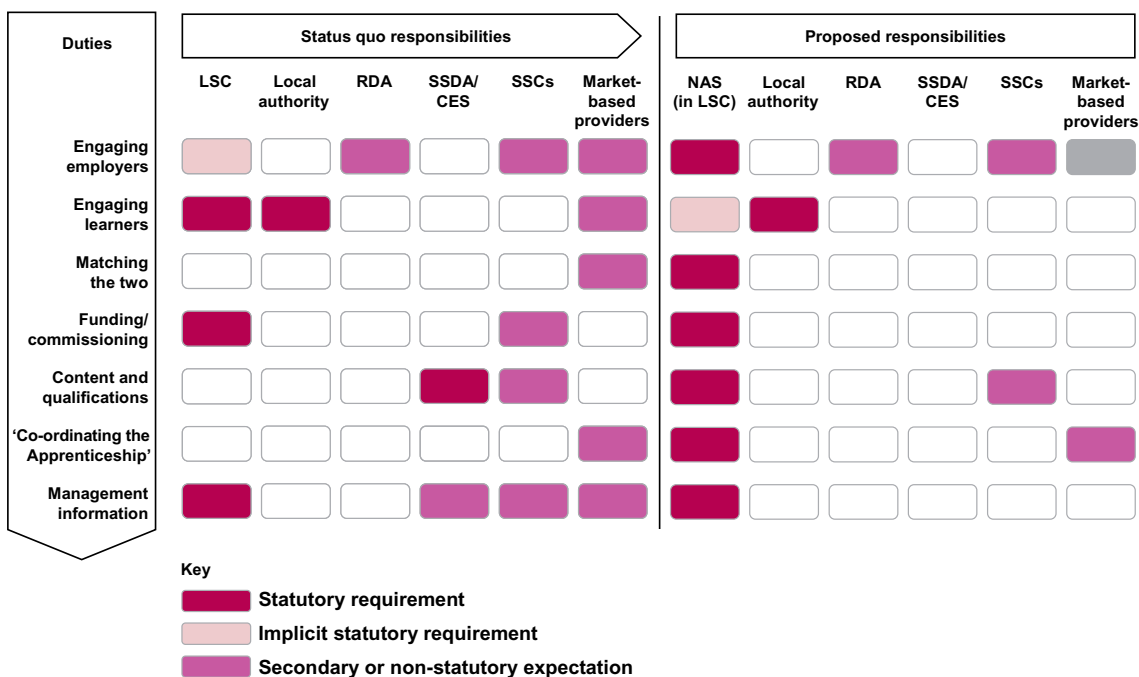
anticipated and/or desired Apprenticeships volumes.

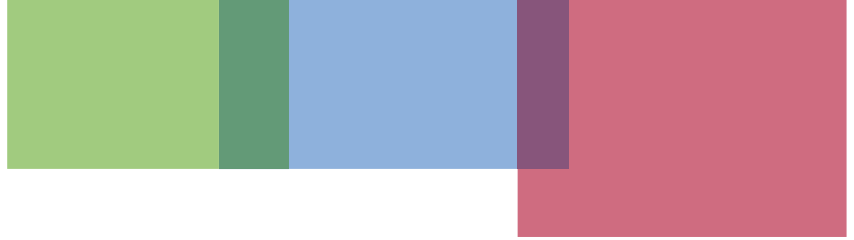
- The NAS will be statutorily required to maintain a management information flow to local authorities on the status of all Apprentices resident in their areas, notifying them of applications, completions and lapses.
- It is proposed that the NAS sub-regional tier of staffing (see paragraph 4.11) will be co-located with any aggregations of local authorities for 14–19 planning.

4.10 The Government has also reviewed the respective roles of the LSC and Sector Skills Councils in monitoring the completions of Apprenticeships. At present, the LSC, as

part of its audit, and Sector Skills Councils, by issuing completion certificates, both undertake these checks. The Government believes that it would be more cost effective and in line with the role envisaged for the NAS if this responsibility passed to the NAS; there will thus be a nationally consistent completion certificate issued by the NAS, with sector skills council branding as appropriate to the Apprenticeship framework completed. The Government recognises that income has traditionally accrued to Sector Skills Councils through charging for this service, and will ensure that resources remain available to the Skills for Business Network to support its work in promoting the spread and take-up of Apprenticeships.

Figure 2: Effect of delivery system proposals on system accountability






4.11 The NAS will be significantly staffed at a sub-regional level. Its functions will include the following.

- Ownership and management of a field force which will complement the expanded skills brokerage service announced in November 2007.²⁰ The primary role of the NAS field force will be to work with employers locally and regionally. As part of this they will be expected to work effectively and seamlessly with skills brokers and use other intelligence to support employers interested in taking on Apprentices, and thus expand the number of Apprenticeship places. They will account manage direct contractual relationships with employers with fewer than 5,000 staff offering Apprenticeship places. Where an employer has more than 5,000 staff, management will continue to be undertaken by the National Employer Service as part of a service level agreement with the NAS.
- Supportive work to help careers guidance staff in schools and colleges offer well-informed and balanced advice to all their students about the Apprenticeship programme. The NAS field force staff may be invited by schools and colleges to participate in careers guidance evenings or other events to give students direct information, but we would not expect the NAS field force to be the direct, primary providers of careers guidance to school and college students.
- Liaison with employers and intermediary bodies such as Education Business Links to ensure that work experience opportunities are available for young people at key stage 4 who are interested in Apprenticeships – they should be able to try out the sorts of activities undertaken on an Apprenticeship. A particular focus of the NAS’s efforts here will be on giving young people opportunities to explore what, for them, are ‘non-traditional’ areas (for instance, potential female Apprentices will be encouraged to look at trades concerned with construction and the built environment).
- Relationship management, together with local authorities, skills brokers and Sector Skills Councils, to manage a logical sequence of interaction with the system’s customers. For instance, skills brokers and the NAS field force will work from shared databases on customer relationship management, and will co-ordinate their activities to avoid multiple approaches. The NAS will also need to share management information with Sector Skills Councils so that the latter can monitor take-up of frameworks in their sectors and continue to improve the relevance of those frameworks.

²⁰ LSC (2007) *Train to Gain: A Plan for Growth*.

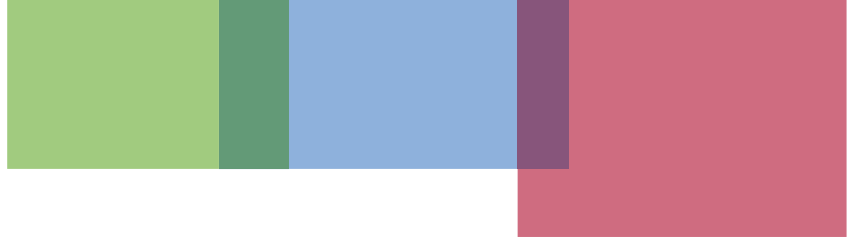


4.12 It may be appropriate for the NAS to have a high street presence in selected towns. The management of the Connexions service will transfer to local authorities in April 2008, and the NAS will work with local authorities to agree where it would be effective for NAS representatives to have a presence in those outlets.

Setting up the National Apprenticeship Service

4.13 The Government wants the NAS to be established as quickly as possible, and to be fully functional by April 2009. This challenging timetable requires close working between DIUS, DCSF and the LSC. The appointment of the first director of the Apprenticeship programme will be made jointly by DIUS, DCSF and the LSC, and this post will be situated across the LSC and DIUS. One of the director's first duties will be the publication of a prospectus for the NAS including a delivery plan: a clear strategy to grow a geographically and sectorally mainstream programme that optimises public investment.

4.14 The director of the NAS will report to the Secretary of State for Innovation, Universities and Skills, as minister with overall responsibility for the Apprenticeship programme, and to the Secretary of State for Children, Schools and Families, who has responsibility for young people. Significant decisions affecting the programme as a whole will be shared between the two departments. The director will report to the Prime Minister, twice-yearly, on progress against targets.



5. Boosting employer supply

Context

5.1 The Government's targets for the numbers of Apprentices require a step-change in the volume of places made available by employers; that is, we need more employers to see Apprenticeships as part of the solution to the skills needs of their businesses. All the statistical and anecdotal evidence at our disposal tells us that there is an excess of learner demand for Apprenticeships over employer demand and willingness to supply places. This is the fundamental constraint on future growth of the programme and one that needs to be tackled quickly.

5.2 Our review of the current provision of places and the scope for growth has confirmed that penetration of the programme is currently very uneven: by sector, by region, within sectors by region, and by employer size (to name just some of the axes of variation). It points to a situation today which could be described as 'one size fits some'. This situation will no longer be workable in the context of our goals for the entitlement: we are aiming for a programme that is geographically and sectorally mainstream.

5.3 We have confidence in the latent and potential demand for Apprenticeships in the economy. This conclusion is based on the following factors.

- The significantly positive wage returns²¹ to Apprenticeships, which can be seen as some indicator of the productivity value of the programme. The average wage returns to Apprenticeship are 18% at Level 3; 16% at Level 2.²²
- That there is significant room for growth is suggested by the big differences between regions in the number of young people employed in a given sector who are Apprentices.
- Apprenticeships are available today in just 10% of the country's stock of employers. For the private sector, the best estimates are that around 130,000 businesses hire Apprentices. This is just under 10% of the total stock of 1.4 million VAT-registered businesses.
- Penetration is particularly low among certain public sector employers (see Table 1). The public sector directly employs around 20% of the national workforce²³ but provides less than 10% of Apprenticeships places. However, only 7% of public sector workers are aged 16–24 compared with 16% in the private sector.²⁴ In a related issue, there is currently little systematic effort to encourage companies winning large government contracts to avail themselves of this most effective route to increase the skills of their workforce.

²¹ That is, the wages earned by post-Apprenticeship workers compared to those not going through the Apprenticeship programme, but in similar jobs.

²² McIntosh, S (2007) *A Cost-Benefit Analysis of Apprenticeships and Other Vocational Qualifications* (DfES Research Report 834).

²³ Annual Population Survey, 2005.

²⁴ There are age restriction issues in certain parts of the public sector, for instance in the police force and some care occupations.

Table 1: Apprenticeship penetration by employer type

Employees aged 16–24 participating in an Apprenticeship	%
Central government	2.2
Local government	3.1
<i>Of which:</i>	
<i>Education</i>	1.5
<i>Fire service/police</i>	<1.0
<i>Social services</i>	1.9
<i>Recreation and sport</i>	1.4
<i>Other</i>	6.7
Higher education	1.3
NHS	2.6
Armed forces	5.4
Public sector average for the age group	3.0
Private sector average for the age group	4.9

Source: Annual Population Survey (England) 2005

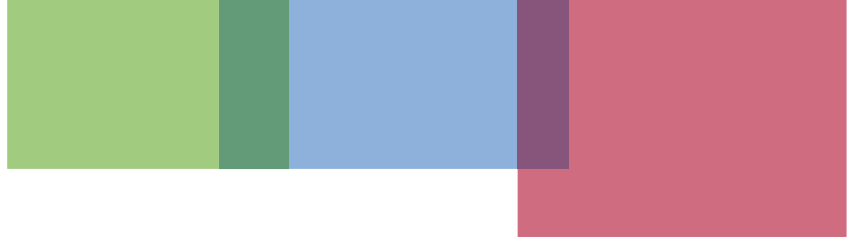
- Highly specialist and/or technical skills shortages are reported in a number of sectors, some of which make low or no use of the Apprenticeship programme. Explanations for this mismatch include institutional barriers (for instance, sectors characterised by many very small businesses are unable to reap economies of scale in training and have no history of co-ordination to solve this problem); high levels of cost sensitivity

that tend both to foster short-term-ism, and reduce the ability of firms to take a risk on employing a young person; and changes in skills needs that the sector has not yet adjusted to.

- There is much Apprenticeship-like training in the workplace, financed by employers, that is not formally recognised as Apprenticeships; indeed, some commentators estimate that individuals undertaking such training outnumber official Apprentices by a factor of three to two.²⁵ As such, the current numbers of Apprenticeships cannot be considered an accurate reflection of employer demand for specialist intermediate skills. This is part of the broader government initiative to recognise employer qualifications (see paragraph 5.14).

5.4 In May 2007, the Government invited the SSDA, the LSC and the Apprenticeship Ambassadors Network to forecast where additional Apprenticeships places were likely to be focused to meet demand. They estimated that approximately half of all Apprenticeship starts by 2013 would come from existing employer places, a further 14% from an increase in places from the same employers and about a third from new employers. In addition to continuing expansion in sectors that have traditionally recruited Apprentices, like business and administration, construction, electro-technical and retail, the SSDA reported that there is scope for growth of between

²⁵ Chartered Institute of Personnel Development (2006) *Large Employers and Apprenticeships*.



40% and 100% in the number of new Apprenticeship places with new employers in the following areas (several of which include public sector employers):


- active learning and leisure;
- automotive;
- building products, ceramics, extractive and mineral processing, and print and packaging;
- cleaning and support services;
- creative and cultural industries;
- customer service;
- footwear, leather, textiles and apparel;
- hair and beauty;
- information and library services;
- port skills and safety;
- road passenger transport (bus and coach);
- youth work;
- utilities (water).

5.5 The review also conducted further fieldwork into the growth potential for Apprenticeships by type of employer, and explicitly investigated the particular barriers and opportunities for growth in the public services sector. In general, these investigations confirmed that there exist substantial ‘bottlenecks’ of demand for the type of skill Apprenticeships provide: i.e., where specialist skills shortages exist today or are growing rapidly, but where employers are either unaware of the opportunities represented by Apprenticeships, or are dissuaded from

engaging with the programme by perceived or real institutional barriers. These preliminary conclusions will inform a more detailed growth strategy and related targets for the programme. Broadly, the investigations identified three ‘tiers’ of opportunity to increase the penetration of the Apprenticeship programme among employers, with the available opportunity estimated according to a sector’s need for entry-level vocational skills, its known skills shortages, the prevalence of small businesses in those sectors, and the existing penetration of the Apprenticeship programme by size of business. The significant sector opportunities for growth were found to be as follows, and they are in descending order of the estimated size of the growth potential (although this varies regionally):

- Tier 1: agriculture; manufacturing; construction; and (small/medium) retail.
- Tier 2: wholesale; (large) retail; post and telecoms; property and business services; and public services sectors.
- Tier 3: (small/medium) motor trades; hotels and catering; transport; education; and utilities.

Roughly speaking, in these identified sectors, we would need to move the employer participation rate to approximately 20% of employers to achieve our targets for growth, versus the current national average of 10% of employers. This is indicative of the type of growth we are aiming to drive into new employers, but will be further refined as the growth strategy is developed. This growth strategy will be expected further to probe the



opportunities and barriers that exist beyond these identified sectors.

5.6 As part of our wider Skills Strategy, the Government is committed to securing rapid, flexible response in the supply of training for major strategic projects such as the Olympic and Paralympic Games and Crossrail, major skills gaps and bottlenecks in particular industries and sectors facing rapid development – such as housing. We believe that Apprenticeships will generally form an important component of that response, offering opportunities for adults as well as young people to gain good jobs in areas of real skills need, and contributing to developments of national strategic importance (see also paragraph 5.32).

Boosting the range of Apprenticeships

5.7 One of the conclusions we have drawn from our investigations is that, for the Government's targets for expansion to be met, there needs to be a significant and rapid increase in the number of Apprenticeships frameworks available. In England, the process by which an Apprenticeship framework comes into existence can be a lengthy one. Where a framework is being created with little prior activity to draw from, there are four distinct elements to the process: the development, by Sector Skills Councils, of National Occupational Standards; the creation, by awarding bodies, of qualifications; the creation, by Sector Skills Councils, of an Apprenticeship framework; and, finally, the consideration of the framework by an Apprenticeship approvals group, convened by the Skills for Business Network.

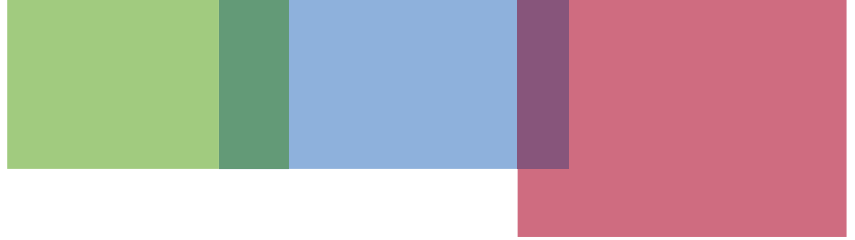
All told, a lead time of two years is not uncommon from the start of the development phase to the first Apprentice being put onto a framework. On top of this, currently, framework approvals last for only three years.

5.8 This is not an acceptable position given the Government's ambitions for growth of the programme and the fact that the economic case for a framework will inevitably change over time. Furthermore, there is strong evidence that a number of employers willing, in principle, to offer Apprenticeship places are not doing so because an appropriate framework does not exist.²⁶

5.9 The Government believes that a far quicker and more responsive approach is needed to ensure that Apprenticeships are expanded to meet the changing needs of the economy while maintaining quality. We need a system where Apprenticeship frameworks, tailored to the needs of individual employers, can be brought quickly into play. This approach will build on the work of the vocational qualifications reform programme, including the current pilot under way to accredit employers' own training onto the QCF.

5.10 As set out in the Leitch implementation plan, in future all vocational qualifications will be based on updated national occupational standards and will fall to be approved by Sector Skills Councils before being entered onto the QCF. This will provide a ready-made bank of qualifications and units that employers, through their Sector Skills Councils, believe are needed in the workplace. In future, any organisation wishing to offer

²⁶ Chartered Institute of Personnel Development (2006) *Large Employers and Apprenticeships*.



an Apprenticeship simply needs to submit to the relevant Sector Skills Council a short description of its plans, the qualifications and units it wishes to utilise, and how they meet the requirements of the strengthened Apprenticeships blueprint. In the case of an employer, the qualifications or units may include its own, accredited on to the QCF, so as to tailor the Apprenticeship to its own way of training. The NAS will provide support to employers throughout this process, and will look for ways to make it as economical as possible for employers to optimise Apprenticeships for their business strategy (for instance, via the match-making of SME groups discussed further in paragraph 5.25).

5.11 The role of the relevant Sector Skills Council will be to consider each plan for approval in the light of its sector skills agreement. It should ensure that each framework provides a high-quality experience for the Apprentice. It will be important that the new freedoms set out above do not lead to unnecessary proliferation of very similar frameworks. The Sector Skills Council will, therefore, ensure that its approval decisions maintain a coherent offer in its sector. Once approved, each plan will be published by the Sector Skills Council on its website and will be available for any other body to use without further recourse to the Sector Skills Council. The sponsoring body for any framework will be responsible for maintaining its currency.

5.12 The Apprenticeships Approvals Group will be abolished. In order to ensure that there is a degree of consistency across sectoral frameworks, we believe it would be

appropriate for the planned new alliance of Sector Skills Councils to take responsibility for monitoring standards.

5.13 These changes will allow Sector Skills Councils to focus their activities more firmly on encouraging employers to increase the number of good quality Apprenticeship places, and they will be performance-managed by the Commission for Employment and Skills to raise awareness levels with employers. They may, however, continue to be funded to develop new Apprenticeship frameworks where there is evidence that there is demand from learners and where employers/training providers are not developing frameworks sufficiently quickly. Sector Skills Councils will also retain responsibility for approving all frameworks.

Recognising all Apprenticeships

5.14 As part of a broader initiative to recognise employer training, a further benefit of our reform of Apprenticeship frameworks will be that employers offering training that conforms to the Apprenticeships blueprint – but which is not recorded because the employer does not receive public funding – will be able more easily to submit their proposals for approval and secure national recognition. Bodies that submit frameworks in this way will be invited to submit returns on the numbers of Apprentices completing frameworks, but their numbers will be recorded separately from those on publicly-funded Apprenticeships.

Business support

5.15 Another issue that we feel needs addressing to stimulate more Apprenticeship



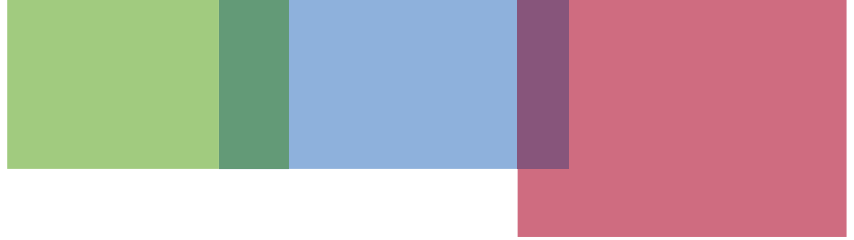
places is the costs which are borne by some employers for certain classes of Apprentice.

5.16 First, our international research confirms that employers in many countries, especially small businesses and sole traders, see at least some risk attached to the full-time employment of a young person with no work experience, and this can reduce their willingness to employ them. We recognise this and believe that the Government has a role to play in reducing this level of risk. In fact, in many countries this risk is mitigated by financial incentives to offer places. There already exists in England a direct incentive payment scheme under the LSC's Train to Gain initiative, whereby employers with fewer than 50 full-time employees are eligible for a contribution to wage costs for employees to help them to achieve their first full Level 2 qualification and/or approved Skills for Life qualifications. This currently does not extend to Apprenticeships.

5.17 We believe that this approach should be extended to employers with fewer than 50 full-time employees recruiting Apprentices. We also wish the scheme extended to 16- to 18-year-old Apprentices and for the amounts available to employers to be equivalent to the Education Maintenance Allowance paid to young people while in full-time education. We do not propose across-the-board eligibility for this incentive payment, as the particular risks of employing 16- to 18-year-olds vary across different types of business, as do the benefits for the programme of incentivising growth in this way. It will be targeted where it is likely to bring meaningful growth

(for instance, a target group might be cost-sensitive small businesses in a sector that we know to be afflicted by skills shortages), and the criteria will be transparent. Third sector organisations have also got a significant role to play in the expansion of Apprenticeships. Such organisations operate in a number of the framework areas listed above which offer room for expansion in Apprenticeship numbers. In recognition of this, the pilot scheme will also include a number of Third Sector organisations. We will set aside sufficient budget to pilot the scheme in this spending period (and to pilot a variety of approaches with different groups), with the intention of revisiting the total budget and best approach, with the benefit of the pilot's data, in the next Comprehensive Spending Review.

5.18 Second, we believe that there is scope for moderate growth in Apprenticeship numbers by offering similar direct payment incentives to large companies, so that they can recruit more Apprentices than they need to meet their requirements. These trained individuals would then improve the quality of the supply chain in the sector at large. The construction sector is a good example of where such activity already occurs to an extent: Apprentices may be recruited on a fixed-term contract by a large construction company which 'over-trains' in the expectation that they will at some stage reap the benefits in the superior quality of their supply chain workforce. Similar cases occur elsewhere – for instance, in car manufacturers that train Apprentices for their non-owned dealerships – and in other brand franchise arrangements. In the future, we expect there to be more



sectors where supply chain fragmentation will increase the rationale for concentration of training in companies operating at scale. Such 'over-training' does, however, represent at least some financial risk for the 'host' company, which will inevitably lose some of the benefits of its investment. The Government has a role to play in offsetting this financial risk with direct payments to encourage large employers to train disproportionately for the broader benefit of their sector.


5.19 Third, and in an issue also relevant to the objectives discussed in paragraph 5.17, we have found that employers may be deterred from hiring younger Apprentices or hiring Apprentices to 'over-train' through confusion about the extent of their legal obligations to these employees. We wish to encourage more employers to hire young people, and to 'over-train', by removing some of the perceived risks in the current employment framework, establishing a fair and explicit balance of rights and responsibilities for both sides. There are two issues here: a lack of awareness that workers on a contract of Apprenticeship and people on government-run training schemes are exempted from regulations that require equal treatment with permanent employees; and, second, that younger Apprentices (with no prior work experience to provide references) may fail to fulfil the employer's expectations on suitability for their business. We propose that the NAS remedy issues around lack of awareness using the resources outlined in Section 4 and we propose to clarify the fixed-term contract equal treatment regulation exemptions. We are, in addition, proposing that the Apprenticeship Agreement

discussed in paragraph 3.4 be given statutory backing. This will enable employers to make clear upfront the supplementary expectations they have of the Apprentice.

5.20 Fourth, our research has shown that while, in general, funding levels for Apprenticeships are sufficient to cover costs that it is not reasonable to expect employers to meet, there are some sectors where it is difficult or impossible for Apprentices to achieve an Apprenticeship before the age of 19. These are therefore, prevented from accessing the higher funding rates available for Young Apprenticeships. Circumstances creating this situation could include where legislation or other constraints restrict the activity of Apprentices under the age of 18 and therefore prevent the achievement of full competence. For these sectors, the NAS will establish a pilot to test the relaxation of the current age rules (that is, allowing the full 16–18 funding rate for some 19-plus Apprentices), and its effect on employers' willingness to offer Apprenticeship places in those sectors.

Demand responsiveness

5.21 The Prime Minister announced, in October 2007, an Apprenticeship 'credit' for 18- to 19-year-olds, to cover training costs (from £3,000 for some skilled jobs, and considerably more for posts in a high-cost sector such as engineering). The 'credit' will be accessed via skills accounts, to integrate Apprenticeships with our plan for skills accounts to become a universal vehicle for all adults to access training and get the support they need to progress in learning



and work over a lifetime. For employers, it is our intention that the 'credit', which learners will access through a skills account, will motivate them by highlighting the availability of funds to train their young employees, raising greater awareness of the value of learning. The amount of funding available for Apprenticeships in different sectors will continue to vary in line with the costs of training for those sectors.

5.22 To ensure that these intentions are realised, it is clear that employers should be able to agree to an Apprenticeship and that the availability of funds should be responsive (and therefore timely). This demand should therefore not be constrained by annual planning cycles. From 2008–09 we will be introducing the employer-responsive budget process, which will add a significant degree of flexibility to how LSC employer-facing budgets can be used. This is part of our overall move towards a truly demand-led system.

5.23 It is also clear from our consultations that employers greatly value the contribution of Apprentices of all ages in the workforce. The significant benefits Apprenticeships bring lead us to conclude that they should be the Government's preferred work-based route for all young people aged 16–25. We will therefore ask the LSC to ensure that the funding arrangements for this age group are prioritised to Apprenticeships, including the Train to Gain funding criteria that already carry a strong presumption that funding will be provided for Apprenticeships rather than NVQs only, except in individual circumstances. To complement the entitlement for those aged 16–18,

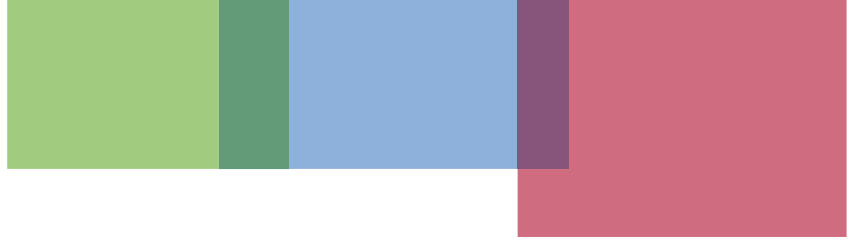
the Government has already introduced entitlements for every individual aged 19–25 to receive funding to achieve a first full Level 2 or 3 qualification.

5.24 The removal of the 25-year-old age cap for Apprenticeship funding has been widely welcomed and is an important step in widening access to the Apprenticeship programme. We will build on this step by introducing greater flexibility in adult learning budgets. The Government believes that employees over 25 and their employers – now that they have access to Apprenticeships – should have a choice over whether they follow a funded Apprenticeship programme or other work-based routes. Thus, funding support will be available for Apprenticeships or NVQ-only training for this age group, as agreed between the employer and the employee; this represents increased flexibility over the status quo. We have already set out significant changes to Train to Gain in our *Plan for Growth* (published by the LSC in November 2007).

Support for more employer 'ownership' of Apprenticeships

5.25 As discussed in Section 3 and noted by the House of Lords,²⁷ active employer engagement is vital to the healthy functioning of an Apprenticeship programme and the growth of long-term demand: it encourages the design of relevant training content; it facilitates a closer relationship with the Apprentice; and generally encourages integration of skills into long-term business strategy. In several sectors, but predominantly in the more 'traditional' ones, employer

²⁷ House of Lords Select Committee on Economic Affairs (2007) *Apprenticeship: a key route to skill*.



co-operation is also an effective way of overcoming the barriers to training in small businesses. We have concluded that there is more we can do to encourage this type of beneficial activity in the Apprenticeship programme. Measures that we believe to be necessary include the following.

- An NAS fund of 'seed capital' to venture-invest in group training associations or other consortia in sectors where such organisations are rare and/or absent. We want to see a boost in the role played by group training associations and other consortium-based arrangements whereby very small businesses and SMEs collaborate to share a number of Apprenticeship places so as to spread risk and enhance the Apprentices' experiences.
- Allowing Sector Skills Councils with clear organisational resources and employer appetite for this to encourage the growth of group training associations for their sector, possibly with Sector Skills Council ownership of those organisations (as is the case with CITB-Construction Skills today).
- Match-making of SME 'groups' within sectors and regions, to enable SMEs to share Apprentices (with one acting as 'lead') and to provide adequately broad experience. The NAS would lead on this activity, outsourcing to leading Sector Skills Councils where appropriate.
- We will also ask the NAS to consider the potential of the role of national skills academies in more fully engaging employers in Apprenticeships.

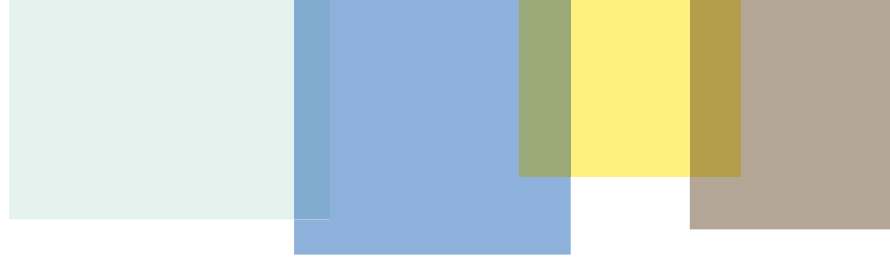
5.26 The work of the Apprenticeship Ambassadors Network has been highly supportive of the recent success of the programme. The valuable relationships and expertise residing in this network will be vital to the future growth of the programme, and we will continue to support and resource this group accordingly. We will also be requesting that it take on an increased role in helping to drive growth in public sector Apprenticeships (a growth area discussed in paragraphs 5.28–5.32) and in third sector Apprenticeships (see paragraph 5.17). As part of this, it will be appointing senior public sector champions to drive Apprenticeships in central and local government offices and services.

5.27 The National Employer Service will continue in its important role of giving substantial control of the programme to large employers of 5,000 or more. As we continue to expand the support we give to employers with more than 250 and fewer than 5,000 employees, we shall ensure that any specialist and ongoing support they demand will be provided.

Public sector and strategic projects

5.28 As discussed above, current patterns of Apprenticeships take-up vary across the public sector: the armed forces take a leading position in using the programme; central government departments make little or no use of it; and there is mixed take-up in the NHS and local government.

5.29 In general, we have concluded that the public sector should be doing more. This is in spite of the constraints on recruitment



in general, and the recruitment of young people in particular, in certain sub-sector environments, for example social care, the uniformed services and education. However, if the public sector were to employ the same average level of Apprentices as the broader economy, this would require an increase of Apprenticeship places in the public sector of around 40%.

5.30 The Secretary of State for Innovation, Universities and Skills will be working with Cabinet colleagues to formulate appropriate targets for each part of the public sector, reflecting its particular circumstances.

5.31 Work is already under way: for example, Government Skills is taking forward measures to adapt the Apprenticeship programme for central government, including two components: a focus on mid-career re-training and an entry-point Apprenticeship focused on young people. A pilot (for both elements) will run from April 2008.

5.32 The Government will be strongly encouraging the companies that it contracts with (for instance, for delivery of large strategic projects, such as the Olympic and Paralympic Games and Crossrail) to employ Apprentices, in light of the evidence on the productivity benefits of this form of training, as well as the long-term benefits for the productivity of the employing sector.



6. Culture change around the value of Apprenticeships

Context

6.1 Numerous commentators have, over the decades, noted a prevailing educational culture in this country which deters high-achieving learners from choosing vocational and applied routes. The Government has introduced a number of major initiatives designed to address this, including the development of new Diplomas for young people and the entitlement to a Diploma from 2013;²⁸ the reform of adult vocational qualifications so that employers can shape the learning they need and value; and the creation and expansion of Foundation degrees.

6.2 However, there is also strong evidence that reform of the supply side – the learning available to young people and adults – while critical, is not, of itself, sufficient. What is also needed is a change in what influences the choices made by learners – especially young people (and their parents). This is particularly the case with Apprenticeships because, unlike other choices made by young people in schools and colleges, Apprenticeships represent a break from full-time institution-based learning. While there is clear evidence that Apprenticeships are good investments for young people in terms of future earnings (as discussed in Section 5), our research suggests that this evidence is rarely put in front of young people. This, in turn, affects the choices that are made.

Proposals

6.3 The Government has already taken steps to ensure that all young people hear the full story about Apprenticeships. There is now a comprehensive service of local 14–19 prospectuses available online, listing all the opportunities available to young people for their learning and training from age 16, including Apprenticeships. In addition, the new Apprenticeships matching service (announced by the Prime Minister in October 2007 and discussed further in Section 4) will provide online information about real-time Apprenticeship vacancies. The Apprenticeship ‘credit’ delivered via skills accounts will also increase transparency, and by raising individuals’ awareness of an Apprenticeship’s financial value and the investment it represents, will motivate them further to take up the opportunity. If enacted, the Education and Skills Bill currently before Parliament will place a duty on schools to present their pupils with a full range of options for their learning at age 16 onwards and not unduly promote any particular option over any other. DCSF will shortly publish a new strategy document for improving the information, advice and guidance services available to young people generally, and the needs of Apprentices will be addressed in that.

6.4 The Government is also committed to ensuring the availability of appropriate progression routes from Apprenticeships,

²⁸ DfES (2007) *Raising Expectations: staying in education and training post-16*.



including to higher education. The ability to progress to higher education is critical to the esteem in which the Apprenticeship programme is held, and we will therefore be asking the LSC to extend its current work with UCAS to map all Apprenticeship frameworks to UCAS tariff points (see also paragraph 3.23).

6.5 The Government has also noted case studies of employer partnerships with schools which provide ‘taster’ work experience to pupils at key stage 4 and sometimes before, and which help young people to decide if work-based learning would be a suitable option for them post-16. We consider this sort of activity to be ‘best practice’ examples of employer engagement with schools, and will ask the NAS to use their relationships with Apprentice employers to support Education Business Links and other intermediaries in generating more such opportunities in the future (see paragraph 4.11).

6.6 However, we have concluded that there is a need to go further than this in order to ensure that young people receive the full story about the opportunities provided by Apprenticeships. We believe that a dedicated service is necessary to offer comprehensive information on Apprenticeships to work alongside the recognised and impartial information, advice and guidance services, and that this information will be provided as part of the matching service within the NAS. (We set out our proposals for the service more fully in Section 4.) We are also proposing to include in the Apprenticeships Bill an amendment to the Education Act 1997 to require schools to include comprehensive information about Apprenticeships in the materials they make available.

6.7 We have noted the galvanising effect that public recognition of high-profile awards and celebratory events for Apprentices can have. The programmes in Australia and New Zealand, for instance, have been able to effect a culture change around Apprenticeships. These countries actively celebrate their Apprentices and their contribution to the economy, and present the work-based route as having equal standing with classroom-based alternatives. Here in England, we already run a national Apprentice of the Year Award and celebrate the success of Apprentices at a prestigious ceremony in London. We will be providing further resources for such activity going forward, and will be asking the NAS to introduce regional events to celebrate the success of Apprentices in every region in England, with winners going forward into the national final. We want to see every successful Apprentice recognised for their achievement, as graduates are recognised in awards ceremonies, and will ask every government-funded employer and training provider to consider how they can best recognise the success of their Apprentices. We will also ask the NAS to publish an annual list of successful Apprentices, during Apprentice Week, to be introduced in 2008 and thereafter annually, to raise the profile of Apprentices, focus on the benefits that they bring to the country and to celebrate their success.

6.8 Apprenticeships occupy a critical place in the Government’s strategy to ensure that everybody who lives in England has access to skills development needed to fulfil their potential. In all of our initiatives to engage employers and learners in this objective, including celebrations of success such as WorldSkills events, Apprenticeships will be a central theme.

7. Addressing inequality

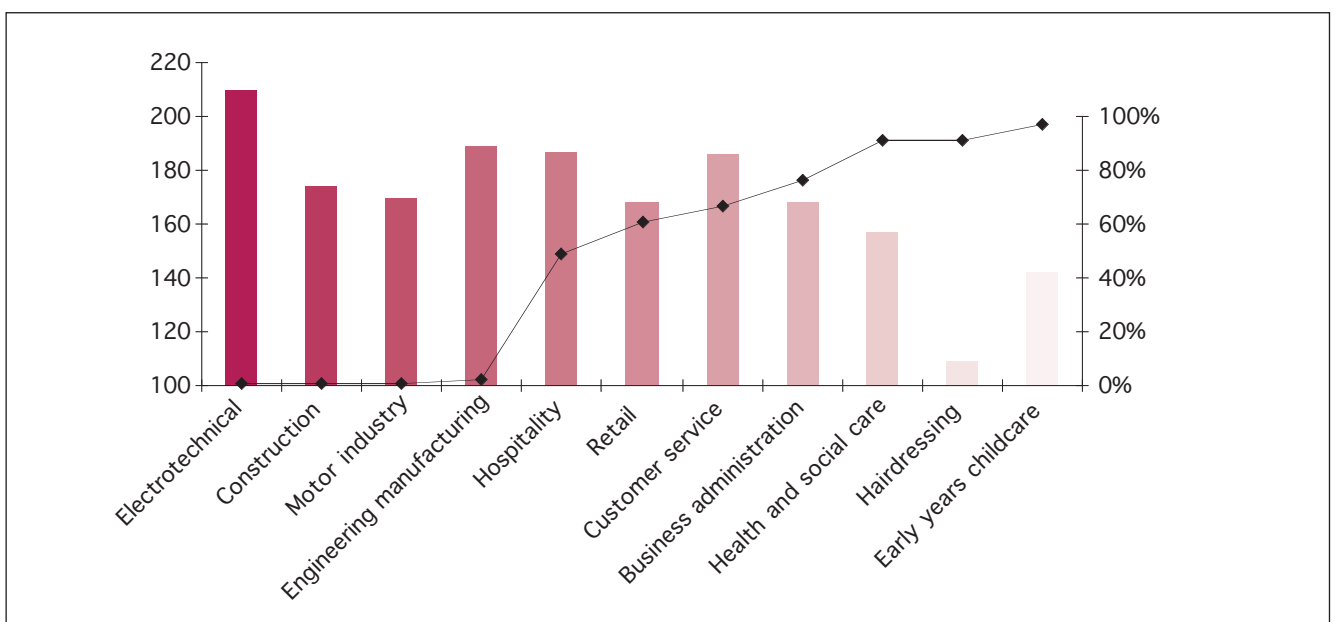
Context

7.1 Although Apprenticeships are popular, disappointingly, not everyone benefits equally from the opportunities they offer.

- The 2005 Apprenticeships pay survey found a 40% average pay differential between male and female Apprentices.²⁹
- The Labour Research Department’s *Workplace Report* of 2006 also found that 70% of Apprentices at the advanced level were male, and that they received just over twice as much training time per week as females.
- The sectors that pay Apprentices the highest wages provide the most hours of training. The best prospects of progression are those that are overwhelmingly male-dominated.

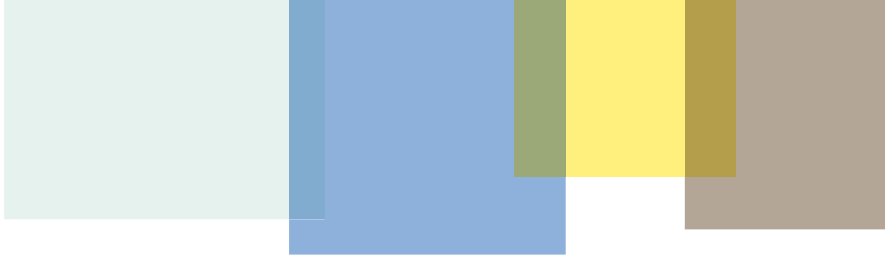
- Black and minority ethnic (BME) young people are badly underrepresented in Apprenticeships compared with their numbers in the population as a whole. They are underrepresented in the ‘traditional’ craft-based sectors, and particularly in some of the more ‘modern’ frameworks, such as customer service (6%) and hospitality (3%). In fact, of all the frameworks for which we had data on a significant number of Apprentices in 2006, only four – the two sporting excellence frameworks, community justice and IT services and development – had 10% or more BME Apprentices. BME Apprentices are also more likely not to progress to a related job after completion of their framework than other Apprentices. They are also less likely than other young people not to gain an Apprenticeship after

Figure 3: Average weekly pay and percentage of female Apprentices by selected frameworks



Source: Unpublished data.

²⁹ Ullman, A and Deakin, G (2005) *Apprenticeship Pay: A Survey of Earnings by Sector* (DfES Research Report 834).



completing a pre-Apprenticeship course. Nearly half of the BME population of England live in London, and there are far fewer Apprenticeship places in London than there are nationally (this may explain some of the imbalance between the percentage of BME Apprentices when compared with the BME percentage of the workforce as a whole).

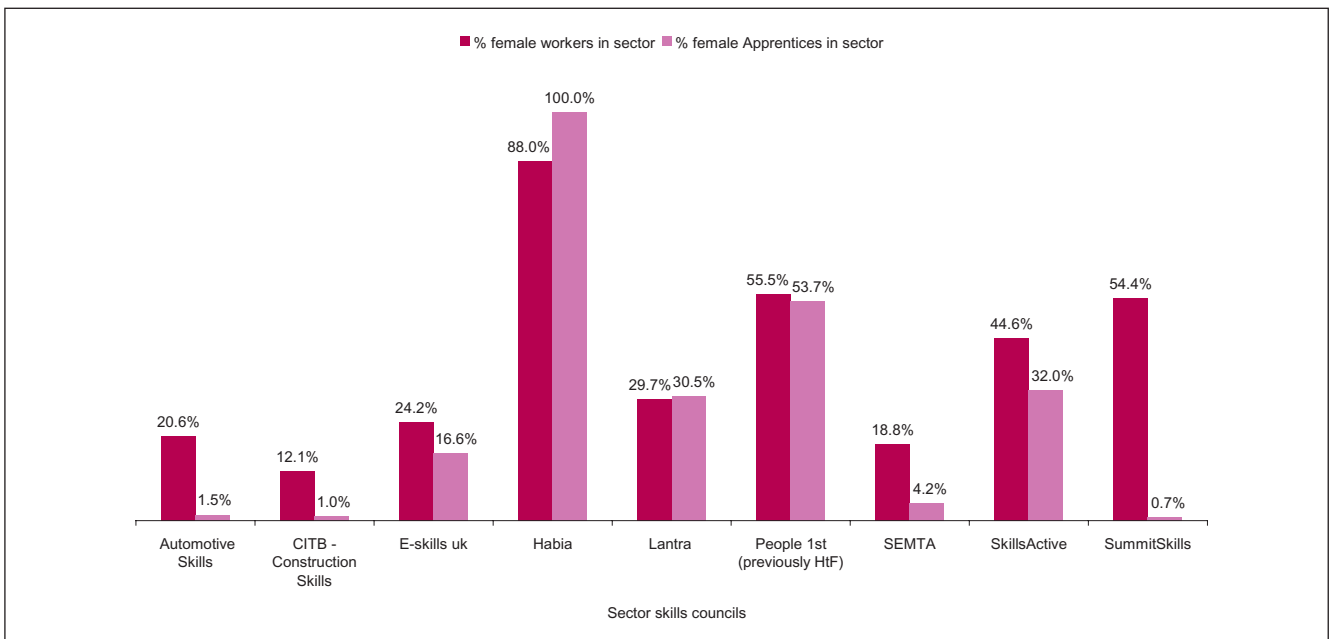
- Disabled people are also underrepresented on Apprenticeships.

7.2 These inequalities are not specific to Apprenticeships – they are mirrored in the wider employment pattern – but many Apprenticeships are still more segregated (by gender, ethnicity and disability) than the rest of the corresponding sector’s workforce.

7.3 We have some understanding of the nature of this problem, although it is incomplete:

- We do not know whether the problem is principally one of supply or of demand and we lack robust statistics on the ratio of atypical applicants to entrants on the Apprenticeship programme.

Figure 4: Apprenticeship diversity patterns: percentage of female Apprentices compared with workers by sector



Source: DIUS analysis of individual learner record data on Apprenticeship numbers 2006–07, and the Annual Population Survey 2006. The illustrated sectors are those with the largest numbers of Apprentices (1,000-plus).

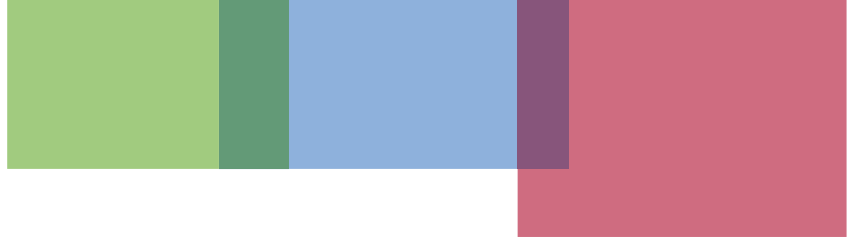
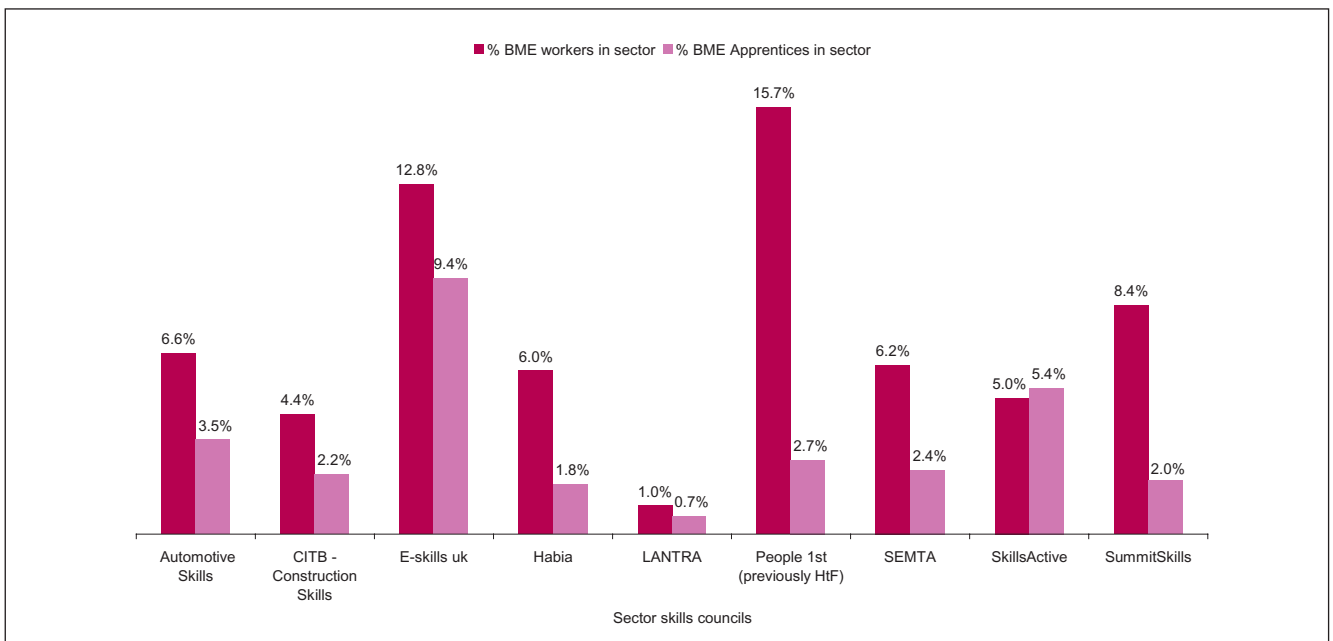


Figure 5: Apprenticeship diversity patterns: percentage of BME Apprentices compared with workers by sector




Source: Unpublished data, taken from Apprenticeship numbers 2006–07, and the Annual Population Survey 2006. The illustrated sectors are those with the largest numbers of Apprentices (1,000-plus).

- However, strong and varied anecdotal evidence shows that atypical entrants can be discouraged by a wide variety of causes: stereotyping; a general lack of tradition for a particular ‘group’ to work in a certain industry; schools and careers advisers giving inadequate advice; and employers passively discriminating by assuming that under represented entrants have no place in the sector. Once embarked on a course, an under represented Apprentice may find unsuitable facilities, hostile attitudes, loneliness and misunderstanding to be great barriers to completing an Apprenticeship.

Proposals

7.4 Several of the proposals outlined elsewhere in this document will go some way to helping to address these problems. For instance, increasing the number of Apprenticeships for those aged 25 or over will help the entrance of under represented learners in a number of ways: it will benefit some BME groups that tend to enter the labour force later; it will benefit those with care responsibilities entering the workforce for the first time; and it will allow more entry for under represented learners at an age where they have the maturity and confidence to cope well with this experience. The LSC is funding



up to 8,000 Apprenticeships in 2007/08 for priority adult groups, including women and people from ethnic minorities seeking to enter an atypical career, and our proposals should see an expansion of this type of activity. The vacancy matching service will, for the first time in England, provide data on who is applying for Apprenticeships and we will use this data to focus activity where there is evidence that groups of applicants are not being successful in their applications.

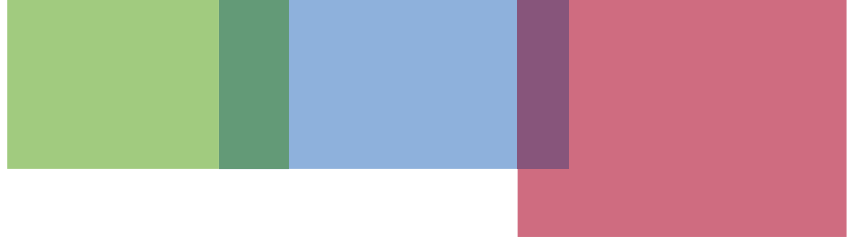
7.5 The gender disparity in Apprenticeships is primarily in the 'traditional' Apprenticeship sectors. Some large non-traditional frameworks, for example such as hospitality and customer service, do have large numbers of women and also relatively high rates of pay. We need to encourage more young women to enter sectors like these and the provision of information to school pupils on the pay rates and working conditions in different employment sectors and job roles will be an important step to enabling young people to make informed choices.

7.6 However, these measures alone are unlikely to reverse the deeply entrenched problems we have recognised. Given the particular barriers to encouraging young people into an environment where they have a perception of being the 'only one', more active steps are warranted to remedy the diversity problems of the Apprenticeship programme. The Government will ask the NAS to implement a programme of positive action. In particular, the NAS will drive 'critical mass' pilots in targeted areas for gender atypical, BME and disabled learners and their

employers. The plan is to be focused on the specific regions and sectors that demonstrate the greatest inequalities, with the intention of providing a 'critical mass' of atypical Apprenticeships in these areas. Creating a 'critical mass' of a certain type of Apprentice is intended to make that sector more accessible long-term, to begin a step change in common expectations about the types of persons that might be suitable to work in each sector. This project will also provide strong case studies and evidence on the number of young people required to produce 'critical mass', and the best strategies for engaging them. This includes a campaign that is London-specific, and a focused roll-out of group training associations to provide support, including mentoring and pre-Apprenticeships.

7.7 Employers are at the heart of the Apprenticeship programme and must be at the heart of any solution to address equality of access to Apprenticeships. We will ask the NAS to work with employers offering Apprenticeships to develop recruitment policies that truly deliver equality of access.

7.8 Each group of atypical Apprentices will have a mentor, paid for by the NAS, to provide close support and intervention through their experience. These mentors may be selected from within the employer's workforce, or could be union learning representatives or members of the NAS field force in certain cases. We will ask the NAS to work with the Trades Union Congress (TUC) and unions to explore the considerable potential for union support in achievement of this objective.



7.9 We will develop arrangements to make it possible for offenders serving community service orders to commence training towards an Apprenticeship, and ensure that such training can continue following employment.

7.10 We have looked at the wages paid to Apprentices and we conclude that action is needed in two areas. The introduction of the £80 minimum wage for Apprentices has had a beneficial impact for the majority of Apprentices. The LSC enforces the £80 minimum through its contracts with employers and has introduced a national helpline for Apprentices who believe they are being paid below the minimum. However, some Apprentices have reported that they did not receive this wage and this indicates that further action to enforce the minimum is needed. Second, we have found that there is no formal and transparent process for setting the minimum wage for Apprentices.

7.11 We also recognise the need to ensure that Apprentices in learning today are receiving the minimum Apprentice wage. We will ask the LSC, as a matter of urgency, to write to all employers and providers contracted to the LSC to deliver Apprenticeships to reiterate their contractual responsibility to ensure all their Apprentices are paid at least £80 per week, and to check on compliance through the existing audit arrangements. We will also ask NAS to work with employers and the TUC to publicise the national helpline for Apprentices who believe they are being paid less than the minimum Apprenticeship wage, and also look at how the £80 minimum could be more effectively enforced.

7.12 In addition, we will be asking the Low Pay Commission to look at the whole issue of Apprenticeship pay in the future.

7.13 Apprentices in employment must be recognised as learners first and productive employees second and they should not be asked regularly to work extended hours. However, if they are to be truly ‘work-based’, working closely with skilled men and women who are teaching them their trade, there is a need to recognise the work patterns that pertain in that sector. We have already outlined that we will expect colleges delivering Programme-led Apprenticeships to replicate working conditions that match those of the sector that they are training for and we will also ensure that guidance on the working time suitable for young workers is clear about the flexibilities that are available to employers.



8. Next steps and consultation

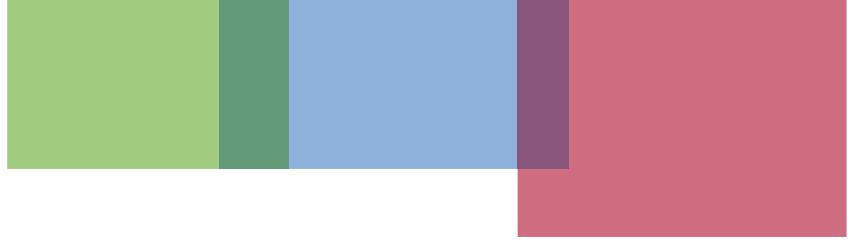
8.1 This strategy represents the conclusions of the Government's investigations to date, and as we take this work forward we would welcome comments and views, particularly on the following questions.

- Have the barriers to the growth of the Apprenticeship programme been accurately and comprehensively identified?
- Will the proposals to strengthen the Apprenticeship programme – including revisions to the blueprint – be welcome among Apprentices, training providers and employers?
- Have we identified the right range of functions for the NAS?
- What more can be done to encourage employers to offer Apprenticeship places? How can we encourage those who already do to offer more places?
- Have we identified the right measures for effecting a culture change around Apprenticeships?
- Have we identified the right measures to address the Apprenticeship programme's diversity issues?

Please send your comments by 31 March 2008 to:

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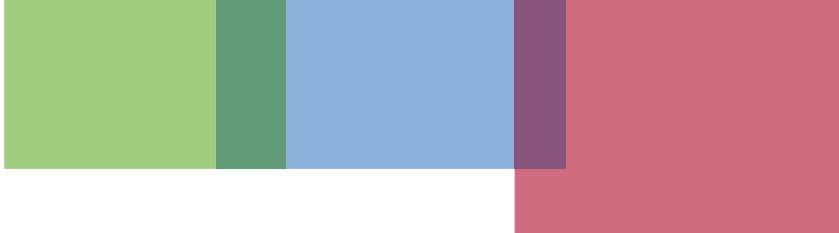
The Queen's Speech on 6 November 2007 confirmed that the Government will bring forward draft legislation. Proposed content for this legislation includes:

- a framework for an Apprenticeship Agreement;
- provision that an Apprenticeship Agreement does not give rise to a common law Apprenticeship contract;
- statutory basis for the blueprint;
- statutory force to the 2013 entitlement;
- the duties on delivery agents;
- detailed statutory expectations laid down on all required functions for the NAS;
- duties on local authorities and the NAS to co-operate and share information; and
- amendments to legislation governing careers advice to ensure comprehensive information about Apprenticeships is provided.



Annex B: Diploma lines and roll-out schedule

Diploma area	First teaching
IT	September 2008
Society, health and development	
Engineering	
Creative and media	
Construction and the built environment	
Land-based and the environmental sector	September 2009
Manufacturing and product design	
Hair and beauty studies	
Business administration and finance	
Hospitality	
Public sector	September 2010
Sport and leisure	
Retail	
Travel and tourism	





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